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## Proposed hackney carriage fare tariff review

### Report summary:

The Licensing & Enforcement Committee are asked to consider authorising a full review of both East Devon District Council's hackney carriage table of fares and the procedure used by the Council to calculate and set the table of fares.

This report outlines the next steps to be taken were a full fare review agreed and includes a proposal to carry out a fact-finding survey of the East Devon taxi trade to assist with outlining a set procedure for calculating the cost of running a taxi in the district and determining an appropriate table of fares.

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

That the Licensing & Enforcement Committee determine whether a full review of both the East Devon hackney carriage fare tariff and the procedure used by the Council to calculate and set the table of fares is appropriate.

That the Licensing & Enforcement Committee consider whether to authorise the launch of a fact-finding survey, to ask East Devon hackney carriage drivers and proprietors for information about the costs of running a taxi in the district.

That the Licensing & Enforcement Committee consider whether a review of the procedure used to calculate fares can be undertaken, based upon the methodology and fare setting calculator developed by Guildford Borough Council, adjusted for local considerations.

### Reason for recommendation:

To enable the taxi trade within East Devon to continue to operate economically whilst still maintaining an efficient, safe and cost-effective service for service users.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy

- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities
- Culture, Leisure, Sport and Tourism

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk

### Links to background information

1. [Local Government \(Miscellaneous Provisions\) Act 1976 \(legislation.gov.uk\)](https://www.legislation.gov.uk)
2. [link-magazine-issue-8-fv.pdf \(instituteoflicensing.org\)](https://www.instituteoflicensing.org)
3. [National Minimum Wage and National Living Wage rates - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
4. [Taxi and private hire vehicle licensing best practice guidance for licensing authorities in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

### Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

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### Report in full

#### 1. Current table of maximum fares – tariffs and charges

- 1.1. The Licensing & Enforcement Committee are asked to consider authorising a full review of East Devon District Council's hackney carriage table of maximum fares.
- 1.2. Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permits District Council's to set a fare tariff for hackney carriages licensed within the district and East Devon District Council, in common with most other Councils, have used this power for many years.
- 1.3. One of the roles of the Licensing & Enforcement Committee, under Section 2.5.5.(c) of East Devon District Council's Constitution, is to consider and determine amendments to the hackney carriage fare tariff.
- 1.4. East Devon's current hackney carriage fare table is attached at **APPENDIX A** of this report and sets out the maximum costs and fares that drivers may charge the public for journeys taken in a taxi. Although the maximum fares cannot be exceeded, it is possible to charge lower than the metered fare at the driver's discretion.
- 1.5. The current taxi fare tariff sets out the maximum fares that can be charged on the Weekday Daytime Rate (Tariff 1), Evening, Night & Sunday rate (Tariff 2) and Bank Holiday, Christmas and New Year rate (Tariff 3).

- 1.6. The current fare tariff table came into effect from the 7<sup>th</sup> December 2022 following the Licensing & Enforcement Committee's resolution, on that date, to adopt the fare tariff table with immediate effect.
- 1.7. That decision was made following a request from hackney carriage drivers and proprietors for a fare increase followed by a full consultation with the East Devon taxi trade and gave effect to a 15% increase to Tariff 1 and a 20% increase to both Tariffs 2 and 3.
- 1.8. At the Committee meeting on the 7<sup>th</sup> December 2022 it was noted that the taxi trade in East Devon had, at that time, received three fare increases within two years. It was resolved that any further requests for increasing the hackney carriage fare tariff were to be made on an annual basis to allow for a period of twelve months prior to considering any further request for a review.

## **2. Request from the East Devon taxi trade for consideration to be given to a fare increase**

- 2.1. A period of more than twelve months has now elapsed since the last fare tariff review and several requests have been received from the taxi trade asking that consideration be given to a further fare rise.
- 2.2. The reasons they have stated are that an increase to the National Minimum Wage will be coming into effect from the 1<sup>st</sup> April 2024 and that the costs of running a taxi have increased since the last fare review.
- 2.3. A request has also been received from the taxi trade asking that any potential fare rise be considered with due regard to the "Guildford Method".
- 2.4. The Licensing Manager and Licensing Officer attended the East Devon Taxi Association meeting on the 12<sup>th</sup> December 2023 where taxi fares were amongst the topics discussed. This is a trade association meeting open to all East Devon licensed hackney carriage drivers and proprietors and the Licensing Team are an invited attendee.
- 2.5. The consensus of the 11 taxi trade members present at the meeting was that a fare rise was necessary and, after the Licensing Manager and Officer left the meeting, it is understood that a vote was taken to determine whether a formal request for a fare increase should be made.
- 2.6. It is understood that following the vote, the Taxi Association agreed to request a fare increase of 15% and the minutes of the East Devon Taxi Association meeting on the 12<sup>th</sup> December 2023 state that:  
  
*"A meter increase was also discussed and put to a vote. Suggested was 5, 10, 15 and 20% with members voting for a meter increase of 15% along with a yearly review on fares to be put to EDDC".*
- 2.7. The trade association's request is therefore put to the Licensing & Enforcement Committee for consideration. The Committee are asked to consider whether a fare review is appropriate at this time and how any review should be conducted.
- 2.8. To assist the Licensing & Enforcement Committee in deciding whether a fare review is appropriate at this time, a comparison of the current hackney carriage fares charged by surrounding Licensing Authorities for a 2-mile journey (compiled using statistics taken from the Private Hire & Taxi Monthly magazine) is included at **APPENDIX B** of this

report. Committee members are asked to note that, it isn't appropriate to consider a fare review based solely on the position of one Council in comparison to others as authorities differ in size, geography and make-up. Cost factors (such as dead mileage for example) may differ greatly between districts.

- 2.9. In addition, a Fuel Price Analysis table (which has been compiled using AA fuel price reports) showing monthly average fuel costs since the last fare rise is included at **APPENDIX C**. Committee members are asked to note that fuel is only one of the cost considerations relevant to the setting of hackney carriage fares.

### **3. Proposal to implement a procedure for calculating hackney carriage fares in East Devon**

- 3.1. Since the East Devon Taxi Association meeting on the 12<sup>th</sup> December 2023, Officers have given consideration to both the request for a fare rise and the request for the fare rise to be calculated in accordance with the "Guildford Method".
- 3.2. These requests have been considered with due regard to the guidance relating to taxi fare rates contained in the Department for Transport's "Taxi and Private Hire Vehicle Licensing Best Practice Guidance for Licensing Authorities in England" (hereafter referred to as the Best Practice Guidance) which was last updated on the 17<sup>th</sup> November 2023.
- 3.3. The Best Practice Guidance can be viewed through link number 4 in the "links to background information" section of this report and states the following in relation to the setting of taxi fares:

*Maximum fare rates should be designed with a view to practicality and reviewed regularly, including any variability of the fare rates dependent on time of day or day of the week. Authorities should consider adopting a simple formula for deciding on fare changes as this will increase understanding and improve the transparency of the process for passengers. The Department recommends that in reviewing fare rates, authorities should pay particular regard to the needs of the travelling public, with reference both to what it is reasonable to expect people to pay but also to the need to give taxi drivers the ability to earn a sufficient income and so incentivise them to provide a service when it is needed. There is likely to be a case for higher fare tariffs at times of higher demand to encourage more drivers to make themselves available or when the journeys are required at anti-social times.*

*To ensure that taxi tariffs reflect the costs of the trade they should be reviewed following significant changes in licensing fees and other major costs such as fuel. Regular reviews will assist drivers in maintaining their earnings and so continue to attract those seeking to become taxi drivers and provide existing licensed drivers with greater confidence to remain in the trade and plan for future investment in new vehicles. Regular reviews will also avoid large changes in fares for passengers that infrequent reviews are more likely to result in.*

*The Competition and Markets Authority recognised in its 2017 report the need for licensing authorities to be responsive to patterns of demand, that they:*

*"should monitor waiting times and consider adjusting the regulated fare cap to address mismatches between supply and demand. Addressing such mismatches is likely to benefit passengers".*

(Taxi and Private Hire Vehicle Licensing Best Practice Guidance for Licensing Authorities in England)

- 3.4. Having given consideration to this guidance and in particular the section which states that "*authorities should consider adopting a simple formula for deciding on fare changes*", the Committee is asked to consider whether a more robust procedure for

calculating fares for hackney carriages can be put into place, based on a tried and tested method (and judicially reviewed with success) established by Guildford Borough Council (hereafter referred to as the “Guildford Method”).

- 3.5. This would provide the Licensing & Enforcement Committee with a clear and transparent method of reviewing the fare tariff table before considering any fare rise to ensure that any change to the fare would still meet the needs of the travelling public while also providing a sufficient income for taxi drivers.
- 3.6. The most recent fare reviews carried out by East Devon District Council have been calculated by increasing the table of maximum fares in line with the following considerations:
  - 3.6.1. Inflation – using information from the Office of National Statistics on the Consumer Prices Index and consumer price inflation rates.
  - 3.6.2. Fare comparison - using the National Taxi Tariff League Table published in the Private Hire and Taxi Monthly (PHTM) magazine.
  - 3.6.3. Trade Consultation.
  - 3.6.4. Trade Costs – using information provided by the East Devon Taxi Association, the Chair of the Taxi Association and local proprietors.
- 3.7. While this has offered an appropriate way of calculating fares in the past, the updated Best Practice Guidance and the request from the taxi trade for consideration to be given to the Guildford Method indicate that this may be an appropriate time to consider putting into place a clear and transparent procedure to set out how fares will be calculated by the Council.
- 3.8. It is therefore proposed that a Fare Setting Procedure be set out, based upon the fare setting guidance, methodology and fare calculator produced by Guildford Borough Council, adjusted to reflect local circumstances.
- 3.9. East Devon District Council would like to extend their thanks to Guildford Borough Council for agreeing to share their hackney carriage fare setting procedure with other local authorities.
- 3.10. Guildford Borough Council have set out a clear process to be used when calculating taxi fare tariffs and other fare table charges. An article titled “*A National Formula for Setting Hackney Carriage Fares*” written by the Licensing Team Leader of Guildford Borough Council and featured in Edition 8 of the Institute of Licensing’s Link magazine (dated Autumn 2020) gives an outline of their fare setting process and an overview of the formula used. This article can be viewed using link number 2 in the “links to background information” section of this report.
- 3.11. The Guildford Method includes a methodology (which sets out a process for determining and calculating relevant cost factors), a fare calculator (an excel spreadsheet which contains the formula for calculating the fares) and a fare table template.
- 3.12. The methodology takes into account the costs of running a licensed vehicle together with a salary for the driver to enable fares to be calculated at a rate which will allow drivers to cover costs and earn an average salary over time (based on the average mileage).

- 3.13. If a similar procedure were to be used by East Devon District Council, the methodology would require the Council to go to considerable lengths to try and ascertain all relevant factors and correct cost estimates for running a taxi in the district.
- 3.14. It is acknowledged that the total running costs associated with operating a taxi in East Devon may vary substantially to those associated with operating a taxi in Guildford and, were the Committee to agree to proceed with a similar methodology, the first step proposed would be to launch a fact-finding survey of the East Devon taxi trade to ascertain both the relevant factors involved in running a taxi in East Devon and an estimated cost for each factor.
- 3.15. It is acknowledged that it is not possible to calculate an exact cost of running a taxi in East Devon as many of the contributing costs are variable and will also be different for each driver. It is therefore intended to use the methodology set out by Guildford Borough Council together with information from the trade, data held by East Devon District Council, data from national statistics and data from other appropriate information sources to inform the locally adjusted calculations to be used in the Fare Setting Procedure.
- 3.16. In determining the relevant factors to be included in the procedure, consideration must be given to the fact that taxi proprietors often have differing business practices. It is accepted that running costs may vary between businesses and it is not intended to compensate some proprietors for bad business practice or for figures that differ greatly from the average.
- 3.17. When each salary, mileage and cost factor has been calculated, it is proposed to input these calculations into a "taxi fares calculator" included within the Fare Setting Procedure (and based on the fare calculator devised by Guildford Borough Council) to create a revised table of maximum fares.
- 3.18. It is hoped that the considerable work and time required to determine the methodology to be used in the Fare Setting Procedure and calculate the estimated cost figures would in turn provide a robust and transparent formula for future use when conducting fare reviews.
- 3.19. It is intended that once in place, the Fare Setting Procedure will enable the Council to carry out an annual review of the East Devon hackney carriage table of maximum fares. The taxi fares calculator included within the procedure would allow the inputted values to be adjusted as appropriate giving a less time consuming and less costly process for reviewing fares.
- 3.20. It is acknowledged that regular fare reviews assist drivers in maintaining their earnings and avoid sudden larger changes in fares for passengers. The taxi trade in East Devon have indicated through the East Devon Taxi Association that they are very much in support of yearly fare reviews going forward.

#### **4. Update following East Devon Taxi Association meeting on 27<sup>th</sup> February 2024**

- 4.1. On the 27<sup>th</sup> February 2024 the Licensing Manager and Licensing Officer attended a further meeting of the East Devon Taxi Association and gave an update regarding the association's request for a fare rise.
- 4.2. Officers advised the taxi association that a report would be taken to the Licensing & Enforcement Committee on the 13<sup>th</sup> March 2024 requesting permission to carry out a

full fare review using a more robust method of calculating fares for hackney carriages based on the Guildford Method.

- 4.3. It was acknowledged by the Officers present that the proposal to introduce a more robust method of calculating fares would involve a considerable amount of work and that time would be required to set up the methodology and calculate the estimated cost figures which would require full participation from the taxi trade in completing a fact-finding costs survey.
- 4.4. While the taxi drivers and proprietors present at the meeting understood the need for a simple formula to be adopted for calculating fares and could see the future benefits of this, they expressed their concerns regarding the ongoing cost of living crisis and the upcoming increase to minimum wage and were concerned about the timescales required for a full review of the hackney carriage fares and the loss of income they would face in the interim period.
- 4.5. Officers were asked by East Devon Taxi Association to pass on their concerns to the Licensing & Enforcement Committee and these are summarised as follows:
  - 4.5.1. East Devon Taxi Association reminded Officers that a request for a fare rise of 15% had been made following a vote at the Association's meeting on the 12<sup>th</sup> December 2023 and explained that since the last fare rise in 2022, costs had been consistently rising. The following costs were specifically mentioned:
    - 4.5.1.1. A rise in the National Minimum Wage and National Living Wage that is due to take effect on the 1<sup>st</sup> April 2024 (further details of the increase can be viewed using the link number 3 in the "links to background information" section of this report).
    - 4.5.1.2. An increase in road tax (this was quoted as being a 6% increase).
    - 4.5.1.3. An increase in office costs and system software fees (this was quoted as being a 10% increase).
    - 4.5.1.4. An increase in the hourly rate charged by local mechanics and garages (this was quoted as being a 20% increase)
    - 4.5.1.5. An increase in the cost of vehicle parts required for repairs. It was also mentioned that as vehicles are becoming increasingly more complex, so too are the repairs, parts and works required to maintain them.
    - 4.5.1.6. An increase in insurance costs (this was quoted as being between an 11% and 40% increase).
    - 4.5.1.7. An increase in the price of used cars (this was quoted as having gone from approximately £12/13,000 to purchase a suitable second-hand car in 2019 to £18/20,000 to purchase a similar second-hand car in 2024).
    - 4.5.1.8. An increase in fuel (this was quoted as having gone up by 3p in the last month).
    - 4.5.1.9. An increase in the number of tyres requiring replacement each year due to potholes and ruts in the road.

- 4.6. The Licensing & Enforcement Committee are reminded that while a fare rise has been requested by the East Devon Taxi Association, the East Devon taxi trade has not been consulted as a whole to determine whether they consider a fare review necessary.
- 4.7. All hackney carriage drivers and proprietors in East Devon are invited to the East Devon Taxi Association meetings and the Licensing Authority assist the association with sending invitations to the meetings. However, it is mainly representatives from the Exmouth and Honiton areas of the district who attend these meetings and representation from other areas of the district is poor.

## **5. Timescales and next steps**

- 5.1. If the Licensing & Enforcement Committee are in agreement, it is proposed to launch a survey - relating to the cost of running a taxi in East Devon and for completion by East Devon hackney carriage drivers and proprietors - around the start of April 2024.
- 5.2. The survey would be published online to allow an easy and cost-free way for the taxi trade to participate. Information about the survey and fare review would be sent to the taxi trade by email. Alternative ways to respond would be provided upon request.
- 5.3. A draft of the survey is included at **APPENDIX D** of this report and sets out the type of questions that would be asked of the trade. This draft would be adapted to best suit an online survey that captures all data required.
- 5.4. The survey would detail the salary, mileage, and cost factors the Council intend to use to populate the fare calculator and would include an explanation as to how it is intended to calculate each cost figure together with a request for feedback.
- 5.5. It is recognised that members of the taxi trade are best placed to inform these calculations and full participation would be encouraged. Participants would be asked to provide feedback, information and supporting evidence in relation to each cost factor calculation and consider any costs that had not been included.
- 5.6. Some of the factors included within the survey (such as dead-mileage and garage costs) are very difficult to calculate and a reasonable figure can only be reached through constructive input from the trade.
- 5.7. Historically, a very low response rate has been recorded from the taxi trade in relation to consultations relating to fare reviews and yet Officers deal with considerable concerns from the trade who did not participate but are disappointed by the resulting fare tariff.
- 5.8. It is therefore hoped that, by undertaking a costs survey (which asks for feedback and engagement) before consulting on a revised fare tariff, the fare setting process would be made more transparent and quantifiable and encourage reasonable participation rates.
- 5.9. It is also intended that while the survey was live, the Licensing Manager and Licensing Officer would attend any meeting of the East Devon Taxi Association to which they are invited to take any questions in relation to the survey.
- 5.10. It is also proposed to arrange a Taxi Liaison Meeting at the Council's Offices during this period, to which all hackney carriage drivers and proprietors would be invited and which would include a question-and-answer session in relation to the survey.



- 5.11. If the Licensing & Enforcement Committee agree to the above proposals, the survey would be published for a period of 10 weeks during which responses could be made. Once the survey had closed, the results would be collated, and the information analysed.
- 5.12. Giving full regard to the results of the survey, all of the factors involved in running a taxi in East Devon would then be determined and used to inform a Fare Setting Procedure and calculations would be made to estimate a figure for each of the running costs identified. These figures would be inputted into a taxi fares calculator and used to produce a revised hackney carriage fare tariff table.
- 5.13. The full Fare Setting Procedure and a revised table of fares (together with full details of how each factor has been calculated) would then be brought before the Licensing & Enforcement Committee for consideration at the meeting scheduled for the 17<sup>th</sup> July 2024.
- 5.14. If, at that meeting, the Licensing & Enforcement Committee agreed to the Fare Setting Procedure and revised table of maximum fares (having ensured it gave full regard to the needs of the travelling public and what it is reasonable to expect people to pay, while also giving taxi drivers the ability to earn a sufficient income and incentivise them to provide a service when it is needed) the Committee would be given the opportunity to request the commencement of the fare setting process set out below:

## **6. Fare Setting Process and Legislative Considerations**

- 6.1. The process for setting and revising hackney carriage fares is set out in the Local Government (Miscellaneous Provisions) Act 1976 and must be undertaken before a revised table of maximum fares can be brought into effect.
- 6.2. Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 allows the Council to set the maximum costs and fares that drivers may charge the public for journeys taken in a taxi and states that:

### **65 Fixing of fares for hackney carriages.**

*(1) A district council may fix the rates or fares within the district as well for time as distance, and all other charges in connection with the hire of a vehicle or with the arrangements for the hire of a vehicle, to be paid in respect of the hire of hackney carriages by means of a table (hereafter in this section referred to as a "table of fares") made or varied in accordance with the provisions of this section.*

*(2)*

*a) When a district council make or vary a table of fares they shall publish in at least one local newspaper circulating in the district a notice setting out the table of fares or the variation thereof and specifying the period, which shall not be less than fourteen days from the date of the first publication of the notice, within which and the manner in which objections to the table of fares can be made.*

*b) A copy of the notice referred to in paragraph (a) of this subsection shall for the period of fourteen days from the date of the first publication thereof be deposited at the offices of the council which published the notice, and shall at all reasonable hours be open to public inspection without payment.*

- (3) *If no objection to the table of fares or variation is duly made within the period specified in the notice referred to in subsection (2) of this section, or if all objections so made are withdrawn, the table of fares or variation shall come into operation on the date of the expiration of the period specified in the notice or the date of withdrawal of the objection or, if more than one, of the last objection, whichever is the later.*
- (4) *If objection is duly made as aforesaid and is not withdrawn, the district council shall set a further date, not later than two months after the first specified date, on which the table of fares shall come into force with or without modifications as decided by them after consideration of the objections.*
- (5) *A table of fares made or varied under this section shall have effect for the purposes of the Act of 1847 as if it were included in hackney carriage byelaws made thereunder.*
- (6) *On the coming into operation of a table of fares made by a council under this section for the district, any hackney carriage byelaws fixing the rates and fares or any table of fares previously made under this section for the district, as the case may be, shall cease to have effect.*
- (7) *Section 236(8) (except the words “when confirmed”) and section 238 of the Local Government Act 1972 (except paragraphs (c) and (d) of that section) shall extend and apply to a table of fares made or varied under this section by a district council in England as they apply to byelaws made by a district council in England.*

- 6.3. Therefore, once a revised table of fares had been agreed by the Licensing & Enforcement Committee, arrangements would be made to publish a notice setting out the table of fares in at least one local newspaper specifying a period of at least fourteen days from the date of publication within which objections to the table of fares can be made. A copy of this notice would also be made available for inspection at East Devon District Council's Offices in both Honiton and Exmouth and on East Devon District Council's website.
- 6.4. If no objections were made (or if all objections made were withdrawn), the new table of fares would come into force on the date of the expiration of the objection period specified in the notice (or on the date the last objection is withdrawn).
- 6.5. If objections were received (and not withdrawn), the objections would be referred to the Licensing & Enforcement Committee for consideration and a further date, no later than two months after the first specified date, would be set upon which the table of fares would come into force with or without modification.

## **7. Conclusion**

- 7.1. The East Devon hackney carriage table of maximum fares was last reviewed in mid-2022 and came into effect on the 7<sup>th</sup> December 2022.
- 7.2. Following requests from the East Devon taxi trade, the Licensing & Enforcement Committee are asked to determine whether a full review of the East Devon hackney carriage fare tariff can be undertaken at this time.
- 7.3. The Licensing & Enforcement Committee are also asked to consider whether a full review of the fare setting procedure is appropriate at this time with a view to producing

a Fare Setting Procedure based upon the methodology and fare setting calculator developed by Guildford Borough Council.

- 7.4. If a review of procedure is considered appropriate, the Licensing & Enforcement Committee are asked to authorise the launch of a survey of East Devon hackney carriage drivers and proprietors to determine the costs of running a taxi in the district. If authorised, the survey would be undertaken in line with timescales set out in this report.
- 7.5. If all proposals above are agreed, a further report will be brought before the Licensing & Enforcement Committee upon completion of the survey and analysis of the results. This report will explain the Fare Setting Procedure used to calculate appropriate fares and will include a revised hackney carriage table of maximum fares, based upon calculations set out in the methodology, for the Committee's consideration.

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### **Financial implications:**

The only financial implication relevant to this stage of the fare review process is the officer time which will be incurred in carrying out a survey of the East Devon taxi trade and formulating a fare setting procedure. Advertisement costs for public notices may subsequently become applicable if a new fare tariff is agreed at a later Committee meeting.

### **Legal implications:**

The legislative framework is set out within the report and requires no further comment at this stage.