



DERBY CITY COUNCIL

TAXI LICENSING AND APPEALS COMMITTEE 15 February 2006

Report of the Director of Environmental Services

PRIVATE HIRE OPERATORS LICENCE FEES

RECOMMENDATION

1. To consider the options for calculating operators licence fees and to approve one of the methodologies with or without amendment.

SUPPORTING INFORMATION

- 2.1 At its last meeting on 21 December 2005, this Committee considered the taxi licensing fees and charges for 2006/2007. All of the proposed fees were approved, with the exception of Operators licence fees, for which a further report was requested to consider alternative ways of calculating licence fees.
- 2.2 The taxi licensing fees and charges are based on a cost apportionment exercise. This exercise identified that £24,621 is recoverable from Operators licence fees in 2006/2007. This amount would need to be recovered regardless of the methodology used.
- 2.3 Essentially there are four approaches used by licensing authorities to calculate operators fees:
 - 'flat rate' charge – a fixed fee paid by all Operators irrespective of the number of vehicles the operator is licensed for.
 - 'per vehicle' charge – ie a set amount per vehicle licensed. This is the approach currently used by this authority.
 - 'flat rate plus vehicle charge' – a fixed fee per company, plus an amount for each vehicle (ie an amalgamation of 1 and 2).
 - 'Banding' – where operators fall into a band depending upon the number of vehicles licensed for, and each band has a fixed fee.

The advantages and disadvantages of each approach are set out in Appendix 2.

- 2.4 The 'flat rate' and 'per vehicle' approaches are easy to calculate as they are derived by dividing the total cost (£24,621) by either the number of Operators (flat rate) or by the total number of vehicles licensed by Operators (per vehicle). For 2006/2007, the fees using these methods would be £448 (flat rate) or £43 per vehicle ('per vehicle').

- 2.5 The other two approaches ('flat rate plus per vehicle' and 'banding') are more difficult to calculate because there are a number of variables that can be adjusted. For example, with 'flat rate plus per vehicle' the 'fixed' part of the calculation could be set anywhere between £1 and (say) £300, the 'per vehicle' charge would then vary accordingly. With 'banding' the situation is even more complex as the size of each band and the cost per band, have to be set and each can vary significantly. However, in both cases the target income remains at £24,621. Examples of how these approaches could work are set out in Appendix 3.
- 2.6 Although ease of calculation is a factor in deciding which approach to adopt, the main considerations are for the approach to be fair to licence fee payers and to be financially robust.
- 2.7 In preparing this report the Taxi Licensing Section contacted a number of local authorities within Derby's benchmarking 'group' (ie unitary authorities of a similar size). Replies were received from eight authorities; two have a 'fixed rate', three have 'fixed rate plus per vehicle' and three have a 'banding' system. However, even where the approach used was the same, the way they were calculated was different in all cases and it is clear that there is no standard methodology used.

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Background papers:	None
List of Appendices:	Appendix 1 Implications Appendix 2 Advantages & Disadvantages Appendix 3 Examples of Calculation Methods

IMPLICATIONS

Financial

1. The fee levels must be set to recover the full cost of providing the service.

Legal

- 2.1 Any person aggrieved by the fees set, may seek a Judicial Review of the process.
- 2.2 If the Council resolve to change the fee levels, it must advertise the proposed changes and consider any objections received.

Personnel

3. None

Equalities impact

4. The methodology used to calculate fee levels must be fair to all licence holders.

Corporate objectives and priorities for change

5. This matter contributes to the Council's objective of **providing a prosperous, vibrant and successful economy.**

**ADVANTAGES AND DISADVANTAGES
OF THE FOUR APPROACHES USED BY LICENSING AUTHORITIES
TO CALCULATE OPERATORS FEES**

	Method	Advantages	Disadvantages
1	Flat rate	<ul style="list-style-type: none"> • Easy to calculate • Easily understood by the trade • No additional cost for varying number of vehicles 	<ul style="list-style-type: none"> • Unfair to one-vehicle Operators, who would pay the same amount as 100+ vehicle Operators. • Difficult to justify this approach on the grounds of time/cost, particularly if challenged.
2.	Per Vehicle	<ul style="list-style-type: none"> • Easy to calculate • Easily understood by the trade • Allows variations in Operator's vehicle numbers on a 'per vehicle' basis 	<ul style="list-style-type: none"> • Where Operators have large fleets, the amount they pay may be disproportionate to the time/cost.
3.	Flat Rate plus Per vehicle	Removes some of the perceived 'unfairness' (imbalance between 'large' and 'small' operators).	<ul style="list-style-type: none"> • More difficult to calculate • Less easily understood by the trade • 'Small' Operators may feel aggrieved at a perceived subsidising of large companies
4.	Banding	Can be set to remove some of the perceived unfairness (imbalance)	<ul style="list-style-type: none"> • Difficult to calculate because there is no set formula • More complex budget calculations • May be perceived as unfair by those who fall into a higher band by a small margin – this could prevent Operators from increasing the size of their fleets.

EXAMPLES OF CALCULATION METHODS

Note: Amount recoverable from fees = £24,621 (2006/2007)

		Cost to Operator																																		
		1 car	40 cars	150 cars																																
		£	£	£																																
1.	Flat Rate	448	448	448																																
2.	Per Vehicle (method currently used)	43	1,720	6,450																																
3.	Flat Rate + Per Vehicle Example 1: If the flat rate was set at £100, the per vehicle charge would be £34 Example 2: If the flat rate was set at £50, the per vehicle charge would be £38	134 88	1,460 1,570	5,200 5,750																																
4.	Banding Example: <table><tr><th>Number of vehicles</th><th>Number of Operators</th><th>Cost £</th><th>Total Income £</th></tr><tr><td>1</td><td>37</td><td>100</td><td>3,000</td></tr><tr><td>2-10</td><td>7</td><td>200</td><td>1,400</td></tr><tr><td>11-30</td><td>3</td><td>500</td><td>1,500</td></tr><tr><td>31-50</td><td>5</td><td>1,000</td><td>5,000</td></tr><tr><td>51-100</td><td>1</td><td>3,000</td><td>3,000</td></tr><tr><td>>100</td><td>2</td><td>5,000</td><td>10,000</td></tr><tr><td></td><td></td><td>Total</td><td>£24,600</td></tr></table>	Number of vehicles	Number of Operators	Cost £	Total Income £	1	37	100	3,000	2-10	7	200	1,400	11-30	3	500	1,500	31-50	5	1,000	5,000	51-100	1	3,000	3,000	>100	2	5,000	10,000			Total	£24,600	100	1,000	5,000
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