

## **Taxi Fee Setting Methodology**

### **Introduction**

The Council has completed an exercise to create a framework for setting taxi-related fees.

The purpose of this framework is to calculate fees to ensure that the reasonable costs associated with providing the taxi licensing service can be recovered. The framework also ensures that any surplus or deficit within each regime is taken into account when setting fees for subsequent years.

### **Division of Accounts**

To prevent cross-subsidisation between various categories of licence and to ensure that any surplus or deficit remains specific to each category of licence, it is necessary to divide the taxi licensing account into 'regimes'.

There appears to be no guidance or best practice to assist local authorities with how to define regimes. It is left to licensing authorities to determine how best to define the regimes for the purpose of accounting for and consequently levying licensing fees. That discretion afforded to licensing authorities is subject to challenge under established public law principles. That is, the council will have to demonstrate that its approach is not irrational, that it is adopted through a procedurally fair process, and that it is not otherwise unlawful.

The council has defined the following four regimes:

- Hackney Carriage and Private Hire Drivers
- Hackney Carriage Vehicles
- Private Hire Vehicles
- Private Hire Operators

Consideration was given on creating individual regimes for each type of driver. Logistically, this would prove difficult to implement as the council has accounted for all drivers collectively for a number of years. This has allowed the council to offer a combined driver licence which allows the holder to drive any type of vehicle interchangeably. Individual driver accounts would mean that the combined licence would need to be discontinued which would be to the disadvantage of drivers. There are also similarities between the driver application processes with, for example, the 'fit and proper' test (DBS checks, medicals) being common to hackney carriage drivers and private hire drivers.

Individual regimes have been allocated to hackney carriages, private hire vehicles and private hire operators. Unlike with drivers, there are clear differences between each of these regimes, specifically with application processes but also with the provisions that allow the recovery of specific costs. For example, hackney carriage fees can include the cost of inspecting and enforcing issues which are specific to the hackney carriage regime (e.g. taximeter issues, taxi stands etc.).

## **Calculations**

An Excel spreadsheet is used to calculate fees based on the expenditure and income from the latest completed fiscal year. The spreadsheet contains a number of worksheets which each have a distinct purpose;

### Trading Account

This worksheet contains a detailed overview of the taxi licensing account. The main table contains all of the taxi-related income and expenditure and shows the final balance for the account. In the general ledger, this final balance will be carried forward as an earmarked reserve to allow fees to be varied in later years taking this surplus or deficit into consideration.

The smaller table contains the trading account summary for each regime. These surpluses and deficits will be used to adjust the fees in subsequent years. This summary also includes the balances carried forward from previous years.

### General Costs

General Costs are those that are applicable to all taxi-related licences. The purpose of this worksheet is to allocate these general costs to an officer's hourly rate. When the officer's hours are allocated to licence activities the general costs are allocated accordingly.

To achieve this allocation, the 'Recharges' and 'General costs' are divided by the total number of taxi licensing hours to create a 'cost per hour'. The 'cost per hour' is multiplied by the total hours for each officer and then added to each officer's salary to create a salary with on-costs. This total is then divided by the officer's total hours to create an hourly rate for each officer.

As the officer's hours are allocated in the remaining worksheets, the hourly rate ensures that all the recharges and general costs are allocated across the regimes.

### Specific Costs

There is a worksheet for each regime which contains the 'specific costs' for that regime. Specific costs are those which can be allocated directly to the regime.

The first part of this worksheet details the work that is carried out by the team that is not directly related to an application process but that still needs to be recovered from licence fees. This would include work such as enforcement activities which is applicable to both of the vehicle regimes or processing requests for hackney tariff variations which is applicable to the hackney carriage vehicle regime.

'General non-specific activities' is work that is applicable to all licence types. The table below gives a number of examples of this type of work and while this list is not exhaustive it gives you an idea of the breadth of the activities in this category.

The Council does not see any value in separating this list of activities and guessing how much time is spent on each activity. This would be an overly burdensome process that is not necessary when you consider that this work is to be allocated to all licence types.

Therefore, this remaining time is allocated based on the number of relevant applications in each regime.

*Examples of general activities not directly related to the application process:*

<b>Meetings</b>	<b>Staff Development</b>	<b>IT Systems</b>
Team meetings	Training courses	Updates
Working groups	Research	Testing
Performance reviews	Reading updates via written materials/bulletins etc.	System development
Appraisals		Training
1-2-1s		Housekeeping
Ad hoc discussions	<b>Finance</b>	Procedures
Conferences	Budget control	Fault reporting/investigating
Travel time	Purchasing	
Preparation	Income reconciliation	
Follow up tasks	Closure of accounts	
	Fee setting/calculations	

The Specific Costs table contains expenditure which is directly related to this regime.

The total costs from the above tables are added together and divided by the number of relevant applications to create the total specific costs per application per year.

In relation to fees for licences with a duration of more than one year (drivers and operators), there is an asterisk next to all of the specific costs that should be multiplied and added for each additional year.

### Application Processes

There is a worksheet for each application process. These are used to calculate the cost of each application based on the amount of officer time it takes to carry out the relevant activities.

The amount of time spent on an activity is recorded in increments of a single minute although it is possible to record processes of any amount by entering the decimal value. For example, entering 0.25 would equate to 15 seconds.

The 'Total Officer Process Costs' is added to the 'Total Specific Costs' to calculate the total estimated cost of a 1 year licence.

This estimated fee is then adjusted to take into account any previous surplus of deficit. This adjustment is not shown in the spreadsheet but will be detailed in the reports to Licensing Committee when varying fees.

To simplify the calculations, vehicle costs have been applied to grants and renewals equally as the extra time involved when processing a grant is negligible and therefore not of material significance.

However, the additional cost of a front plate and decals for a new vehicle is of significance and has resulted in a different fee. The cells C51 (HCV Fee) and C55 (PHV Fee) of the 2016-17 spreadsheet contain text that explains the differences between the costs of plates and decals for a grant and renewal.

## Summary Worksheet

The summary worksheet shows the total number of hours estimated for each regime. The first table is used to ensure all hours are used so that the relevant costs can be recovered.

The expenditure and income for each regime is then summarised to show the surplus or deficit for that regime (these summaries are also shown in the 'trading account' worksheet).