

## Briefing note

# Exploring the approach to setting fees and charges for taxi licensing

## Summary

This briefing note provides an overview of the legislative framework and methodology that has been adopted by the council in the calculation of the proposed fees and charges for administering the licensing service.

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## **1. Background**

- 1.1 Sections 53 and 70 of the Local Government (Miscellaneous Provisions) Act 1976 ('the act') allow the council to charge fees for the grant of licences in respect of hackney carriage and private hire drivers, vehicles and operators. The legislation specifies the elements that can be included in the calculation of the licence fees.
- 1.2 The council cannot make a profit from licence fees and there must be a carry forward of any surplus, but there can also be recovery of any deficit. The reconciliation of any surplus or deficit will take place over a three-year cycle.
- 1.3 Over the past three years the council's income from hackney carriage and private hire licence fees has averaged around £151,000. However, the average costs associated with this income has averaged £185,000, resulting in an average shortfall of around £34,000 each year.
- 1.4 For the current financial year ended 31 March 2023, the costs associated with this service are £269,000, with expected income of around £147,000, resulting in a cost to the council of around £122,000. This additional cost reflects changes needed in the overall resourcing of the team to maintain an efficient service. This shows that the full additional cost of resourcing the service has not been passed on to customers in the proposed fees.
- 1.5 If the new scale of fees are adopted from April 2023 as proposed, the additional income expected is around £45,000 a year, which will still result in an overall net cost to the council.

## **2. Methodology**

- 2.1 In calculating the fees and charges, officers have considered how much time is spent dealing with matters relating to each type of licence. This means that the charges reflect the actual resources being used by each licence type. There is also specific detail of the preparation and analysis of timesheets and calculation of the hourly rate.
- 2.2 This review has been undertaken following the corporate approach to setting fees and charges as outlined in our fees and charges policy: [West Suffolk Council Fees and Charges Policy](#). A key principle of the fees and charges policy is the user pays principle. (See also Appendix A)
- 2.3 In accordance with the council's fees and charges policy and generally accepted good practice, the methodology used in arriving at the hourly rates for this service includes an element of overheads that reflect the wider costs to the council. In addition to the staffing costs for the service, there are a number of other services that provide support to the Licensing team, for example Human Resources, Health and Safety, Finance, Digital and Customer Services, Legal services as well as the more corporate services such as the Committee and Policy teams. A proportion of the charges from each of these services has been factored into the non-pay rate in order to better reflect the overall cost of providing the service. This is consistent with the methodology applied corporately across the council.

- 2.4 Officers in finance and licensing have been involved in the drafting of the methodology and implementation.
- 2.5 Appendix B outlines a full breakdown of how the fees and charges have been calculated and what has been included.

### **3. Legal implications**

- 3.1 The Local Government (Miscellaneous Provisions) Act 1976 allows the council to charge for the grant of licences in respect of hackney carriage and private hire drivers, vehicles and operators. The fees must be set at a level which ensures that the council does not make a profit.
- 3.2 The council may, taking in to account any relevant case law, charge such fees for the granting of licences to cover the whole or part of the recoverable costs associated with the administration and compliance of licensing function.
- 3.3 Section 53(2) of the act states, in relation to drivers' licences for hackney carriage and private hire vehicles "Notwithstanding the provisions of the act of 1847 , a district council may demand and recover for the grant to any person of a licence to drive a hackney carriage, or a private hire vehicle, as the case may be, such a fee as they consider reasonable with a view to recovering the costs of issue and administration and may remit the whole or part of the fee in respect of a private hire vehicle in any case in which they think it appropriate to do so".
- 3.4 Section 70 of the act states; "...a district council may charge such fees for the grant of vehicle and operators' licences as may be resolved by them from time to time and as may be sufficient in the aggregate to cover in whole or in part:
  - a. the reasonable cost of the carrying out by or on behalf of the district council of inspections of hackney carriages and private hire vehicles for the purpose of determining whether any such licence should be granted or renewed
  - b. the reasonable cost of providing hackney carriage stands; and
  - c. any reasonable administrative or other costs in connection with the foregoing and with the control and supervision of hackney carriages and private hire vehicles."
- 3.5 In accordance with statutory requirements, the council is advertising publicly the methodology used with regards to how the fees and charges have been set and consulting with the trade on what is being proposed. Any objections received must be considered before the fees and charges can be reviewed and adopted by Cabinet later in the year. As part of this, the council is required to publish in a local newspaper the proposals for changes to the level of driver, vehicle and operator fees. Any objections or representations must be lodged within 28 days from the date of the publication and will be considered by the council.

## **Appendix A**

### **West Suffolk Council fees and charges policy**

#### **1. Introduction**

- 1.1 West Suffolk provides a wide range of services to its local communities; some of these services are paid for through Government grants, business rates and council tax but other services are provided through a fee or charge to the individual using the service or where West Suffolk Council acts as a contractor.
- 1.2 The nature of these fees and charges depends on whether they relate to statutory or discretionary services:
  - Statutory fees and charges – the level of charge is usually determined by Government, or locally with a statutory maximum fee.
  - Discretionary services – those that a council is authorised but not required to provide.

#### **2. Scope of policy**

- 2.1 This document excludes the setting and reviewing of the business rates and council tax charging structure, rents on commercial or residential properties, commissions, or those fees which are set nationally.

#### **3. Legal basis**

- 3.1 The legal basis for charging for council services is varied and the council complies with the specific powers and broader legal framework when considering the fees and charges it makes.
- 3.2 For some services, the law allows the council to charge specific fees, or requires the council to calculate the fee in specific ways. For example, there are regulations that determine how much the council is allowed to charge for planning applications; or that require that certain regulatory fees are based on a rolling three-year cost-recovery model.
- 3.3 There are other services which the council provides on a discretionary basis, in that it does not have a formal duty to provide the service. This includes services such as collecting waste from commercial premises and car parking. The law therefore allows the council greater scope to set its charges.

#### **4. West Suffolk principles for setting fees and charges**

- 4.1 Fees and charges are used by West Suffolk Council in order to deliver the council's strategic priorities and Medium Term Financial Strategy. They are also used to incentivise or disincentivise behaviours.
- 4.2 Within the legal framework, in considering whether a fee or charge is applicable, West Suffolk Council will have regard to the following principles:
- 4.3 Fees and charges may be applied:

- when the law allows
- when charging is in line with the council's strategic framework and Medium Term Financial Strategy
- for discretionary services (in line with the principle of 'user pays')
- for services provided through a Service Level Agreement
- when the receipt from charging outweighs the cost of administration.

4.4 Fees and charges will not be applied where their use would have significant negative consequences in terms of the council's duty to promote equality of opportunity and protect groups who share a protected characteristic.

4.5 Fees and charges will normally be calculated on a marginal or full cost and overheads-recovery basis, depending on the state of the market and any other influencing factors. In setting the level of fees and charges, West Suffolk Council will have regard to the following principles:

- The level of fee set by statute (where applicable), including considerations such as three-year rolling cost recovery requirements
- Recovery of costs and overheads
- Comparison with commercial offers
- Benchmarking with other councils
- Impact on behavioural change, including avoiding perverse incentives
- Considerations around pricing strategies and elasticity (for example, by setting fees too high, demand for the service may reduce. Equally setting fees too low may create unsustainable service demand)
- Implications for equality and diversity.

## **5. Process**

5.1 Fees and charges will be reviewed on an annual basis, unless agreed otherwise such as licensing fees that are set three-yearly and incorporated within the overall West Suffolk budget setting arrangements, taking into consideration any legislative consultations that may be required. Significant fluctuations in charges year-on-year should be avoided but may be inevitable if market conditions require this.

5.2 Market research, comparative data, management knowledge and any other relevant information, such as partnership or contractual relationships, will be used where appropriate to ensure that the charges are properly prepared.

5.3 Directors will make decisions on fees and charges and will be provided with the rationale used for the proposed price changes.

5.4 In some cases, if the assessment will determine that the fees to be introduced or the review of the charging structure has significant public or media interest, the proposals are to be discussed with the relevant portfolio holder.

5.5 The West Suffolk Council constitution also requires that if increases in charges payable by members of the community to provide a service or facility by more than five per cent then it will constitute a key decision, requiring us to advertise in advance (28 days) that we are going to make the decision.

5.6 If permitted charges are not to be reviewed annually (or within their review period), and will have a significant impact on the service, a report must be

provided to the Portfolio Holder within the budget setting process detailing the justification. This will need to include links to the corporate priorities, the financial implications and the details as to where the budget shortfall will be funded from.

- 5.7 Charges to commercial customers may be negotiated out of the set fee structure, so long as this does not result in detriment to West Suffolk Council.

## **6. Administration**

- 6.1 Each service will maintain a schedule of fees and charges that apply in its service area.
- 6.2 These fees and charges will be published on the West Suffolk website and at the point of sale where appropriate; these must be straightforward and easy to understand.
- 6.3 Contractual fees, of a commercially sensitive nature, will not be published.
- 6.4 Reasonable notice will be given to service users before new fees and charges are implemented; statutory requirements to inform or consult with service users will be complied with.
- 6.5 If any member of the public or business community believes that West Suffolk has acted in a way that is not in line with this policy, the comments, compliments and complaints process will be followed.

## **7. West Suffolk Council as a contractor**

- 7.1 West Suffolk will actively participate in bidding for service contracts, such as those through a Service Level Agreement, to provide services within the area; this may be either on a cost, plus margin or cost recovery basis.
- 7.2 Trading can be undertaken through the vehicle of a company on a profitmaking basis. A council can only trade in respect of functions that it does not have a duty in law to provide to the person with whom it trades. The preparation and approval of a business plan is required for trading under the 2003 act. The company need not be wholly owned by West Suffolk Council but could be a joint venture with a private partner.

## **8. Sponsorship**

- 8.1 Sponsorship is an agreement between the council and the sponsor, where the council receives either financial support or a benefit in kind for an event or campaign from another organisation which in turn gains publicity or other commercial benefits. West Suffolk Council welcomes the development of these constructive relationships with external organisations.
- 8.2 The Sponsorship Policy provides the framework for arranging such sponsorship agreements.

## **Appendix B**

### **Full breakdown of the calculation of fees and charges methodology**

On the following pages, there are tables showing a breakdown of how the fees have been calculated for drivers, operators and vehicles (hackney carriage and private hire).

In reviewing the tables and calculations, please take note of the following:

#### **Salary costs**

The hourly rate is based on the band of employee that carries out the task and multiplied by the length of time taken. This covers basic pay, employers National Insurance and employers pension costs.

Within the tables below which outline the tasks required to be undertaken for each type of licence, in calculating the fees, consideration is given to whether this is a task undertaken by a Licensing Officer or a Technical Support Officer. This is because there is a higher rate of pay for Licensing Officers who are Band 5 members of staff, compared to Technical Support Officers who are Band 4 members of staff.

A standard charge is also included to cover any management time that oversees the service area. This is shown in the tables as 'Charge to cover employee time and management overheads'.

#### **Non-pay expenditure**

As referenced in paragraph 2.3 above, in addition to the salary costs, the council needs to ensure that it also recovers the non-pay costs that it incurs. These reflect the principle that there is a wider set of services that support the licensing team as previously mentioned. Non-pay includes internal support service recharges which are spread over every service area within the council budget and covers all the support services including Digital and Customer Services, Human Resources and Finance.

The overall non-salary expenditure budget is taken into consideration to calculate an hourly rate of how much the service costs to run and to ensure that these costs are also included in the calculation. This non pay hourly rate is then added to the salary rate for a total rate.

This is what 'Overheads and non-pay expenditure including support services' refers to in the tables.

#### **Other points of note relating to the information required in the tables**

- Engagement with stakeholders means, for example, working with the Police and other local authorities upon receipt of applications to obtain additional information if required.
- References to Assure relate to the licensing database.
- With regards to the fees for HCV and operators, there is a charge included for travel time. There is a charge of 15 minutes travel time listed under HCV fees



and this is travel time required for checking the ranks (set at this time because it is likely that these checks would be undertaken whilst doing other visits in the area). However, the travel time linked to operators is charged at 30 minutes because it is likely that there would be a need for an appointment to do a specific visit.

## Drivers

Task	Hours (1 year)	Hours (3 years)
Converting and merging documents - 12 minutes - Band 4	0.2	0.2
Verification for example, DBS check, DVLA, NR3 and acknowledgement of paperwork – 30 minutes - Band 4	0.50	0.50
Load on to Assure: 12 minutes - Band 4	0.20	0.20
Process and issue licence and final validation– 15 minutes - Band 5	0.25	0.25
Print badge and licence and arrange appointment for collection - 5 minutes - Band 4	0.08	0.08
Licence collection appointment and document validation - 15 minutes - Band 4	0.25	0.25
6 monthly DBS checks – 10 minutes per check - Band 4	0.17	1.00
6 monthly DVLA checks - 10 minutes per check - Band 4	0.17	1.00
Writing decision report (such as when something has to be considered outside of policy) – 1 hour - Band 5	0.02	0.05
Engagement with other authorities and stakeholders - 20 minutes - Band 5	0.33	0.33
Committee hearings considering applications including preparation - Band 5 - 1.5 hours	0.01	0.04
Total hours Band 4	1.57	3.23
Total hours Band 5	0.61	0.67
<b>Total hours per licence</b>	<b>2.18</b>	<b>3.90</b>
Cost to cover Band 4 time	£47.29	£97.28
Cost to cover Band 5 time	£22.20	£24.46
Charge to cover employee time and management overheads	£69.49	£121.74
<b>Overheads or non-pay expenditure including support services</b>		
Non-pay cost for 1 year per licence	£104.26	
Non-pay cost for 3 year per licence		£186.58
<b>Total cost to provide Licence for 1 year (rounded to nearest £)</b>	<b>£174</b>	
<b>Total cost to provide Licence for 3 years (rounded to nearest £)</b>		<b>£308</b>



## Operators

Task	Hours (1 year)	Hours (5 years)
Converting and merging documents - 10 minutes - Band 4	0.17	0.17
Verification for example, DBS check, DVLA, Companies House and acknowledgement of paperwork – 30 minutes - Band 4	0.50	0.50
Process and issue licence and final validation– 15 minutes - Band 5	0.25	0.25
Annual DBS checks – 10 minutes per year - Band 4	0.17	0.83
Travel –30 minutes	0.50	2.50
Inspection of premises and completing report – 90 minutes per year - Band 5	1.50	7.50
Decision report – 1 hour - Band 5	0.03	0.14
Engagement with other authorities/stakeholders - 20 minutes - Band 5	0.33	1.65
Committee hearings considering applications including preparation - Band 5 - 1.5 hours	0.03	0.14
Staff time at Band 4	0.84	1.50
Staff time at Band 5	2.63	12.17
<b>Total staff hours</b>	<b>3.47</b>	<b>13.67</b>
Employee cost at Band 4	£25.21	£45.27
Employee cost at Band 5	£95.68	£442.07
Charge to cover employee time and management overheads	£120.89	£487.33
<b>Overheads or non-pay expenditure including support services</b>		
Non-pay cost for 1 year per licence	£13.16	
Non-pay cost for 5 year per licence		£51.82
<b>Total cost to provide Licence for 1 year (rounded to the nearest £)</b>	<b>£134</b>	
<b>Total cost to provide Licence for 5 years (rounded to the nearest £)</b>		<b>£539</b>

## Hackney carriage vehicle fees

Task	Hours (1 year)
Converting and merging documents - 10 minutes - Band 4	0.17
Verification for example, MOT, V5, DVLA and acknowledgement of paperwork – 15 minutes - Band 4	0.25
Load on to Assure: 15 minutes - Band 4	0.25
Process and issue licence & Final Validation – 10 minutes - Band 5	0.17
Print plate and licence and arrange appointment for collection - 10 minutes - Band 4	0.17
Plate and licence collection appointment - 5 minutes - Band 4	0.08
6 monthly checks e.g., taxi tests, MOTs, Insurance – 20 minutes - Band 4	0.33
Weekly taxi rank inspections (all 4 ranks) - Band 5	0.33
Updating Assure with reports after vehicle inspection and following up any non-compliances - 15 minutes- Band 5	0.25
Travel - 15 minutes - Band 5	0.25
Engagement with other authorities/stakeholders - 20 minutes - Band 5	0.33
Staff Hours Band 4	1.25
Staff Hours Band 5	1.33
<b>Total hours</b>	<b>2.58</b>
Employee cost at Band 4	£37.55
Employee cost at Band 5	£48.31
Charge to cover employee time and management overheads	£85.86
<b>Overheads or non-pay expenditure including support services</b>	
Non-pay cost for 1 year per licence	£123.16
<b>Total cost to provide Licence for 1 year (rounded to the nearest £)</b>	<b>£209</b>

## Private hire vehicle fees

Task	Hours (1 year)
Converting and merging documents - 10 minutes - Band 4	0.17
Validation and acknowledgement of paperwork – 15 minutes - Band 4	0.25
Load on to Assure: 15 minutes - Band 4	0.25
Process and issue licence and final verification– 10 minutes - Band 5	0.17
Print plate and licence and arrange appointment for collection - 10 minutes - Band 4	0.17
Plate and licence collection appointment - 5 minutes - Band 4	0.08
6 monthly checks for example taxi tests, MOTs, insurance – 20 minutes - Band 4	0.33
Vehicle inspections - 20 minutes - Band 5	0.33
Update Assure with report and follow up any non-compliances - 15 minutes - Band 5	0.25
Engagement with other authorities and stakeholders - 20 minutes - Band 5	0.33
Staff hours Band 4	1.25
Staff hours Band 5	1.08
<b>Total hours</b>	<b>2.33</b>
Employee cost at Band 4	£37.55
Employee cost at Band 5	£39.23
Charge to cover employee time and management overheads	£76.78
<b>Overheads or non-pay expenditure including support services</b>	
Non-pay cost for 1 year per licence	£111.21
<b>Total cost to provide licence for 1 year (rounded to the nearest £)</b>	<b>£188</b>