

Regulatory Committee

1.30pm, Monday, 22 October 2018

Licence Income for Fees 2017-18

Item number	7.2
Report number	
Executive/routine	
Wards	All
Council Commitments	N/A

Executive Summary

This report provides the committee with high level information on the income collected from licensing fees during the last full financial year 2017-18. This follows a request from members to report this information in a similar manner to the separate requirement for the City of Edinburgh Licensing Board to report income, introduced by the Air Weapons and Licensing (Scotland) Act 2015.

The report gives detail on income from the three main licence categories and provides a breakdown of the main expenditure against this.

Licence Income for Fees 2017-18

1. Recommendations

- 1.1 The Regulatory Committee is asked to:
 - 1.1.1 Note the content of this report;
 - 1.1.2 Provide guidance on whether the content at Appendix 2 is sufficient for member needs; and
 - 1.1.3 Agree to receive annual reports in a similar format in future years (subject to any changes proposed to Appendix 2).

2. Background

- 2.1 The Council's activities as a Licensing Authority are funded directly by income raised from licence application fees. The fees currently charged are approved by full Council as part of the budget process, albeit there a small number of the fees which are not set by the Council as these are fixed or capped by legislation. This Committee has the power to amend the fee structure notwithstanding that and there is a separate report on the agenda which includes an example of such a proposed change.
- 2.2 The fees are designed to fully cost recover the costs of the service. The provision of licensing services is not directly funded general revenue fund of the Council. Income in relation to Taxi and Private Hire Car licences and separately Houses in Multiple Occupation (HMO's) is ringfenced and any surplus is maintained separately. Income from all other types of licence is not ringfenced and any surplus which exists at the end of the financial year is included within the Council's end of year accounts.
- 2.3 The Air Weapons and Licensing (Scotland) Act 2015 introduced for the first time the requirement for the Licensing Board to report income and expenditure. This was completed for the first time and is not part of the Committee's remit. There was however a request from members that a similar format be used to increase the transparency of reporting income from the Council's licensing activities as historically this information was included in much more detailed financial reporting.

3. Main report

- 3.1 Income is collected for licence applications and is coded against three main licence types:
 - 3.1.1 Taxi and Private Hire Cars (PHCs) etc;
 - 3.1.2 Houses in Multiple Occupation (HMOs); and
 - 3.1.3 Civic including all licence types not in 3.2.1 and 3.2.2 above.
- 3.2 In relation to 3.1.1 the Council does further break down income to show, for example, income for Taxis as opposed to PHCs or vehicles as opposed to drivers. The resource necessary to deal with both of these is the same and there is no operational need for the service to create a breakdown which does not reflect how the service is structured.
- 3.3 The Council's Licence fee structure is attached at Appendix 1. The structure of Civic and Taxi/PHC fees was last reviewed in 2015 and the Committee at that time agreed significant alteration to the structure. The Council considers as part of its budget process whether any annual increase of fees is required. This report does not therefore deal with any fee increase as this will be done as part of the wider budget process by Council next year.
- 3.4 The fee structure for HMOs was last reviewed in April 2017 and a new more appropriate fee structure introduced at that time.
- 3.5 Details of income generated and the main items of expenditure is attached at Appendix 2. Members are asked to consider the format of this report and give guidance on whether the information provided meets their needs.
- 3.6 As indicated above, income from Taxis/PHC and HMOs are ringfenced and if there is a surplus of income these are held in reserve accounts. These accounts are monitored regularly to ensure that they remain appropriate and are reported to Finance and Resource Committee within much more detailed accounts.
- 3.7 In terms of Civic Licence Fees, as these fees are not subject to the same ring-fencing as Taxi/PHC and HMO, no estimate is included in Appendix 2 as to the direct or supporting costs of enforcement relating to these licences. This cost is considered likely to be in excess of the surplus indicated in Appendix 2.
- 3.8 The current cash reserves are set out in Appendix 3. In relation to the HMO reserve members may recall at the time the new fee structure was implemented as set out at para 3.3 above the long-term plan was to allow this reserve to reduce as the effect of three year licences took effect. This remains the plan and will be monitored and adjustments recommended if necessary.
- 3.9 For Taxi and PHC the reserve is required to provide capital should infrastructure or work on the Taxi Examination Centre be required. For example, the Council

installed a new inspection ramp at the centre and the cost of procuring this was approximately £60,000. The reserves are maintained at a prudent level to ensure that should further capital be required it is available as other capital funding in the Council is not available for these costs. The position will be kept under review as it is anticipated that the Taxi Examination Centre may require to be relocated in the next two to three years as a result of the Council's decisions with regard to the Murrayburn site.

4. Measures of success

- 4.1 This report increases the transparency of the reporting of the Income from Licence fees.

5. Financial impact

- 5.1 No direct financial impact the report is for information only. The Council's scale of fees for licensing applications was approved by full Council with effect from 1 April 2018.

6. Risk, policy, compliance and governance impact

- 6.1 The report provide members with information. No direct policy implications arise from the report. Decisions on fees and expenditure are made as part of the Council's budget process.

7. Equalities impact

- 7.1 None.

8. Sustainability impact

- 8.1 None.

9. Consultation and engagement

- 9.1 Not relevant

10. Background reading/external references

10.1 None

11. Appendices

11.1 Appendix 1 – Current Fees (to follow)

11.2 Appendix 2 – Income and Expenditure for 2017-18

11.3 Appendix 3 – HMO and Taxi/PHC Accounts

Paul Lawrence

Executive Director of Place

Contact: Andrew Mitchell, Regulatory Services Manager

E-mail: andrew.mitchell@edinburgh.gov.uk | Tel: 0131 469 5822

Appendix 1 – to follow

Appendix 2

City of Edinburgh Licensing Services Financial Report

Year Ending: 31 March 2018

This report has been prepared using financial data taken for year ending 31 March 2018. It should be noted that not all expenditure is directly attributable to certain licensing categories. Where general costs have been incurred, these have been allocated to the Licensing category based on a best estimate of the expenditure incurred. The report accordingly should not be relied upon as a precise reflection of income and expenditure.

The financial statement is as follows: All Figures are in £'s

<u>Income</u> ¹	Cab Licensing	Civic Licensing	HMO Licensing
Licensing Income	-1,755,790	-1,006,984	-1,583,319
Other Income	-109,693	-1,591	-5,000
Total	-1,865,483	-1,008,575	-1,588,319
<u>Staff Costs</u> ²			
Regulatory Services Staff	336,483	185,541	908,509
Legal Services	55,485	27,743	46,238
Administrative Support	27,094	13,547	171,618
Total	419,062	226,830	1,126,365
<u>Other Direct Costs</u> ³			
ICT Equipment	25,269	52	15,615
Training	891	849	437
Postage	6,489	2,889	1,509
Printing/Stationery/Photocopying	15,998	6,420	720
Capital funded through revenue	58,348		
Consultant Fees	25,988		
Medical Fees	118,250		
Operational Materials	58,747		
Recharges to other public bodies			59,007
Property Charges	41,132		
Legal Fees	19,228	15,433	34,574
Transport	7,821	818	3,019
Other expenses	37,950	11,284	4,581
Internal Charges	590,884	189,359	38,119
Total	1,006,996	227,105	157,581

Indirect Costs ⁴

ICT/Telecommunications	23,891	14,335	28,669
Business Support	18,444	11,066	22,133
Property	70,344	42,206	84,412
Corporate & Democratic Core	24,478	14,687	29,373
Other	62,987	17,778	160,815
Total	200,143	100,071	325,402
Net (Surplus)/Deficit⁵	-239,282	-454,568	21,029

Notes:

1. Denotes income from applications and annual fees received in 2017/18.
2. Denotes salary, superannuation, national insurance and pension costs associated with Legal Services/Depute Clerk, Licensing Officers and other Council staff responsible for administrative support. HMO staffing costs include a share of Private Rental Sector enforcement officers. Where costs are not directly attributable to the Licensing Categories, costs have been allocated based on the proportional share of licensing applications. Civic Staffing Costs do not include any estimate of the cost of enforcement.
3. Denotes direct budgetary costs associated with the exercise of the Licensing functions, such as travel and transport costs, stationery, supplies and services etc. Internal charges largely relate to Fleet recharges for Taxi Examination and Public Safety charges for HMO/Civic.
4. Denotes the portion of centralised administrative costs such as ICT, training, property costs etc. that are allocated to Licensing and PRS Enforcement relating to the functions of the Licensing Board. These allocations are derived from the Council's Central Support Cost model.
5. As per paragraph 3.6, the surplus pertaining to Civic Licensing does not reflect the direct or supporting costs of enforcing these licences.

Appendix 3

Current Licensing reserves

	Cab (£)	HMO (£)
Reserves brought forward	329,594	1,437,457
Payment to/(from) reserves	239,282	-21,029
Reserves carried forward	568,876	1,416,428