

# Introduction

This paper summarises the income received and expenditure incurred by Transport for London (TfL) in connection with taxi and private hire licensing, regulation and compliance activities for the year 1 April 2017 to 31 March 2018.

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.
- Costs associated with developing and setting policy and regulation.
- 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.

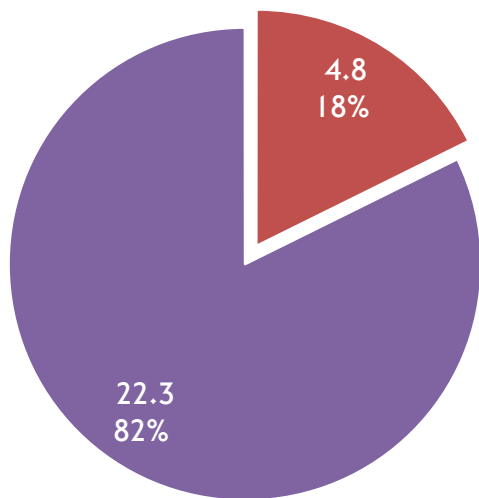
# Financial summary for 2017/18

The total regulatory income received from licence fees for the year was £27.1m; 2 per cent higher than the previous year. The total regulatory expenditure incurred in the year was £40m; 19 per cent higher than the previous year. This has resulted in a £12.9m deficit for the year.

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

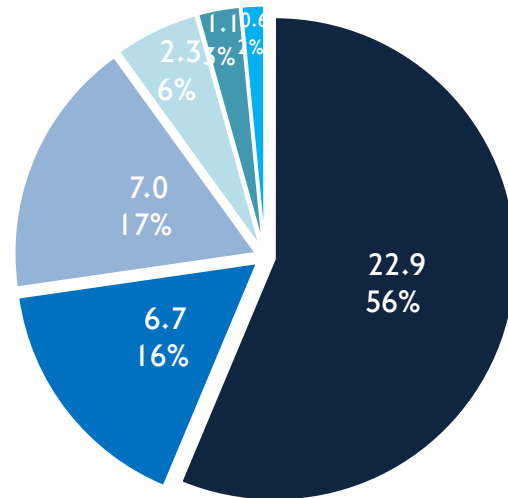
A more detailed breakdown and comparison against 2016/17 is provided overleaf.

**Total income of £27.1m**



■ Taxi Related Income ■ Private Hire Related Income

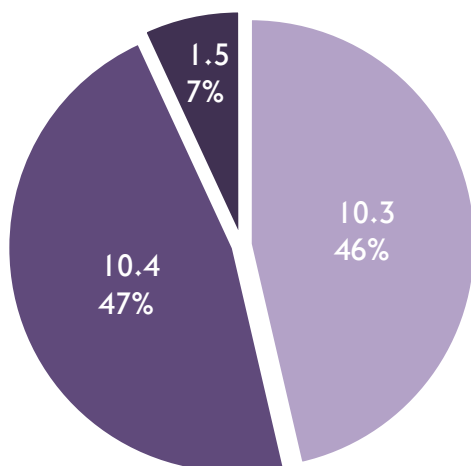
**Total expenditure of £40.5m**



■ Payroll ■ Contracts ■ Inter Company  
 ■ Other ■ Depreciation ■ Non-reg

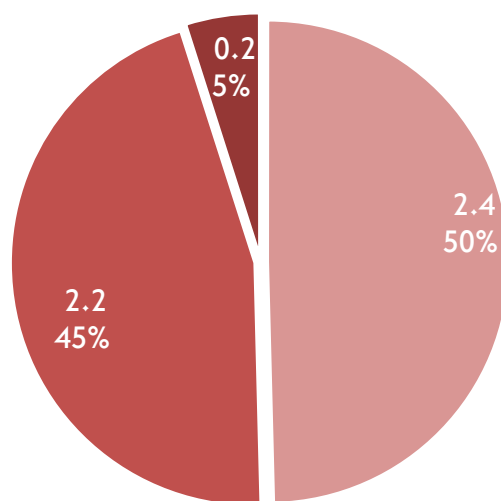
Please note the definition of these items is on the next page

**Breakdown of private hire income £22.3m**



■ Private Hire driver ■ Private Hire vehicle  
 ■ Private Hire operator

**Breakdown of taxi income £4.8m**



■ Taxi driver ■ Taxi vehicle ■ Knowledge

# Income and expenditure 2017/18 and 2016/17

## Detailed financial tables

### Income and expenditure account

|  | 2017/18<br>£m's | 2016/17<br>£m's | 2015/16<br>£m's |
|--|-----------------|-----------------|-----------------|
| Taxi driver                                    | 2.4             | 2.2             | 2.4             |
| Taxi vehicle                                   | 2.2             | 2.2             | 2.3             |
| Knowledge                                      | 0.2             | 0.4             | 0.6             |
| Private hire driver                            | 10.3            | 10.8            | 10.8            |
| Private hire vehicle                           | 10.4            | 9.1             | 8.0             |
| Private hire operator                          | 1.5             | 1.9             | 1.4             |
| <b>Total licencing income</b>                  | <b>27.1</b>     | <b>26.6</b>     | <b>25.5</b>     |
| Payroll 1                                      | (22.9)          | (16.1)          | (10.5)          |
| Contracts 2                                    | (6.7)           | (6.4)           | (6.2)           |
| Inter company 3                                | (7.0)           | (6.9)           | (4.5)           |
| Other 4  | (2.3)           | (3.0)           | (0.9)           |
| Depreciation                                   | (1.1)           | (1.1)           | (1.0)           |
| <b>Total expenditure - regulatory</b>          | <b>(40.0)</b>   | <b>(33.4)</b>   | <b>(23.1)</b>   |
| <b>Net surplus / (deficit) - regulatory</b>    | <b>(12.9)</b>   | <b>(6.9)</b>    | <b>2.4</b>      |
| Non regulatory costs 5                         | (0.6)           | (1.1)           | (1.1)           |
| <b>Net surplus / (deficit) - total</b>         | <b>(13.5)</b>   | <b>(8.0)</b>    | <b>1.3</b>      |
| <b>Retained regulatory surplus / (deficit)</b> |                 |                 |                 |
|  | 2017/18<br>£m's | 2016/17<br>£m's | 2015/16<br>£m's |
| Opening retained surplus / (deficit)           | (5.4)           | 1.4             | (1.0)           |
| In year surplus / (deficit)                    | (12.9)          | (6.9)           | 2.4             |
| <b>Closing regulatory surplus / (deficit)</b>  | <b>(18.3)</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, Director of Compliance, Policing and On-street services and Director of Licensing, Regulation and Charging 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 staffing costs associated with the delivery of taxi ranks.

## Explanation of significant variances

### Income

- Private hire driver decreased by £0.5m (4 percent) primarily as a result of the number of new PHV driver applications received falling from 24k to 10k.
- Private hire vehicle increased by £1.3m (14 per cent) primarily as a result of an increase in licence fee from £100 to £140.

### Expenditure

- Payroll increased by £6.8m (42 per cent) primarily as a result of the significant increase in on-street compliance officers recruited towards the end of 2016/17.
- Other decreased by £0.7m (25 per cent) primarily as a result of costs directly associated with recruiting and legal fees that were incurred in 2016/17 only.

### Surplus/ (deficit)

- In year net regulatory position has worsened from a £6.9m deficit in 2016/17 to a £12.9m deficit in 2017/18. This is primarily because of the direct and indirect costs associated with increasing the number of on-street compliance officers.
- Retained net regulatory position has worsened from a £5.4m deficit in 2016/17 to a £18.3m deficit in 2017/18; a decrease of £12.9m.
- This deficit will be recovered in future years by consideration of a combination of licence fee increases and regulatory expenditure savings.