



# Taxi and Private Hire Licensing and Compliance Services

## 2016/17 Financial Summary

# Introduction

This paper summarises the income received and expenditure incurred by Transport for London (TfL) in connection with taxi and private hire licensing and compliance activities for the year 1 April 2016 to 31 March 2017.

It is intended to provide all licensees including taxi and private hire drivers, vehicle owners and operators with an overview of the income received by TfL from licence fees as well as a breakdown of expenditure incurred in delivering licensing activities.

## Context

All income received by TfL from licence fees is spent on the delivery of taxi and private hire licensing and compliance activities.

This includes:

- All back office resource costs for processing applications and renewals for driver, vehicle and operator licences.
- All accommodation and associated costs, such as rent and utilities, which are re-charged centrally by TfL.
- Taxi & Private Hire compliance officers, vehicles and equipment and a contribution towards Metropolitan Police enforcement officers engaged in TPH regulatory activities.
- All Knowledge of London examination costs for new taxi drivers.
- All stationery, IT hardware and software required to process and produce licences, postage, telephone costs, web maintenance etc.

- All contract costs in particular the vehicle licences contract currently provided by NSL.

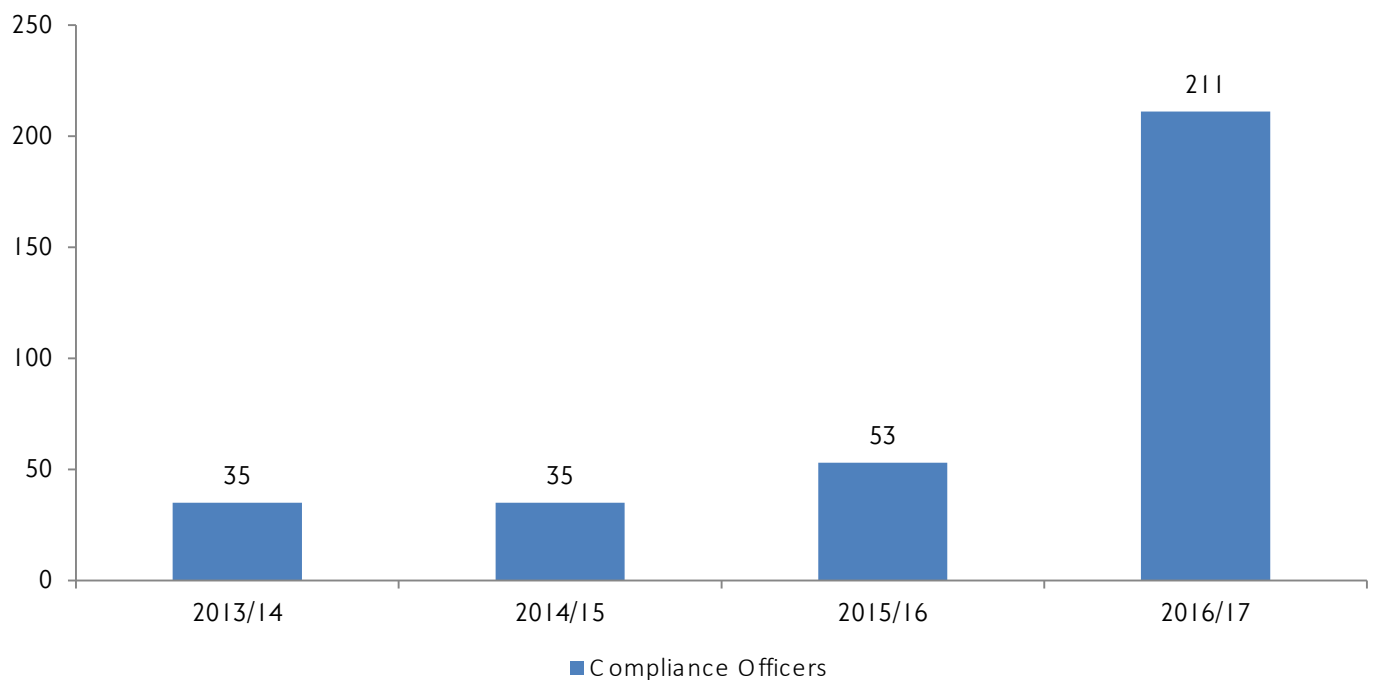
Each financial year TfL forecasts expected licensing expenditure and income. This is used to calculate any changes to licence fees that may be required. Any surplus or deficit at the end of each financial year is carried over into the following year's calculation.

## Financial summary for 2016/17

The total regulatory income received from licence fees for the year was £26.6m; 4 per cent higher than the previous year. The total regulatory expenditure incurred in the year was £33.4m; 45 per cent higher than the previous year. This has resulted in a £6.9m deficit for the year.

This deficit has primarily arisen because of the need to significantly increase the number of on-street compliance officers required to ensure standards in the private hire industry. The number of on-street compliance officers increased at the end of the financial year from 53 in 2015/16 to 211 in 2016/17. This has led to a significant increase in direct payroll costs and indirect overhead costs such as recruitment fees, staff training and services provided by other parts of TfL.

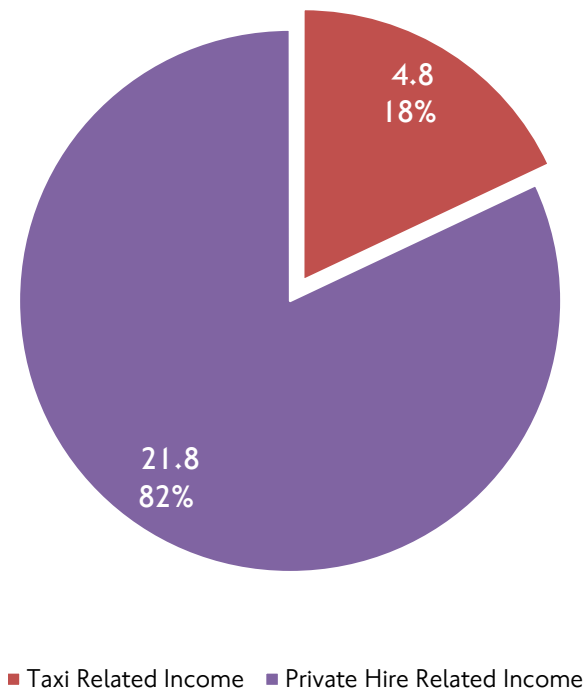
Number of on-street compliance officers



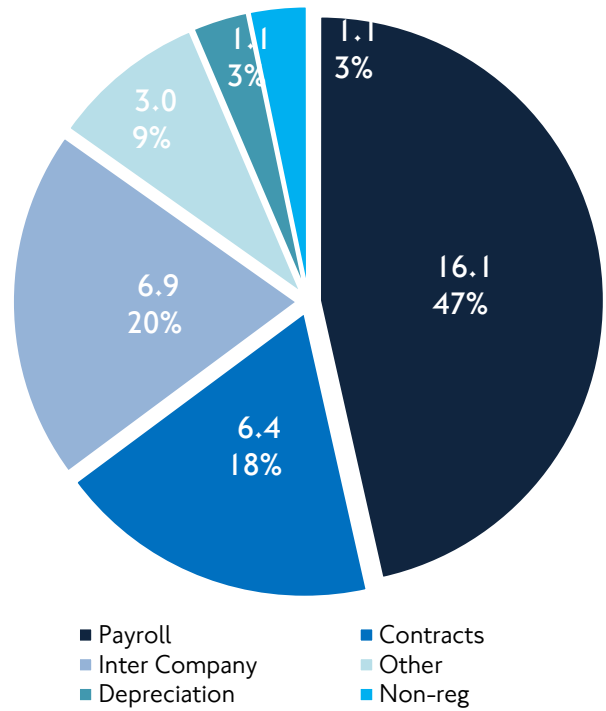
In future years the deficit to date will be recovered by consideration of a combination of licence fee increases and regulatory expenditure savings.

A more detailed breakdown and comparison against 2015/16 is provided overleaf

Total income of £26.6m

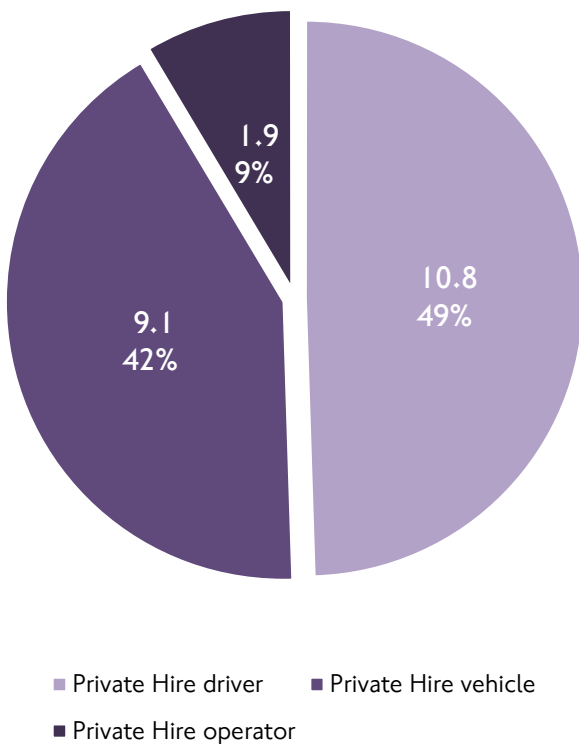


Total expenditure of £34.6m

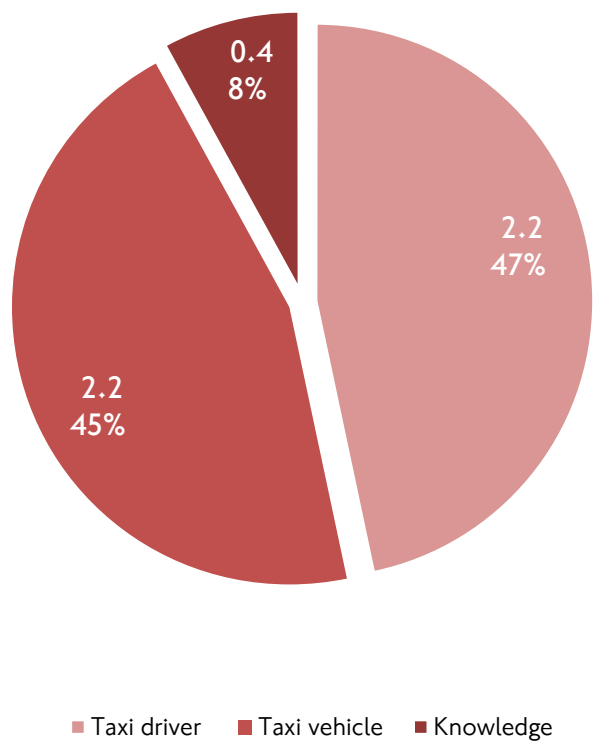


Please note the definition of these items is on the next page

Breakdown of private hire income -£m



Breakdown of taxi income - £m



# Income and expenditure 2016/17 and 2015/16

## Detailed financial tables

### Income and expenditure account

	2016/17 £m's	2015/16 £m's
Taxi driver	2.2	2.4
Taxi vehicle	2.2	2.3
Knowledge	0.4	0.6
Private hire driver	10.8	10.8
Private hire vehicle	9.1	8.0
Private hire operator	1.9	1.4
<b>Total licensing income</b>	<b>26.6</b>	<b>25.5</b>
Payroll 1	(16.1)	(10.5)
Contracts 2	(6.4)	(6.2)
Inter company 3	(6.9)	(4.5)
Other 4	(3.0)	(0.9)
Depreciation	(1.1)	(1.0)
<b>Total expenditure - regulatory</b>	<b>(33.4)</b>	<b>(23.1)</b>
<b>Net surplus / (deficit) - regulatory</b>	<b>(6.9)</b>	<b>2.4</b>
Non regulatory costs 5	(1.1)	(1.1)
<b>Net surplus / (deficit) - total</b>	<b>(8.0)</b>	<b>1.3</b>
<b>Retained regulatory surplus / (deficit)</b>		
	2016/17 £m's	2015/16 £m's
Opening retained surplus / (deficit)	1.4	(1.0)
In year surplus / (deficit)	(6.9)	2.4
<b>Closing regulatory surplus / (deficit)</b>	<b>(5.4)</b>	<b>1.4</b>

**Note:** definition of expenditure items in the financial table

1. Payroll – Includes basic pay for all staff employed on taxi and private hire licensing and compliance activities including associated national insurance and pension contributions  
Note: The Commissioner, Surface Managing Director, Surface Chief Operating Officer, Director of Enforcement and On-street Operations, Head of Transport Policing and Director of Service Operations payroll costs are excluded.
2. Contracts – Includes all taxi and private hire contractual charges such as those relating to payments made to NSL for vehicle inspections
3. Inter Company – Services supplied by other parts of TfL for things such as building/facilities, Metropolitan Police Service contribution, legal, HR and IT.

4. Other – Includes all other charges such as those incurred on stationery, IT consumables, banking and finance lease payments.
5. Non regulatory costs – These costs fall outside the scope of licence fees, for example marshalled ranks, and thus are solely funded by TfL.

## Explanation of significant variances

### Income

- **Private hire vehicle** increased by £1.1m (14 per cent) primarily as a result of the growth in active vehicles from 77,687 to 87,409.
- **Private hire operator** increased by £0.5m (36 per cent) mainly as a result of the increase in in-year applications from 545 to 867.

### Expenditure

- **Payroll** increased by £5.6m (53 per cent) primarily as a result of the significant increase in on-street compliance officers recruited. Furthermore, there has been an increase in licensing admin officers as well as the recruitment of new topographical assessors.
- **Inter company** increased by £2.4m (53 per cent) mainly as a result of the increase in services provided by TfL such as office accommodation and information technology to support the increase in on-street compliance and licensing admin officers.
- **Other** increased by £2.1m (233 per cent) primarily as a result of costs directly associated with recruiting additional on-street compliance officers, legal fees and commercial property rent.

### Surplus/ (deficit)

**In year net regulatory position** has changed from a £2.4m surplus in 2015/16 to a £6.9m deficit in 2016/17; a decrease of £9.3m. This is primarily because of the direct and indirect costs associated with

increasing the number of on-street compliance officers from 53 to 211 (298 per cent).

**Retained net regulatory position** has changed from a £1.4m surplus in 2015/16 to a £5.4m deficit in 2016/17; a decrease of £6.8m. This is primarily because of the direct and indirect costs associated with increasing the number of on-street compliance officers from 53 to 211 (298 per cent).

This deficit will be recovered in future years by consideration of a combination of licence fee increases and regulatory expenditure savings.