

Cheltenham Borough Council
Cabinet – 10 January 2017
Review of Hackney carriage Fares

Accountable member	Cabinet Member Development & Safety – Cllr Andrew McKinlay
Accountable officer	Director of Environment – Mike Redman
Ward(s) affected	All
Key Decision	No
Executive summary	<p>Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permits the council to set fares for hackney carriage, or taxi, vehicles licensed by it.</p> <p>The council has adopted a fare formula which is used annually to calculate the running costs of a licensed hackney carriage vehicle.</p> <p>This report seeks permission to adjust the current maximum fares.</p>
Recommendations	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. Approve the proposed maximum fare increase for hackney carriages; and 2. Delegate authority to the Director of Environment to carry out the necessary advertising requirements to comply with section 65 of the Local Government (Miscellaneous Provisions) Act 1976; and 3. Subject to there being no substantive amendments being made following consultation, delegate authority to the Director of Environment to adopt the proposed fares.
Financial implications	<p>There are no financial implications for the Council in raising the hackney carriage fees. Approving the rate increase will make taxi journeys more expensive for consumers, but if the fares do not keep pace with the actual running costs of a hackney vehicle, then operators may be tempted to cut costs, or cease trading, leading to dangerous or insufficient provision of taxis.</p> <p>Contact officer: Myn Cotterill, Myn.Cotterill@cheltenham.gov.uk, 01242 774958</p>
Legal implications	<p>As detailed in the report.</p> <p>Contact officer: Vikki Fennell, Vikki.Fennell@tewkesbury.gov.uk, 01684 272015</p>
HR implications (including learning and organisational development)	<p>There are no direct HR implications identified in this report.</p> <p>Contact officer: Carmel Togher, Carmel.Togher@cheltenham.gov.uk, 01242 775215</p>

Key risks	As identified in Appendix 1
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1. Background

- 1.1** Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permits the council to set the maximum fares for hackney carriage vehicles licensed by it.
- 1.2** The council has adopted a hackney carriage fare formula which is used annually to calculate the running costs of a licensed hackney carriage vehicle. The formula calculates the difference in running costs between the previous year and the current year to produce a percentage increase or decrease which is applied to the maximum fare.
- 1.3** There has not been a fare increase since November 2013 due to the fact that the percentage increases in 2014 (0.45%) and 2015 (2.38%) were too small to be practically reflected. However, the cumulative percentage increase since the last fare adjustment in 2013 has resulted in a proposed 6% increase.
- 1.4** Appendix 2 sets out the calculations for the proposed fare increase. It will be noted that the percentage increase across the three rates varies slightly. This is due to the nature and complexity of the calculations required to reflect the proposed change on the fare card whilst at the same time keeping to round numbers.
- 1.5** This report is seeking Cabinet's approval of the fare increase as set out in Appendix 2.

2. Cheltenham Halcrow Formula

- 2.1** In 2010 the Licensing Committee approved a fare formula for calculating hackney carriage fares.
- 2.2** The formula's index is based on a set of assumptions which reflect the costs which will be incurred by a good owner-driver who spends whatever is necessary to operate and maintain his hackney carriage to a high standard.
- 2.3** The said index components are:
 - a) Vehicle Cost
 - b) Replacement Parts
 - c) Tyres
 - d) Service Labour
 - e) Fuel
 - f) Insurance
 - g) Miscellaneous
 - h) Average National Earnings
- 2.4** The above index developed for use in Cheltenham involves calculating the sum of two component parts, operating costs and average national earnings, in a formula as follows:

CHANGE Index = CHANGE Costs + CHANGE Earnings
- 2.5** The formula is designed to compare the index costs from the previous year with the costs for the current year, calculate the overall difference and produce a figure indicating either an increase or decrease in the overall costs.

3. Consultation

- 3.1** Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 prescribes that the Council must consult if it proposes to set or vary hackney carriage fares.
- 3.2** It must do so by publishing a notice in a local newspaper setting out the variation and specifying a period and means of objecting. The specified period cannot be less than 14 days.

- 3.3** If no objections are made or any made are withdrawn, the proposed fares will take effect on the specified date. However, if objections are made and not withdrawn, the council must set a further date, not later than two months after the initial date, on which the proposed fares shall come into force with or without modifications as decided after consideration of any objections.

4. Alternative options considered

- 4.1** The council can decide not to increase hackney carriage fares as part of this review although this option is not considered desirable.
- 4.2** Due to the fact that the percentage increase reflects the costs which will be incurred by a good owner-driver who spends whatever is necessary to operate and maintain his hackney carriage, a failure not to increase the fares may result in Hackney carriages operating at a loss.

Report author	Contact officer: Louis Krog, louis.krog@cheltenham.gov.uk, 01242 77 5004
Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Calculations for the proposed fare increase
Background information	<ol style="list-style-type: none">1. Cheltenham Borough Council 2013 hackney carriage fares2. Local Government (Miscellaneous Provisions) Act 1976

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the council decides not to approve the recommended increase in fares, licence holders will be unable to recover their costs and earn a proper living, which could result in the council being legally challenged which could adversely affect the council's reputation.	Director of Environment	December 2016	2	3	6	Reduce	Approve fare increase in accordance with report recommendation		Louis Krog	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											