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Hackney Carriage Fare Setting Procedure

Report summary:

The Licensing & Enforcement Committee is asked to consider authorising a full review of the procedure used by East Devon District Council to calculate and set a table of maximum fares chargeable by hackney carriages in the district, with a view to introducing a new fare setting procedure for 2025 based upon a methodology produced by Guildford Borough Council.

If a review of the fare setting procedure is agreed, the Licensing & Enforcement Committee is asked to consider authorising a detailed consultation with the taxi trade to ascertain average figures for the cost of running a taxi in East Devon.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the Licensing & Enforcement Committee consider authorising a review of the procedure used to calculate hackney carriage fares in the district, based upon the methodology and fare setting calculator developed by Guildford Borough Council and adjusted for local considerations.

That the Licensing & Enforcement Committee consider authorising the launch of a consultation with the East Devon taxi trade to ask all hackney carriage drivers and proprietors to participate in the setting of suitable average figures for the cost of running a taxi in the district.

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://legislation.gov.uk)
2. [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)

- ☐ A supported and engaged community
 - ☐ Carbon neutrality and ecological recovery
 - ☒ Resilient economy that supports local business
 - ☐ Financially secure and improving quality of services
-

Report in full

1. **Background**

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. Although this is table of maximum fares and these fares cannot be exceeded, hackney carriage drivers are permitted to charge lower than the metered fare at the driver or proprietor's discretion.
- 1.6. The current fare tariff table came into effect on the 18th June 2024 following authorisation by the Licensing & Enforcement Committee on the 8th May 2024 and a subsequent statutory public consultation.

2. Purpose of this report

- 2.1. Following implementation of the new hackney carriage fare tariff, the Licensing & Enforcement Committee is now asked to consider whether it is an appropriate time to review the procedure used by East Devon District Council to calculate a suitable fare tariff for hackney carriage vehicles in the district.
- 2.2. The Licensing & Enforcement Committee has been asked to consider this on a previous occasion. On the 13th March 2024 a report was taken to a meeting of the Committee asking for authorisation to be given for a full review of the fare setting procedure, with a view to determining whether a variation of the hackney carriage fare tariff was necessary at that time.
- 2.3. At that meeting, the Committee noted the taxi trade's remonstrations about the rising costs of running a taxi in the district and were concerned that a review of the fare setting procedure would lead to a delay in the implementation of a fare increase, which the Committee considered to be of urgent priority at that time.
- 2.4. For this reason, the Committee resolved on that date to delay the review of the fare setting procedure until a fare increase had been implemented, using the existing procedure for calculating fare tariff changes in the district. The Committee requested that separate report be brought to a later meeting with a view to implementing a fare setting procedure, based on the Guildford Borough Council methodology, in 2025.
- 2.5. The purpose of this report is therefore to request that the Licensing & Enforcement Committee now consider authorising a review of the fare setting procedure used to calculate an appropriate hackney carriage fare tariff in the district and agree to the launch of a consultation with East Devon hackney carriage drivers and proprietors, to include a fact-finding cost survey, to ascertain appropriate average costs of running a taxi in East Devon.

3. Reasons for implementing a robust fare setting procedure

- 3.1. The Department for Transport's "Taxi and Private Hire Vehicle Licensing Best Practice Guidance for Licensing Authorities in England" 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”.

(Department for Transport's Taxi and Private Hire Vehicle Licensing Best Practice Guidance for Licensing Authorities in England)

- 3.2. The guidance states that “*authorities should consider adopting a simple formula for deciding on fare changes*” and the Committee is asked to consider whether it therefore is appropriate to put a more robust procedure for calculating fares for hackney carriages into place.
- 3.3. An agreed fare setting procedure would give the Licensing & Enforcement Committee a clear and transparent method for reviewing the fare tariff table in the future and would assist in ensuring that any fare tariff provided a sufficient income for taxi drivers and proprietors (once the costs of running a taxi in the district had been covered) while remaining cost effective for the travelling public.
- 3.4. 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:
 - 3.4.1. Inflation – using information from the Office of National Statistics on the Consumer Prices Index and consumer price inflation rates.
 - 3.4.2. Fare comparison - using the National Taxi Tariff League Table published in the Private Hire and Taxi Monthly (PHTM) magazine.
 - 3.4.3. Trade Consultation.
 - 3.4.4. Trade Costs – using information provided by the East Devon Taxi Association and local proprietors.
- 3.5. While this has offered an appropriate way of calculating fares, the Best Practice Guidance, and a request from the taxi trade that consideration be given to implementing the Guildford fare setting procedure, indicates that this may be an appropriate time to consider putting into place a clear and transparent written procedure.

4. Fare setting procedure based on a model produced by Guildford Borough Council

- 4.1. If the Licensing & Enforcement Committee agree to authorise a review of the fare setting procedure, it is proposed to base the new procedure upon a fare setting procedure produced by Guildford Borough Council.
- 4.2. Guildford's fare setting procedure involves a formula that produces the basic charge per mile (travelled with one passenger by an average driver) required to provide an annual salary for the driver/proprietor once average running costs have been covered. The running costs include allowances for factors such as fuel, tyres, parts and servicing, depreciation, and insurance.

- 4.3. There are three elements to Guildford's fare setting procedure as follows:
- 4.3.1. The fare setting procedure itself, which is a written methodology setting out the process
 - 4.3.2. The fare calculator, which is an excel spreadsheet used to undertake the calculations
 - 4.3.3. The table of maximum fares
- 4.4. The procedure used by Guildford is considered best practice for setting hackney carriage fare tariffs by many Licensing Authorities as it has been the subject of a Judicial Review by the Guildford taxi trade, which was dismissed in December 2017 when the judge found comprehensively in the Council's favour. The judge determined that Guildford Borough Council had gone to considerable lengths to try and ascertain the correct costs for running a taxi in their district by using a comprehensive methodology and carrying out detailed consultation with their trade.
- 4.5. Were a similar procedure to be adopted by East Devon District Council, it would need to be adjusted to provide an appropriate salary for a driver/proprietor within the East Devon district, account for the average total, live and dead mileage travelled by an East Devon taxi and, cover the average running costs of running a vehicle in the district.
- 4.6. It is acknowledged that the total running costs associated with operating a taxi in East Devon are likely to vary substantially to those associated with operating a taxi in Guildford and this means that, if the Committee were to agree to proceed with a similar methodology, considerable work would be required to determine the costs of running a taxi specific to the district of East Devon.
- 4.7. 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 differ for each driver and vehicle. For example, if you were to look at just one of the cost factors, vehicle insurance premiums, these vary substantially depending on numerous factors including: the policyholder's annual mileage, age, driving history and the make and model of the vehicle being insured.
- 4.8. In addition, when 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.
- 4.9. It therefore proposed to determine the relevant cost factors involved in running a taxi in East Devon and estimate average values for each cost factor by using factual evidence including:
- 4.9.1. data held by East Devon District Council
 - 4.9.2. data from national statistics
 - 4.9.3. data from other appropriate information sources
 - 4.9.4. consultation data from the East Devon taxi trade
- 4.10. It is recognised that East Devon hackney carriage drivers and proprietors are best placed to know the costs involved with running a hackney carriage vehicle and providing a taxi service in the district. For this reason, it would be proposed to carry out detailed consultation with the taxi trade to try to obtain sufficient and reliable cost data to inform the calculations.

- 4.11. Once each salary, mileage and cost factor has been calculated, it would be proposed to input these calculations into “the fare calculator” included within the fare setting procedure to produce a table of maximum fares.
- 4.12. It is hoped that the considerable work and time required to produce a fare setting procedure and set appropriate cost factors and figures would in turn provide a robust and transparent formula for future use when conducting fare reviews.
- 4.13. It is intended that once in place, the fare setting procedure would enable the Council to carry out annual reviews 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 each year, giving a less time consuming and less costly process for reviewing fares.
- 4.14. 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.
- 4.15. East Devon District Council would like to thank to Guildford Borough Council for agreeing to share their hackney carriage fare setting procedure with other local authorities.

5. Consultation proposals

- 5.1. If the Licensing & Enforcement Committee agree to authorise a review of the East Devon fare setting procedure, they are also asked to agree the commencement of a comprehensive consultation with the East Devon taxi trade with a view to seeking their views on each salary, mileage and cost factor to be used in the fare calculations.
- 5.2. It would be the Licensing Authority’s intention to invite every hackney carriage vehicle proprietor and driver in the district to take part in a survey about the costs of running a taxi in East Devon and a mileage recording exercise.
- 5.3. The survey would detail the salary, mileage, and cost factors the Council intend to use to populate the fare calculator and, explain how the Council intends to calculate an average figure for each factor. The taxi trade would be asked to give evidence-based feedback when completing the survey.
- 5.4. A draft of the survey can be found at **APPENDIX B** of this report. The draft survey sets out the type of questions that would be asked of the trade and would be adapted to best suit an online survey.
- 5.5. Drivers would also be asked to complete a mileage record on one (or more) of their typical working days to record the social domestic and pleasure mileage, live mileage (with a fare paying customer) and dead mileage (miles travelled without a fare paying customer while working) travelled. A draft of the mileage record log can be found at **APPENDIX C** of this report.
- 5.6. The Licensing authority would propose to include an estimated draft figure for each salary, mileage and cost factor within the survey itself, for the trade to base their feedback upon. These draft figures have not yet been finalised as a significant amount of work is required to obtain the data needed to accurately estimate each figure.

- 5.7. The reasoning behind including an estimated draft figure for each cost factor would be to give the trade a “starting point” from which to make comment, with the hope that this would provide more specific, quantifiable, and measurable responses to the consultation, as opposed to general comments on each cost.
- 5.8. It would also allow the Licensing Authority to explain to the taxi trade, within the consultation survey, how these figures had been calculated and to ask for their feedback on - not only the cost factors and figures themselves - but also the methodology used to calculate the estimated draft figures.
- 5.9. It is proposed to base the draft estimates upon fleet data held on record by East Devon District Council, national statistics and data from appropriate information sources including the AA Motoring Costs Report last published in 2014.
- 5.10. Guildford Borough Council have based some of their cost calculations on the AA Motoring Costs Report from 2014 and have adjusted the figures accordingly to account for the increase in inflation since the report was last published in July 2014.
- 5.11. The AA state that the information in the cost report is intended as a general guide only, has no official status and, is not intended to be used as a basis for setting mileage rates for business use of private cars. They also state that the tables are based on the costs of running a four-year-old car and that actual running costs will vary depending on car choice, age, type of use and driving style.
- 5.12. All of these disclaimers are acknowledged and accepted by the Licensing Authority, however the data is still considered, once adjusted for inflation, to be a useful starting point from which to take the average costs of owning and running a standard vehicle. This is provided that these figures are then adjusted to take into account feedback from the trade in relation to both the suitability of the figures and the additional costs involved in running such a vehicle as a taxi.
- 5.13. For this reason, it is vital that the taxi trade engages with the consultation to enable the Council to obtain sufficient and reliable evidence upon which the estimated figures can be adjusted to accurately reflect the costs of running a hackney carriage vehicle in the district.
- 5.14. It is recognised that members of the taxi trade are best placed to inform these calculations as the actual costs incurred in running a taxi and the actual distances travelled are known only by those operating such vehicles themselves.
- 5.15. 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 through consultation.
- 5.16. Historically, a very low response rate has been recorded from the taxi trade in relation to consultations about fare reviews. To encourage participation in the consultation, the Licensing Authority would therefore propose to:
 - 5.16.1. Publish the survey online to give the trade an accessible and cost-free way to participate. A link to the survey would be sent to all hackney carriage drivers and proprietors by email and paper copies of the survey would be posted out and made available for collection upon request.

- 5.16.2. Attend any meeting of the East Devon Taxi Association to which they are invited to during the consultation period to take any questions and note any feedback from the attendees in relation to the survey.
- 5.16.3. Arrange a taxi liaison meeting at the Council's Offices during the consultation period, to which all East Devon hackney carriage drivers and proprietors would be invited. At the meeting a presentation would be given about the proposed fare setting procedure and a question-and-answer session held.
- 5.17. If the Licensing & Enforcement Committee are minded to authorise such a consultation, they are asked to consider how long the consultation period should be? A minimum 8-week consultation period is recommended to allow the trade to collate the data required to respond to the consultation substantively, but this could be extended to 12 weeks if the Committee were to consider this more appropriate.

6. Next steps and timescales

- 6.1. If the Licensing & Enforcement Committee agree to authorise a review of the East Devon hackney carriage fare setting procedure and a full consultation with the trade, the following steps would be taken:
 - 6.1.1. the Licensing Authority would finalise the work required to draft an estimated figure for each salary, mileage, and cost factor calculation.
 - 6.1.2. Once the draft figures had been compiled, the Licensing Authority would commence a consultation with the trade by publishing the survey online for a set period. A link to the survey would be sent to each hackney carriage proprietor and driver in the district together with an invite to attend a taxi liaison meeting.
 - 6.1.3. A taxi liaison meeting would be held to encourage high participation levels and any invitation to attend the taxi trade association meeting would be accepted by Licensing Officers.
 - 6.1.4. Upon completion of the consultation period, the results would be collated, the information analysed and, with due regard being given to the results of the survey and consultation feedback, the Licensing Authority would calculate a revised figure for each salary, mileage and cost factor calculation.
- 6.2. The Licensing Authority would then aim to bring to the meeting of the Licensing & Enforcement Committee scheduled for the 2nd April 2024, a report including:
 - 6.2.1. A draft hackney carriage fare setting procedure. This would include a detailed written procedure explaining how the Council would intend to calculate an appropriate hackney carriage fare tariff table for the district and would include a methodology setting out how each salary, mileage and cost factor had been determined and calculated.
 - 6.2.2. A fare calculator populated with the estimated costs for each salary, mileage and cost factor identified.
 - 6.2.3. A draft revised hackney carriage fare tariff table informed by the fare calculator.
- 6.3. The Licensing & Enforcement Committee would be asked at that meeting to consider the written fare setting procedure and calculations and decide whether to approve the hackney carriage fare setting procedure at that time or whether to authorise further

consultation with the trade to ask for their feedback on the finalised procedure and revised cost figures.

- 6.4. If and when a new fare setting procedure was agreed, the Licensing & Enforcement Committee would then be asked to consider authorising the implementation of a new hackney carriage fare tariff for 2025.
- 6.5. If a new fare tariff was agreed, the Licensing & Enforcement Committee would be asked to exercise the Council's powers under Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 and approve moving to public consultation on the proposed amendments to the East Devon hackney carriage fare tariff.

7. Fare Setting Process and Legislative Considerations

- 7.1. 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.
- 7.2. 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.

8. Conclusion

- 8.1. The East Devon hackney carriage table of maximum fares was last reviewed in Spring 2024 and came into effect on the 18th June 2024.
- 8.2. The Licensing & Enforcement Committee are now asked to consider whether a full review of the fare setting procedure (to include the production of a fare setting procedure based upon the methodology, fare setting calculator and table of fares developed by Guildford Borough Council) is appropriate at this time.
- 8.3. If a review of procedure is considered appropriate, the Licensing & Enforcement Committee are asked to consider authorising a full consultation with the trade to include a survey of East Devon hackney carriage drivers and proprietors to determine the costs of running a taxi in the district.
- 8.4. If the Licensing & Enforcement Committee authorise such a consultation, they are asked to consider whether an 8- or 12-week consultation is most appropriate.
- 8.5. If all proposals above are agreed the Licensing Authority will finalise the work required to estimate average salary, mileage and cost factor figures to include within the consultation and then carry out a full consultation with the trade.
- 8.6. The Licensing & Enforcement Committee will be kept updated on progress with a further report to be brought before the Committee upon completion of the survey and analysis of the results. This report will include a draft fare setting procedure for calculating a hackney carriage fare tariff and will include a revised hackney carriage table of maximum fares, based upon calculations set out in the methodology, for the Committee's consideration.

Financial implications:

There are no financial implications contained within the report at this stage.

Legal implications:

The legal framework is set out within the report and requires no further comment at this stage of the consultation process.