



National Free Travel Scheme for older people and those with certain disabilities

The Somerset Concessionary
Travel Scheme 2017-18

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1. Legislation, Guidance and Background

Statutory Minimum Requirement

- 1.1 A mandatory bus concession for older and disabled people has been in place since 2001. The scheme has gradually been extended since its introduction and since April 2008 has provided free off-peak local bus travel to eligible older and disabled people anywhere in England.
- 1.2 Travel Concession Authorities (TCAs) are required to implement the mandatory travel concession as set out in the Transport Act 2000 and the Greater London Authority Act 1999, both of which were amended by the Concessionary Bus Travel Act 2007.
- 1.3 TCAs are required by law to reimburse bus operators for carrying concessionary passengers. In respect of the mandatory concession, TCAs must reimburse bus operators for all concessionary journeys starting within their boundaries, regardless of where the concessionary pass holder making the journey is resident.
- 1.4 The Statutory Minimum Requirement is to offer:
 - FREE travel on any local bus service in England at all times on Saturday, Sunday and Bank Holidays and between 0930 and 2300 on any other day.
- 1.5 Whilst operators may seek to appeal against the reimbursement arrangements proposed by any TCA they are obliged to carry eligible pass holders free of charge during the above periods of time. The TCA must not propose a scheme that requires pass holders to make any contribution and operators must under no circumstances seek to levy any charge on pass holders on eligible services covered by legislation.
- 1.6 It is an offence liable to summary conviction or fine under Section 148 of the Transport Act 2000 for an operator to fail to comply with his obligations under Section 145A (1) of the same Act:

145A England: mandatory concessions for journeys not beginning on the London bus network

Any person to whom a current statutory travel concession permit has been issued and who travels on an eligible journey on an eligible service is entitled, on production of the permit, to a concession consisting of a waiver of the fare for the journey by the operator of the service.

Discretionary Enhancements

- 1.7 In addition to the mandatory bus concession, TCAs are also able to offer discretionary concessionary travel schemes using the powers provided by the Transport Act 1985, i.e. schemes which go beyond the statutory minimum in one or more respects. This does not necessarily require a separate scheme to be created; a scheme which offers benefits which include but are more generous than the statutory minimum will at the same time fulfill any obligation to ensure that the statutory minimum is provided.

- 1.8 Arrangements for reimbursing operators for the cost of the mandatory concession under the Transport Act 2000 are legally distinct from reimbursement arrangements arising from the use of powers under the Transport Act 1985.
- 1.9 Operators have the right to decline to participate in any discretionary enhancements to a scheme. This must be done in writing to the TCA or their agents acting on their behalf within 28 days of either publication of the scheme or any notice of variation of the scheme.

Right of Appeal

- 1.10 In both the Transport Act 1985 and the Transport Act 2000 there is provision for bus operators to apply to the Secretary of State for modification and in the case of schemes established under the Transport Act 1985, cancellation of the arrangements of the local authority, if they consider that there are special reasons why the arrangements would be inappropriate.

Reimbursement of Statutory Minimum Scheme

- 1.11 The provisions of sections 149 and 150 of the Transport Act 2000 apply in determining how operators are to be reimbursed in respect of the mandatory concession:
- Four months prior to the commencement or variation of the statutory scheme the TCA must publish reimbursement proposals in as much detail as possible to allow for meaningful negotiation (Transport Act 2000, section 150(1)).
 - 28 days prior to the commencement or variation of the statutory scheme the TCA must determine final reimbursement arrangements (Transport Act 2000, section 149(2)).
- 1.12 TCAs are required by law to reimburse bus operators for carrying concessionary passengers, on the principle that the operators are “no better off and no worse off” by taking part in concessionary travel schemes. The aim is not to subsidise bus operators, but to pay for any increased costs that they have incurred. An explanation of the principles of generation is provided in Appendix 1.
- 1.13 In addition to the UK legislation governing concessionary travel schemes, TCAs are obliged to comply with European regulation No 1370/2007, which sets out the overarching rules for reimbursement of public service obligations and places a duty on TCAs to ensure that bus operators are not over compensated. Concessionary travel schemes are considered to be public service obligations. The guidance published by the DfT includes a copy of the Annex to the Regulation (EC) 1370/2007, which sets out the compensation rules.
- 1.14 Reimbursement paid to bus operators takes two forms: revenue foregone and additional costs. Revenue foregone is reimbursement of the fares operators would have received for existing passengers now travelling free. This is not usually as simple as looking at the quoted full fare and should instead be calculated on an average fare basis.
- 1.15 If there has been a very significant increase in bus patronage as a result of the new concession then this might represent what is known as ‘generated travel’ i.e. passengers only travelling because of the concession. The only extra funding requirement associated with generated travel should therefore be additional costs that bus operators experience as a result of this

generated travel, namely wear and tear on buses and, exceptionally, the cost of providing additional journeys if required.

1.16 Calculating concessionary travel reimbursement is predicated on determining what would have happened in the absence of the scheme and requires TCAs to estimate the following components of reimbursement:

- The fares that operators would have offered and that concessionary travellers would have paid in the absence of a scheme.
- The number of journeys that would have been made by concessionary travellers in the absence of a scheme.
- Any net additional costs that operators have incurred as a result of the scheme.

1.17 The Department for Transport provides guidance to local authorities and bus operators on how to calculate appropriate reimbursement. The latest version of this guidance and calculator, published in September 2016 can be found at:

<https://www.gov.uk/government/publications/guidance-on-reimbursing-bus-operators-for-concessionary-travel>.

Reimbursement of Discretionary Enhancements to a Scheme

1.18 The proposed arrangements for discretionary travel schemes should be published by the TCA at least 28 days before the scheme commences. It should be clear to the operators from the published details what concessions they will be required to offer and the timing and amount of reimbursement that they can expect to receive to cover their revenue foregone and any additional costs incurred.

1.19 The principles of reimbursement applied to the statutory scheme that operators should be “no better off and no worse off” also apply to Discretionary Enhancements.

Treatment of infrequent services, community bus services, small operators and small route legs

1.20 The guidance suggests that TCA’s may wish to consider making special arrangements for the reimbursement of **infrequent bus services**. The reason for making this provision is that concessionary passengers using infrequent bus services may not have the same incentive or opportunity to increase the number of journeys with free fares compared to a situation of no concessionary scheme as would be the case with users of more frequent bus services. The users of infrequent bus services are relatively small in number so do not show up in national surveys or datasets. However such services are an important link for rural communities and can be an important part of the business of small bus operators.

1.21 Guidance recommends that the definition of infrequent services is a service of once a day or less.

- 1.22 The guidance does not recommend a particular elasticity or reimbursement rate for either of these types of service. It is recommended that operators and TCAs should consider appropriate local data or results of surveys to determine appropriate reimbursement.
- 1.23 Guidance suggests that TCAs may also wish to have regard to the recognition in the regulations governing concessionary travel reimbursement that the application of a standard method may prove unduly onerous in the case of some **small operators**. The operator and authority may reach an ad hoc agreement as to the agreement to be paid through negotiation but must have regard to the 'no better nor worse off' principle.
- 1.24 Similarly calculating reimbursement using the standard method may be burdensome in the case of services going through a local authority for just a **few stops**, irrespective of the size of the operator. Similarly ad hoc negotiations may be more suitable in this case.

Notice of Participation or Variation

- 1.25 The Transport Act 1985 permits the TCA to serve a Participation Notice upon any operator who does not wish to participate voluntarily in a travel concession scheme or a variation to a scheme made under that act (a "s.93 scheme"). Any such notice must be served within 28 days of the operator giving notice that they do not wish to participate in a scheme.
- 1.26 The operator may lodge an appeal regarding the Participation Notice to the Secretary of State if he feels that there are special reasons why his participation would be inappropriate or if any details of the scheme or the reimbursement arrangements are inappropriate. Any such applications must be made no later than 56 days from the date the obligation to participate commences (or in the case of a new service from the date that the service is due to begin). Local authorities can request a specific period of notice (of at least seven days) if an operator intends to appeal.

The Appeal Process

- 1.27 The right of an operator to apply to the Secretary of State for modification of the proposed reimbursement arrangements offered by a TCA is an important safeguard. This application process is often referred to as the 'appeal process'. Applications should only be submitted after proper consideration and after attempts to reach a resolution at the local level have been exhausted. The time limit for making an appeal is 56 days from the commencement or variation of the scheme.
- 1.28 Such unresolved disputes may include:
- Disputes over the application of the DfT Reimbursement Calculator
 - Factors used in the calculation of average fare
 - Disputes over the amount of any payment awarded in response to a claim made by an operator for the reimbursement of Additional Costs (Marginal Operating Costs and/or Marginal Capacity Costs and/or PVR Costs)
- 1.29 Any application submitted by an operator should be properly evidenced. It should be made clear exactly which elements of the reimbursement arrangements are, and are not, being disputed.

- 1.30 Even after an appeal submission has been made, TCAs and bus operators are encouraged to continue negotiations with the aim of reaching a settlement.
- 1.31 The DfT has published separate guidance for TCA's and bus operators with regards to the appeals process which can be found on the Department's website.
- 1.32 The Secretary of State, or an appointed representative, will utilise the methodology set out in the published guidance and in the regulations when determining appeal applications. This will provide a standard benchmark for assessing appeals cases.

Eligibility for a pass

- 1.33 There are two broad categories of people eligible for a statutory concession. These are men and women who have reached a certain age and eligible disabled people, where no age limits apply.
- 1.34 The Concessionary Bus Travel Act 2007 specifies that Travel Concession Authorities must issue a Concessionary Bus Pass to an eligible person whose sole or principal residence is in the authority's area. It does not relate to ownership of property. Those who reside in more than one property should apply only once to the TCA in the area where they reside for most of the time.
- 1.35 An English Concession pass is not available to those whose principal residence is not in England (including Wales, Scotland, Ireland or Northern Ireland and overseas), whether or not they hold a British Passport. It makes no reference to nationality but to 'residents'. Foreign nationals living in England who have met the residency requirements are eligible, whilst those on a short stay visa or on business or holiday are not.
- 1.36 Prior to April 2010 the age of eligibility for an age related concessionary travel pass was 60 years of age. However, since this date the age of eligibility in England has been tied to the pensionable age for women. The age of eligibility for concessionary travel is therefore:
- For women = pensionable age
 - For men = pensionable age of a woman born on the same day.
- 1.37 Initially it was proposed that the pensionable age for women would gradually increase from 60 to 65 over the ten year period from 2010 to 2020. However, in 2012 further changes were announced to speed up the changes so that pensionable age for both men and women will now be 65 by 2018 rather than 2020. As a result the precise pensionable dates over the coming years are complicated. Reference should be made to the DfT calculator to determine dates of eligibility for a bus pass:
- <https://www.gov.uk/calculate-state-pension>
- 1.38 There are seven categories of disabled people who are entitled to the statutory minimum concession and these are set out in section 146 of the Transport Act 2000 and section 240(5) of the Greater London Authority Act.

- 1.39 Anyone who has reached the age of eligibility for a pass will no longer be issued with a pass entitling them to travel due to their disability.
- 1.40 An eligible disabled person is someone who:
- a. is blind or partially sighted
 - b. is profoundly or severely deaf
 - c. is without speech
 - d. has a disability, or has suffered an injury, which has a substantial and long-term adverse effect on his or her ability to walk
 - e. does not have arms or has long-term loss of the use of both arms
 - f. has a learning disability, that is, a state of arrested or incomplete development of mind which includes significant impairment of intelligence and social functioning
 - g. would, if he or she applied for the grant of a licence to drive a motor vehicle under Part III of the Road Traffic Act 1988, have his/her application refused pursuant to section 92 of the Act (physical fitness) otherwise than on the ground of persistent misuse of drugs or alcohol.
- 1.41 The Department for Transport has produced guidance to local authorities on assessing eligibility of disabled people, which can be found at:
- <http://webarchive.nationalarchives.gov.uk/20110504042334/http://www.dft.gov.uk/pgr/regional/buses/concessionary/informationlocalauthorities/guidancedisabled/>
- 1.42 From August 2011, service personnel and veterans who have been awarded a lump sum payment under the Armed Forces Compensation Scheme (AFCS) and meet the existing disability criteria for the English National Concessionary Travel Scheme may be considered automatically for a disabled person's concessionary travel pass. Wherever possible local authorities should issue a concessionary travel pass to eligible service personnel and veterans on production of their AFCS award letter to avoid further assessment.
- 1.43 If the eligibility for statutory travel concessions is altered, the change shall automatically apply to this scheme unless the Council gives notice to the contrary.

Eligible Services

- 1.44 The England National Concessionary Travel Scheme applies on eligible local bus services as defined by the Travel Concessions (Eligible Services) Order 2002 as amended by the Travel Concessions (Eligible Services)(Amendment) Order 2009.
- 1.45 The 2009 Amendment Order explicitly excludes the following types of services from the mandatory concessions scheme:
- Services on which the majority of seats can be reserved in advance of travel (such as coaches);
 - Services that are intended to run for a period of less than 6 consecutive weeks;
 - Services operated primarily for the purposes of tourism or because of the historical interest of the vehicle.
 - Bus Substitution (rail replacement) services;

- Services where the fare charged by the operator has a special amenity element.
- 1.46 The changes introduced by the 2009 Amendment Order explicitly exclude certain types of service that are outside the spirit of the mandatory national concession, thus reducing the potential for any confusion over whether a service is eligible. Local authorities remain able to offer concessionary travel on any services affected by the changes on a discretionary basis.
- 1.47 Further information about the changes introduced by the 2009 Amendment Order can be found at:
<http://webarchive.nationalarchives.gov.uk/20110504042220/http://www.dft.gov.uk/pgr/regional/buses/concessionary/informationlocalauthorities/eligibleservices/>
- 1.48 Eligible services must be compliant with the Disability Discrimination Act 1995 (DDA) which determines that:
- All new coaches and buses weighing up to 7.5 tonnes were required to have wheelchair access from 1st January 2005;
 - All buses weighing up to 7.5 tonnes should be fully accessible from January 2015;
 - All full size single deck buses over 7.5 tonnes must be fully accessible from 1st January 2016;
 - All double deck buses must be fully accessible from 1 January 2017;
 - All coaches should be fully accessible from January 2020.

Geographical Coverage

- 1.49 The Concessionary Travel Act 2007 entitles eligible people who are resident in England to travel on any eligible service within England.
- 1.50 TCAs are required by law to reimburse bus operators for carrying concessionary passengers. In respect of the mandatory concession, TCAs must reimburse bus operators for all concessionary journeys starting within their boundaries, regardless of where the concessionary pass holder making the journey is resident.
- 1.51 TCAs that border Wales or Scotland can use their existing powers to offer travel across the border on a discretionary basis based on their assessment of local need and their overall financial priorities. The revised administrative responsibilities from April 2011 in England mean that new arrangements will be required where these previously existed.

Alternative Provision

- 1.52 TCAs may provide an alternative scheme under section 93 of the 1985 Act whereby a person eligible for the statutory minimum concession may agree with the authority concerned to give up that entitlement for a period and to accept instead an alternative concession offered by that authority, such as travel tokens. The person concerned can opt for the alternative even if it would generally be a lower value than the statutory minimum bus concession.

- 1.53 In cases where authorities envisage offering a scheme (such as tokens) as an alternative to the statutory minimum rather than in addition to it, they will need to ensure that the information provided about the alternative scheme makes it clear to those participating in it that they do so on the basis that they have accepted it as an alternative to their rights to the statutory minimum (the national bus concession) and not as an addition to those rights.
- 1.54 It should be noted that authorities are under no obligation to offer an alternative scheme; nor are the residents able to require them to offer it.

2. The Somerset Scheme

- 2.1 This published scheme will come into effect on 1 April 2017, and replaces the Somerset Concessionary Fares Scheme 2016-17.
- 2.2 The scheme may be amended at any time subject to the TCA following legislative requirements to provide four months' notice for the Statutory Scheme and 28 days notice for Discretionary elements.

Statutory Minimum Requirement

- 2.3 The Somerset Scheme will follow the reimbursement principles of the guidance provided by the DfT relating to the England National Concessionary Travel Scheme.
- 2.4 The Statutory Minimum Requirement is to offer:
- FREE travel on any local bus service in England at all times on Saturday, Sunday and Bank Holidays and between 0930 and 2300 on any other day.
- 2.5 A summary of the eligibility details for pass holders and services included within a statutory scheme is provided in section 1 of this document. For the avoidance of doubt the Somerset scheme excludes service operated at 'Premium Rates' such as National Express Services, Excursions and Tours, journeys originating from dedicated Park and Ride sites and any journeys which require passengers to transfer to another vehicle outside the boundaries of the County.
- 2.6 The Somerset Concessionary Travel Scheme will reimburse operators following the principles of the guidance provided by the DfT pertinent to the scheme in 2017-18. This guidance details calculations where appropriate with respect to:
- **Revenue Foregone** – the amount of revenue foregone that needs to be paid to operators is dependent on non-generated travel or the number of journeys that would have been made by current concessionary passengers in the absence of the concessionary travel scheme.
 - **Marginal Operating Costs** – the costs to a bus operator of carrying an additional passenger assuming a fixed level of service. The components of these costs comprise fuel, tyres and oil, maintenance and cleaning, insurance, information and additional time costs. These costs are applicable to all eligible services and all eligible operators without the need for further information.
 - **Marginal Capacity Costs** – the costs to a bus operator of carrying additional passengers and allowing the capacity of bus services to increase, by using the existing fleet more intensively to provide that additional capacity through increased frequency. These costs are net of the additional revenue generated from commercial journeys that arise from the increased frequency and are additional to Marginal Operating Costs.

- **Peak Vehicle Requirement Costs** – the costs associated with the requirement to run additional vehicles in the peak period due to generated concessionary travel.

Enhancements to the Somerset Free Travel Scheme

- 2.7 Please note that as of 1st April 2016 enhancements for free travel between 0900 and 0930 and free companion travel **were withdrawn and NO longer** apply.
- 2.8 No other enhancements will apply unless indicated in Schedule 3 of this document.
- 2.9 Those eligible because of a disability that require them to be accompanied by a dog (e.g. guide dog for the blind or partially sighted or hearing dog) should not be charged a fare in respect of that dog.

Participation in the Somerset Scheme

- 2.10 Free Off-Peak Travel on registered local bus services in England is determined by statute for eligible pass holders. Whilst operators may wish to appeal against the terms of reimbursement free travel for all eligible pass holders is mandatory and must be made available on all eligible services.
- 2.11 Operators have the right to decline to participate in any enhanced elements to a scheme. Operators are therefore required to indicate their unwillingness to participate in the non-statutory elements of the scheme in writing to the concessionary fares authority or their agents acting on their behalf within 28 days of publication of either the scheme or any notice of variation to the scheme TCSR, reg. 36(3)(a)).
- 2.12 Any operator who notifies their intention not to participate in non statutory elements of the scheme may be served with a participation notice by the concessionary fares authority or their agents acting on their behalf. The participation notice will come into force no earlier than the date immediately following 28 days notice (Transport Act 1985 section 97(5) and TCSR, reg (36(2)). An operator can appeal against the participation notice to the Secretary of State.

Right of Appeal

- 2.13 Operators who feel that they may be prejudicially affected by the reimbursement proposals for offering the statutory minimum concession under the 2000 Transport Act may apply to the Secretary of State, not later than 56 days after the arrangements come into operation, for a modification of the arrangements (TA 2000 s150(3) and (4)). However, the statutory minimum concession is mandatory.
- 2.14 When considering appeals under the 1985 Act or requests for modification of reimbursement arrangements under the 2000 Act the Secretary of State will take account of the extent to which the authority concerned has followed DfT guidance.

Details of Passes

- 2.15 Since April 2008 anyone eligible for free travel should be in possession of an English National Concession Pass. This will clearly indicate the issuing authority, validity dates; have a photograph of the pass holder.
- 2.16 Examples of the English National Free Travel Pass are shown in Appendix 3. The name and/or logo of the issuing authority in the top right hand sector on the front of the pass should be the only variation to the standard design. Details on the reverse of the pass may vary.
- 2.17 Passes issued by virtue of age and disability whilst sharing the same design are easily identified by a different coloured band on the right hand side. A blue band indicates age whilst a gold band indicates disability.

3. Obligations

Obligations of Operators to pass holders

- 3.1 Anyone in possession of a valid English National Travel Scheme pass must not be refused free travel for any journey covered by the legislation relating to the statutory free scheme ⁽³⁾. Operators who consider that the terms of the Somerset scheme prejudicially affect them may exercise their right of appeal, but must not detriment the travel of any eligible concessionary pass holder.

(3) It is not the role of the operator to deny travel to a pass holder. If the operator has any concerns over the validity of a pass, they should bring it to the attention of the pass issuing Authority or scheme administrators.
- 3.2 Operators are reminded that proof of age or disability is not sufficient proof of eligibility to a concession. Blue Badge Permit holders are NOT automatically entitled to free travel or to apply for a pass. Eligibility criteria differ. Anyone eligible to a free travel pass must apply for a pass and use this for travel.
- 3.3 Operators are reminded that elderly and, in particular, disabled pass holders fall into their most vulnerable group of clients and should be treated appropriately. Drivers should not attempt to determine the eligibility of the holder for a pass unless there are obvious signs that the pass is not genuine or has been tampered with in any way.
- 3.4 Whilst travel must only be allowed within the confines of the scheme it is important not to refuse travel without good cause. Instances where pass holders find themselves abandoned are not acceptable and generally bring the good name of the operator and the scheme into disrepute.
- 3.5 Where any driver believes there is undue cause for concern about a particular pass holder they are asked to provide specific details of their concern to the authority or scheme administrator. This should include the name and pass number plus the date, time and location where the concern arose.
- 3.6 Under normal circumstances passes should not be confiscated by the driver unless there is a blatant attempt by someone to fraudulently use a pass which does not belong to them or unless the card has been hot-listed.
- 3.7 Passes are generally issued with validity for five years, after which they require renewal. Whilst the authority makes every effort to contact holders to action their renewal, for various reasons this is occasionally unsuccessful. From time to time where a bulk renewal is going to be delayed operators will be informed to expect and accept expired passes.
- 3.8 Where any pass has expired operators are asked to deal with the situation sensitively and bring the fact that the pass has expired to the attention of the holder reminding them that they should contact the authority about renewal. Travel should not be refused providing that it is clear that the pass belongs to the person travelling since in most cases renewal is a formality.
- 3.9 Smartcard readers failure to read the card should not prevent the passenger from travelling, nor should the pass be confiscated unless the driver has cause to suspect fraudulent use. In such cases a manual record should be made of the journey and the pass holder should be informed

to report a fault with their card to the issuing authority. This fault may include an expiry date having been reached.

- 3.10 Where a pass indicates that a Companion is eligible to travel, **only the pass holder** should be issued with a FREE ticket as of 1st April 2016 as discretionary free companion travel has been withdrawn

Obligations of Operators to the Travel Concession Authority

- 3.11 Operators must provide the administrators of the scheme with appropriate data to enable an assessment to be made of revenue foregone based on the boarding point of pass holders. Spreadsheets will be provided to assist in this process which must be supported as appropriate with evidence of travel. Reports to verify the information can be requested any time.
- 3.12 Operators must supply the scheme administrators with relevant timetables, fare tables and details of any fares incentives or season tickets. Revised timetables **must** be supplied when significant variations are made to either the route or number of journeys operated, and changes to fares and discounted deals should be notified as appropriate. This should be done as soon as possible and at least 7 days in advance of it taking effect.
- 3.13 Operators must supply, as requested by the authority, any data requested to verify claims and numbers carried. This data may concern paying passengers to enable the average fare calculated to be verified or details of journey numbers or ticket types.
- 3.14 Should the data above not be provided if requested, within a 2 month timescale SCC reserve the right to withhold further payments until the data is provided
- 3.15 Operators must supply the authority responsible for payment of accounts with appropriate details required to enable BACS transfers to be made. This information will be required before the scheme administrators can issue appropriate claims forms. Failure to provide this information will result in delays.
- 3.16 Operators must ensure that suitable contact details, and any changes when they occur, are provided to the scheme administrators including details of any appropriate personnel to be contacted regarding the scheme and claims under the terms of the scheme.
- 3.17 It is the responsibility of the operator to make a claim for reimbursement. Presentation of inappropriate or inaccurate invoices will result in payment delays.
- 3.18 It is the responsibility of the operator to make regular claims for reimbursement, the frequency of which may be subject to prior agreement with the scheme administrator. Unless otherwise agreed, claims should be monthly or 3 monthly.
- 3.19 Smaller claims may be accrued and paid by the authority in accordance with their terms of payment (de-minimis terms).
- 3.20 Unless by prior agreement, or in acceptable exceptional circumstances, operators are requested to submit claims no more than three months after the end of the monthly or quarterly period to which they relate. However, due to the requirements of Local Authority Accounts and

Audit Regulations prompt claims for the last three months of the financial year are required. Actual claims or a reasonable assessment of likely claim amounts must be received by 15th April for claims up to and including 31st March each year. Appendix 4 shows the latest submission dates for monthly and quarterly claims.

- 3.21 Any claims for additional capacity and Peak Vehicle costs must be initiated by operators within the financial year to which they relate along with sufficient evidence to justify the need for additional capacity and confirm that additional capacity has been provided. This should be calculated following the latest published DfT guidance.
- 3.22 Operators must ensure that claims are submitted for carriage of all eligible pass holders, including those wishing to travel on services operated under any contract. Where a contract is operated as a 'Cost Based' (also known as Revenue Guaranteed) Contract, to Somerset County Council any reimbursement revenue due for these services will be attributed by the authority to the appropriate contract and will not be paid to the operator.
- 3.23 It is the responsibility of the operator to ensure that claims are made for all services operated on contract to any other authority. Any income received as concessionary fares reimbursement must be declared as revenue to that authority. Operators are advised that without prejudice to matters of commercial confidentiality, if requested the scheme administrators will provide details to anyone with a financial interest in a service of any reimbursement payments made in respect of that service.
- 3.24 Operators are obliged to note that the scheme administrators reserve the right to correct any errors in payments either by invoice or by the adjustment of future reimbursement payments.
- 3.25 Any operator who has reason to believe that erroneous data has been submitted must bring this to the attention of the scheme administrators as soon as possible. The scheme administrators reserve the right to challenge the validity of data submitted at any time, taking into consideration emerging trends and patterns in data for all operators which may cast doubt on historic data provided by any individual operator.
- 3.26 Operators are advised to note that re-submission of claims made in error will only be considered on merit at the discretion of the authority. Resubmissions will not be considered beyond the end of the financial year to which they relate unless extreme circumstances dictate otherwise.
- 3.27 Operators must permit free travel to representatives of the scheme holding a valid authority to travel to carry out on-bus surveys to:
 - survey passenger numbers and fares paid by passengers
 - interview passengers to ask questions relevant to reimbursement
- 3.28 All participating operators are to:
 - utilise any ticketing equipment on eligible services that may be supplied to them by the authority.
 - utilise any data handling equipment that may be supplied to them by the authority.

- display any notices required by the authority (without charge) in or on any vehicle used in connection with the scheme to indicate that relevant pass holders can travel at a concessionary rate.
- claim reimbursement only for eligible services.
- ensure that all services are operated by vehicles compliant with Disability Discrimination Act 1995.

3.29 Operators must notify the Travel Concessions Authority or their agents of any desire not to participate in any non-statutory elements of the scheme, giving 28 days notice of their decision not to participate.

Obligations of the Travel Concession Authority to Operators

3.30 The authority will provide no less than four months' notice to bus operators of proposed changes to reimbursement arrangements for the statutory minimum scheme as specified by the Transport Act 2000. They will try to reach agreement on these changes with operators both before and after publication.

3.31 The authority will publish their intention to enhance the statutory free scheme under the terms of the 1985 Transport Act, giving 28 days notice of the enhancement. Operators will be given the option to decline to participate in these elements.

3.32 Where an operator has notified their unwillingness to participate in any non-statutory element of the scheme, the concessionary fares authority may serve a participation notice to commence no earlier than 28 days after serving notice of participation. Therefore an authority wishing to ensure that operators participate may wish to publish their intended enhancements 56 days prior to implementation in order to allow sufficient time to serve a notice of participation if voluntary participation is declined.

3.33 The proposed arrangements should be published in the form the authority intends to implement, should be feasible, and should contain appropriate levels of detail given the level of information available to authorities at the time. It should be clear to operators from the published details what concessions they will be required to offer and how much reimbursement they will be entitled to.

3.34 Authorities are required to determine final reimbursement arrangements at least 28 days prior to commencement of the scheme. These may or may not be the same as the reimbursement arrangements initially published, though any changes will have to be reasonable. The objective of the initial notice period is to allow parties to discuss the matter.

3.35 Any enhancements to the scheme over and above the statutory minimum can be made using powers in the Transport Act 1985. In such cases, the authority must give an operator to whom any such period of notice applies at least 28 days prior warning of the change to an existing scheme, or to the reimbursement arrangements concerning it.

3.36 For reasons of administrative efficiency the authority is entitled to have a single integrated scheme based on powers and duties of both acts, providing that appropriate notice requirements of both acts are fulfilled.

- 3.37 TCAs have a duty to ensure that bus operators are not over compensated for the carriage of concessionary pass holders. European regulation No 1370/2007 sets out the overarching rules for reimbursement of public service obligations; concessionary travel schemes are considered to be public service obligations.
- 3.38 Authorities are free under their local government powers to arrange for other authorities to act on their behalf, and (under the 1985 regulations) to employ others to act as their agents provided they meet the statutory minimum in each individual authority in all respects. There is no obstacle to schemes which involve any groups of authorities working together, or which are provided by any tier of authority. It is for authorities themselves to work out reimbursement of one authority by another.
- 3.39 The authority shall ensure that any information obtained from the operator shall be confidential. This does not apply to information which the authority publishes as part of the Transparency Agenda.
- 3.40 Operators are advised that without prejudice to matters of commercial confidentiality, if requested the scheme administrators will provide details to anyone with a financial interest in a service of any reimbursement payments made in respect of that service.

4. Reimbursement Procedure

- 4.1 Section 149 of the 2000 Transport Act provides for the Secretary of State to make regulations about reimbursement of revenue foregone.
- 4.2 The objectives of reimbursement are that bus operators should be “no better/no worse off” as a result of participating in a concessionary fares scheme.
- 4.3 All claims for reimbursement should be supported by appropriate documentary evidence, as agreed between the authority and the claimant. This will be commensurate with the level of detail of data available to any particular operator from their available ticketing equipment.
- 4.4 Operators may be required to use equipment or enhancements to existing equipment provided by the authority to facilitate them in the provision of data associated with the carriage of concessionary fare passengers.
- 4.5 An example calculation using the elements detailed below is given in Appendix 2.

Revenue Foregone for non-generated passengers

- 4.6 The amount of revenue foregone that needs to be paid to operators is dependent on non-generated travel of the number of journeys that would have been made by current concessionary passengers in the absence of the concessionary travel scheme – it is not possible to observe this directly this needs to be estimated.
- 4.7 The level of non-generated journeys is best expressed by the Reimbursement Factor, the percentage of journeys that would have been made in the absence of a scheme (i.e. if commercial fares had been charged). The higher the reimbursement factor, the higher the number of journeys that would have been made in the absence of a scheme and the lower the number of journeys that have been generated by the scheme.
- 4.8 The reimbursement factor is applied to the observed number of journeys made at free fare to derive the estimated number of journeys made in the absence of a scheme. This, multiplied by the fare that would have been paid, gives the total revenue foregone for which operators need to be reimbursed.
- 4.9 Hence the reimbursement calculation in Somerset will be based on an estimate of fares lost taking into consideration a factor to account for the additional travel activity generated by the granting of the concession. This factor, applied to calculations in Somerset will be in accordance with guidance published by the DfT.
- 4.10 Guidance published in September 2015 suggested that assuming no change in real fares, the reimbursement factor in a non PTE area in 2017-18 would be 43.4%. However, if it is determined locally that there has been an increase in real fares (i.e. over and above inflation) since 2005-6 the reimbursement factor will be lower, and if the real fare has decreased since 2005-6 the reimbursement factor will be higher. Appendix 5 gives an extract from the guidance regarding estimation of growth in fares.

4.11 Across Somerset an average commercial fare increase of 20% has been used in the calculator as the likely percentage increase over the period 2010-11 to 2017-18. The resultant standard reimbursement factor to be applied by the Somerset Scheme for most ⁽⁴⁾ services in 2016-18 will be **41%**. The use of this standard countywide reimbursement rate will reduce budgetary uncertainty for both operators and the TCA.

(4) Some services deemed to operate infrequently are reimbursed at a higher rate as detailed below.

4.12 Guidance published in November 2016 recommended that TCA's may wish to consider making special arrangements for the reimbursement of infrequent bus services. The guidance recommends that the definition of an infrequent service is one which operates once a day or less. However:

4.13 From April 2016 at the discretion of the TCA the Somerset Scheme defined services as infrequent services where journeys operate at a frequency of less than 4 per day in each direction⁽⁵⁾ (or 4 total for circular routes), Monday to Friday, each of which cover what SCC considers a significant section of the registered route. An enhanced reimbursement factor of 70% will apply to these services. Registered Bus Services operated by Community Transport Schemes under Section 22 will be reimbursed at this infrequent services rate irrespective of the frequency of operation. A list of services deemed as infrequent is attached as Schedule 5

(5) Classification of service frequency is determined by the TCA and will take into account opportunities to travel from the majority of stops along the route in question including services of all operators.

For the avoidance of doubt:

- i) Where a number of services combine for the majority of a particular route the frequency of the combined services will be considered for the purposes of definition as a frequent or infrequent service. If the majority of a route is deemed as frequent the whole service will be considered as frequent or vice versa.
- ii) Any service operating only as an evening service will be considered in association with any similar daytime services in the determination of frequency.
- iii) The TCA will discuss with operators as appropriate the individual merits of any service classification.

4.14 Operators will be reimbursed for the carriage of pass holders on each service (global or aggregated figures may be used if more suitable).

4.15 Any operator who believes that the use of TCA average fare information will be inappropriate for their organisation may request that an operator specific reimbursement factor is determined. This request should be made to the scheme administrators within 30 days of commencement or amendment of the scheme. However, since evidence of average fare changes over the period up to 31st March 2017 will be required to support this any revised rate will only be used on an interim basis; a retrospective reconciliation will be required at the end of the scheme year. Where fares are found to have increased more than anticipated this will result in a lower factor meaning that overpayments will be reclaimed. Where an end of year recalculation of an operator specific rate is undertaken the calculator used will be updated to include the latest inflation forecasts.

4.16 Furthermore, the TCA is willing to discuss operator specific formal agreements, including fixed payments, provided that such agreements accord with the overarching "no better and no worse off" principle and do not conflict with the reimbursement calculation set out in this scheme

4.17 The Somerset Scheme 2017-18 has been determined using the DfT calculator published in November 2016. This may be varied from time to time:

<https://www.gov.uk/government/publications/concessionary-bus-travel-reimbursement-calculator>

Marginal Operating Cost

4.18 Marginal Operating Costs are the costs to a bus operator of carrying an additional passenger assuming a fixed level of service. The components of these costs comprise fuel, tyres and oil, maintenance and cleaning, insurance, information and additional time costs. These costs exclude operators' administration/management time.

4.19 Marginal Operating Costs are applicable to all eligible services and all eligible operators without the need for further information. Hence this element will automatically be paid to all claimants in accordance with DfT guidance.

4.20 The Marginal Operating Cost for the Somerset Scheme in 2017-18 is **7.1p per generated journey** derived using the DfT calculator based on the assumption of an average journey length of 5 miles. Operators may submit a clearly evidenced claim where they believe this rate is inappropriate.

4.21 DfT guidance suggests that if there are local circumstances where one or more elements of the Marginal Operating Costs is significantly higher or lower than the standard approach then the TCA and the operator may negotiate a different rate. Appendix 6 shows the elements of Marginal Operating Costs underlying the DfT calculator. These are deemed to be robust and applicable in most cases, and it is important that component values should not be considered independently so as to avoid either party being selective. The guidance suggests that a change should only be agreed when **all** components have been reviewed and evidenced.

Marginal Capacity Costs

4.22 These are the costs to the bus operator of carrying additional passengers generated as a result of the existence of the concessionary travel scheme and allowing the capacity of bus services to increase by using the existing bus fleet more intensively to provide additional capacity through increased frequency.

- 4.23 These are the costs to the bus operator of carrying additional passengers generated as a result of the existence of the concessionary travel scheme and allowing the capacity of bus services to increase by using the existing bus fleet more intensively to provide additional capacity through increased frequency.
- 4.24 Marginal Capacity Costs should be net of the additional revenue generated from commercial journeys that arise from increased frequency and **must not** reflect increased frequencies resultant from commercial or competitive activities. These costs are additional to Marginal Operating Costs.
- 4.25 Dft Guidance states that there is a presumption that Marginal Capacity Costs could potentially apply to all routes within a network. The Somerset Scheme has used the calculator to determine a countywide value for Marginal Capacity.
- 4.26 The calculated value for Marginal Capacity Costs to be applied on commercially operated services in Somerset in 2017-18 will be **.355p per generated passenger**. This is in addition to the Marginal Operating Cost indicated in paragraph 4.19.
- 4.27 Anyone who believes that the above marginal cost rate is inappropriate must make a clearly evidenced claim demonstrating additional capacity provided as a result of conveying concessionary passengers using the calculator published by the DfT.
- 4.28 DfT guidance suggests that the preferred approach is to calculate these costs should be at aggregate network level. It is inappropriate to work at route level since it is not expected that this will be a positive figure for all routes; on some routes the additional commercial revenues gained as a result of increased frequency could outweigh costs and counterbalance losses elsewhere.
- 4.29 It is important that data is available for all routes and not a selected sample which could bias any results. In order that Marginal Capacity Costs can be considered data is required on a route by route basis or for the network relating to:
- i) Cost per vehicle hour
 - ii) Cost per vehicle mile
 - iii) Speed
 - iv) Mean vehicle occupancy
 - v) Mean Journey Length
 - vi) Mean Route Length
 - vii) Average Commercial Fare ⁽⁶⁾
 - viii) Commercial (Non-concession) journeys ⁽⁶⁾ as percentage of total journeys

(6) Please note that in a change to DfT guidance from 2012, the calculator required that commercial journeys were no longer restricted to adults but must include children (including County Ticket numbers and payments)

Peak Vehicle Requirement Costs

- 4.30 If an operator wishes to claim additional peak vehicle requirement costs then the operator must supply data and analysis to support such a claim. The expectation is that additional peak vehicle requirement will be exceptional so that operators will have to demonstrate that exceptional or unusual circumstances are relevant.
- 4.31 Detailed data on passenger boarding's by route on annual average weekday half hour intervals for all services covered by the claim will be required. As a minimum the time periods covered should be 0700 to 1900 weekdays.
- 4.32 Data will be required for the number of concessionary journeys under the statutory scheme, non statutory scheme (if appropriate) and an estimate made using the generation factor derived in the reimbursement part of the calculation of the number of journeys that would have been at the relevant average adult fare in the absence of a scheme. Somerset will follow the methodology prescribed in the DfT guidance, see Appendix 7.
- 4.33 Operators should demonstrate the criteria usually used to decide whether to put on an extra service to meet peaks in commercial journeys. The Travel Concession Authority or its Agent has the right to confirm that the stated criteria is applied in practice to ensure that there is a consistency of application between periods when the statutory scheme may or may not apply.

Submission of Data

- 4.34 The preferred method of submission is for operators to attach completed sheets to an email, however other methods of submission will be considered in exceptional circumstances. For audit purposes all submissions **must be** in writing, by email or by post.
- 4.35 Claims for each month or period should be submitted using forms supplied by the scheme administrators. Where agreement has been given for less frequent submissions, it is important to be able to identify separately data regarding each month or period of operation.
- 4.36 Claims submitted must be accompanied by documentary evidence as appropriate, and as agreed with the Authority or the administrators of the scheme. Further evidence can be requested by the Local Authority at any time to evidence a claim.
- 4.37 It is important that operators provide claims for all services operated. This should include services operated on contract, both on a subsidy and cost basis as well as commercial services.
- 4.38 Unless by prior agreement, or in acceptable exceptional circumstances, operators are requested to submit claims within six weeks of the end of the monthly or quarterly period to which they relate. However, due to the requirements of Local Authority Accounts and Audit Regulations prompt claims for the later months of the financial year are required. Actual claims or a reasonable assessment of likely claim amounts must be received by 15th April for claims up to and including 31st March each year.

4.39 Any claims for extra-ordinary Additional Capacity Costs or Peak Vehicle Costs should be notified as soon as possible by operators and must in all cases be initiated prior to 31st March in respect of the twelve months ending on that date.

4.40 Operators are required to provide regular data:

- detailing the number of concessionary passengers carried on all services including subsidy and costs based contracts as well as commercial services.
- providing the authority and/or their agents the ability to undertake an effective assessment of appropriate average fares to be calculated on a service by service basis taking account of discounted tickets where available.

4.41 Average fare calculations used to determine the appropriate revenue foregone should include an assessment of the average fare which may have been paid in the absence of the scheme. DfT guidance suggests that this can be based on various assessments including discounted fares or a basket of fares. The AAEF calculation will therefore include single, return, day, carnet and weekly tickets (if available) or any other ticket types which allow for consecutive days travel. Return tickets will be taken to represent two trips, day tickets to represent three trips, carnets as sold and weekly tickets to represent ten trips. For any other ticket types where consecutive days travel is permitted a representation should be agreed between the operator and the Local Authority. An appropriate determination of a suitable average will be taken for each operator and may take into account the application of a fares discount factor where only single fares are used in calculations if these are not deemed to be an appropriate proxy to fares that concessionary passengers would have paid in the absence of the scheme.

4.42 Average fares may be determined by the operator on a regular or periodic basis in agreement with the scheme administrators. All calculations must be transparent and in accordance with available DfT guidance. All calculations should consider that concessionary fare reimbursement is based on boarding points for journeys and take appropriate consideration of authority boundaries. The scheme administrators reserve the right to request evidence that fares used in calculations are appropriate.

4.43 The Somerset Concessionary Fares Scheme **does not** pay an administration charge for the supply of statistical information. Operators are obliged to provide information to enable the scheme administrators to make reimbursements in line with their statutory responsibilities to offer concessionary fares in Somerset.

4.44 **Claims forms and supporting documentation should be addressed to:**

Concessionary Fares Administrator
C3 County Hall, Taunton, TA1 4DY

Please note that reimbursement is based on a Claims system, using the appropriate documentation. Claims will be processed by the TCA who will detail their accounts department with the amounts payable to individual operators. **Invoices should not be submitted.**

Payments

- 4.45 Once passed, relevant payments will be made direct to the operator by the authority to meet their obligation for reimbursement. All payments will be under the terms of the standing orders and agreements of the authority.
- 4.46 In exceptional circumstances operators may request an advance payment, against which actual claims will be discounted. The authority reserves the right to refuse claims for payment in advance where it is deemed inappropriate.
- 4.47 The authority reserves the right to impose a minimum amount payable at any one time, subject to negotiation and notification in writing with individual operators. An accrual of small payments may be made at the discretion of the authority until the minimum amount payable in accordance with their standing orders is reached. Operators likely to submit small claims may wish to request for quarterly claims to be accepted.

Appendix 1: Principles of Generation explained

In the absence of a scheme where the only option for the customer is to pay a commercial fare there would be a level of core demand and the operator would have received the fares income.

The existence of a scheme offering free travel will generate additional demand referred to as generated journeys.

By applying the principle of the operator being no better or no worse off the operator is entitled to the fares that would have been paid by those passengers who would have used the service had the concessions scheme not existed. This is referred to as 'revenue forgone'

The operator is also entitled to compensation for the costs of conveying those additional passengers who are only travelling because of the existence of the concessionary travel scheme.

As concessions schemes have been in existence for many years, there is no direct evidence upon which to measure the level of generated journeys that have resulted from the existence of a concessions scheme therefore a calculation must be used based on the generation factor.

The generation factor (GF) is a measure of the increase in trips, relative to the previous level of trips, as a result of a reduction in fares. For example, a generation factor of 50% at half fare means that trips have increased by 50% (as a proportion of the original number of trips) as a result of moving from full fare to half fare. Thus the definition of generation depends upon the starting point. In the DfT guidance, other than where stated, generation is based on the patronage that would have occurred with commercial fares having been charged (i.e. in the absence of any concessionary fares scheme).

Appendix 2: Example Calculations

200 pass holders carried on a **commercial service** on a route with a frequency of **more than 4 journeys*** per day in each direction (or a total of 4 circular routes) with an average fare of **£2.50** would attract reimbursement of

$$\begin{aligned} 200 \times 2.5 \times 0.41 &= \text{£ } 205.00 \text{ (Reimbursement)} \\ + 200 \times (1 - 0.41) \times 0.071 &= \text{£ } 8.38 \text{ (Marginal Operating Cost)} \\ + 200 \times (1 - 0.41) \times 0.355 &= \text{£ } 41.83 \text{ (Marginal Capacity Cost)} \end{aligned}$$

Giving a Total Reimbursement to operator of **£255.21**
This equates to **51.04%** of the average commercial fare

200 pass holders carried on a **tendered service** on a route with a frequency of **more than 4 journeys*** per day in each direction (or a total of 4 circular routes) with an average fare of **£2.50** would attract reimbursement of

$$\begin{aligned} 200 \times 2.5 \times 0.41 &= \text{£ } 205.00 \text{ (Reimbursement)} \\ + 200 \times (1 - 0.41) \times 0.071 &= \text{£ } 8.38 \text{ (Marginal Operating Cost)} \\ + 200 \times (1 - 0.41) \times 0.0000 &= \text{£ } 0.00 \text{ (Marginal Capacity Cost)} \end{aligned}$$

Giving a Total Reimbursement to operator of **£213.38**
This equates to **42.67%** of the average commercial fare

200 pass holders carried on a **commercial service** on a route with a frequency of **less than 4 journeys*** per day in each direction (or a total of 4 circular routes) with an average fare of **£2.50** would attract reimbursement of

$$\begin{aligned} 200 \times 2.5 \times 0.70 &= \text{£ } 350.00 \text{ (Reimbursement)} \\ + 200 \times (1 - 0.70) \times 0.071 &= \text{£ } 4.26 \text{ (Marginal Operating Cost)} \\ + 200 \times (1 - 0.70) \times 0.355 &= \text{£ } 21.27 \text{ (Marginal Capacity Cost)} \end{aligned}$$

Giving a Total Reimbursement to operator of **£375.53**
This equates to **75.1%** of the average commercial fare

200 pass holders carried on a **tendered service** on a route with a frequency of **less than 4 journeys*** per day in each direction (or a total of 4 circular routes) with an average fare of **£2.50** would attract reimbursement of

$$\begin{aligned} 200 \times 2.5 \times 0.70 &= \text{£ } 350.00 \text{ (Reimbursement)} \\ + 200 \times (1 - 0.70) \times 0.071 &= \text{£ } 4.26 \text{ (Marginal Operating Cost)} \\ + 200 \times (1 - 0.70) \times 0.0000 &= \text{£ } 0.00 \text{ (Marginal Capacity Cost)} \end{aligned}$$

Giving a Total Reimbursement to operator of **£354.26**
This equates to **70.85%** of the average commercial fare

*NOTE: Classification of service frequency is determined by the TCA taking into account opportunities to travel from the majority of stops along a route on any services operated by any operator.

Appendix 3 – Samples of the English National Pass

In April 2008 all eligible residents of the 291* English Travel Concession Authorities which existed at the time were issued with a pass to the standard design shown below. The name and/or logo of the issuing authority indicated in the top right hand sector on the front of the pass will vary. All other details should be consistent.

*Number of TCA's may vary over time – local government changes in 2009 significantly reduced this number of authorities and changes in responsibilities in 2011 reducing the number again. However, some existing passes may not be replaced until expiry which may mean that until 2016 a large number of variations will remain in circulation.

Example 1 : Pass issued to someone meeting age criteria (BLUE BAND)



Example 2: Pass issued to someone meeting disabled criteria (GOLD BAND)



Appendix 4 – Submissions Timetable

Unless by prior agreement reimbursement claims should be submitted within six weeks of the end of the period to which they relate. However claims for the final months of the financial year up to and including March must be made by mid April. The table below is a helpful guide to the dates by which submission should be received:

| Monthly Claims Submissions: | | Quarterly Claims Submissions: | |
|-----------------------------|----------------------------|-------------------------------|----------------------------|
| Claims for: | Must be submitted before: | Claims for: | Must be submitted before: |
| April | 15 th June | April, May & June | 15 th August |
| May | 15 th July | May, June & July | 15 th September |
| June | 15 th August | June, July & Aug | 15 th October |
| July | 15 th September | July, Aug & Sept | 15 th November |
| August | 15 th October | Aug, Sept & Oct | 15 th December |
| September | 15 th November | Sept, Oct & Nov | 15 th January |
| October | 15 th December | Oct, Nov & Dec | 15 th February |
| November | 15 th January | Nov, Dec & Jan | 15 th March |
| December | 15 th February | Dec, Jan & Feb | 15 th April |
| January | 15 th March | Jan, Feb & Mar | 15 th April |
| February | 31 st March | | |
| March | 15 th April | | |

Please note that these dates are not the suggested dates for submission, they are the latest dates by which submissions should be made unless specific arrangements have been made and agreed with the TCA.

Failure to submit claims by these dates may result in non-payment.

Appendix 5 – Extract from DfT Guidance on Average Fares

Extract from DfT Guidance published November 2016 commencing from section 6.24

6.24 Assuming no change in real fares, the reimbursement factor would be as follows:

| Table 6.2. 2016/17 Reimbursement Factor with no | | |
|---|-------|-------|
| | PTE | NPTE |
| 2017/18 Reimbursement Factor with no change in real fares since 2005/06 | 51.2% | 43.4% |

6.25 However, if there has been an increase in real fares since 2005/06 the reimbursement factor for 2017/18 will be lower, and if real fares have decreased since 2005/06 the reimbursement factor will be higher.

Estimating the growth in nominal fares between 2005/06 and the year of calculation

6.26 The best way to estimate a reimbursement factor for an individual operator is to use an estimate of the change in fares across the whole period which is specific to that operator. It is desirable for the calculation to be based on as large a sample of routes as possible and for these routes to be based on a representative sample period¹. It is recognised that comparable fare data going back to 2005/06 may not be readily available, for instance because the data may not have been collected, there may have been significant changes to the operator's network or more simply because an operator is new to the market.

6.27 In these cases, the guidance and Calculator suggest two alternative options to calculate the change in nominal fares. Both these options recommend calculating fare changes in two steps: between 2005/06 and 2010/11 and from 2010/11 onwards. The reason for this two-step approach is that from 2010/11 onwards, there is a presumption that the appropriate operator-specific or TCA-wide data will have been collected for the purpose of estimating the reimbursement factor using this guidance.

6.28 The suggested options to calculate the growth in fares required are as follows (in order of preference):

¹ It is preferable for the sample period to be one full (financial) year, making appropriate adjustments for seasonal oddities such as the Easter period falling twice in one (financial) year. Where it is not feasible, or disproportionately costly to use a sample period of one full year, it is important that the sample period chosen is demonstrated to be sufficiently reliable to have confidence that the sample period being used is representative of the full year. The first few months of the (financial) year are unlikely to be sufficient.

Option 1 – Comparing operator-specific fares between 2005/06 and the year of calculation

- 6.29** If the appropriate data are available, TCAs can produce a best estimate of the fare that concessionary passengers would have paid in the absence of a concessionary fare scheme in 2005/06 for a specific operator.
- 6.30** TCAs and operators may have a record of this fare because it is likely to have been used in the previous reimbursement methodology, including the Reimbursement Analysis Tool (RAT), and it is also used in the Appeal pro forma.
- 6.31** It is acknowledged that the precise methodology for estimating the average fare forgone in 2005/06 will not necessarily be the same as the methodology used to estimate the average fare in the current reimbursement period. This guidance does not require TCAs or operators to undertake a full re-calculation of the 2005/06 fare using the discount fare method, where a discount fare method was used as the basis for calculating reimbursement in the year of calculation (e.g. 2016/17).
- 6.32** The comparison of the 2005/06 fare and the year of calculation should, however, cover the same range of services. If operators have either taken over other operators or run new routes, or have closed routes, then these changes should be factored out as far as possible so that the comparison of fares is on a like-for-like basis.
- 6.33** Where a 2005/06 fare comparable with a fare in the year of calculation is not available, local authorities can consider the following next best options outlined below.

Option 2 – Using TCA-wide average fares up to 2010/11 and operator-specific fares then onwards

- 6.34** If like-for-like comparisons of fares cannot be made at the operator level, for example if the operator did not run services in 2005/06, or there has been a radical change in the services run by the operator or records of fares do not exist in 2005/06, then the next best approach is to estimate the fare change in two steps:
- a. Compare the TCA-wide average fare in 2005/06 and 2010/11 (in nominal prices). This should be a reasonable proxy for local changes in fares over that period.
 - b. Use operator-specific changes in fares between 2010/11 and the year of calculation provided it is on a like-with-like basis (i.e. cover a similar range of services; see above). If a fare change is not available (e.g. in the case of new operators or those with significantly different networks), a TCA-wide change in fares can be used between 2010/11 and subsequent years.
 - a.

Option 3 – Using the National Bus Index

- 6.35** If operator or TCA data are not available going back to 2005/06 then the guidance suggests that the national bus index up to 2010/11 should be used to estimate the change in average fares. The national bus index provides an estimate of the average change in fares in PTE and non PTE areas over the period.

6.36 From 2010/11 onwards, operator-specific fares, or failing that TCA-wide fares, should be used such as in Option 2.

Other combinations of years

6.37 The methods described above and implemented in the Calculator are based on a small number of possible combinations of data and years (e.g. use TCA-wide average change in fare up to 2010/11 and operator-specific change in fare between 2010/11 and 2016/17). There are many other combinations possible and data availability and the feasibility of comparing data on a like-with-like basis across years will be determinant factors in what combination is optimal.

6.38 Although the options above are the recommended approach, TCAs and operators may end up having to use combinations of years which are not operationalised in the Calculator. The paragraphs below illustrate how to calculate a percentage change and how to combine percentage changes over different years to calculate a compound percentage change across the whole period.

6.39 A percentage change between two years is calculated by simply dividing the final year price by the first year price and subtracting one. For instance, let's assume that the nominal fare is £1.00 in the first year and £1.23 in the final year. Then the percentage increase in nominal fares between these two years is $\text{£}1.23 \div \text{£}1.00 = 1.23$, $1.23 - 1 = 0.23$, which equates to 23 per cent.

6.40 In circumstances where it is necessary to calculate nominal fare increases between at least two sets of years, a simple formula can be used to estimate the overall percentage change in fares across the whole period. This formula is illustrated below using an example where three price rises are calculated between three time periods using three different methods (e.g. TCA-wide or operator-specific data or based on a different subset of services).

6.41 Between 2005/06 and 2008/09 nominal fares increased by 18 per cent, between 2008/09 and 2011/12 fares increased by 7 per cent and between 2011/12 and 2012/13 fares increased by 3 per cent. The overall nominal fare increase between 2005/06 and 2012/13 can be calculated as follows:

- Add one to the percentage figures (i.e. 18 per cent becomes 1.18)
- Multiply these figures together (i.e. $1.18 \times 1.07 \times 1.03 = 1.30$)
- Subtract one from this figure (i.e. $1.30 - 1 = 0.30$)
- Therefore the overall percentage nominal fare increase is 30 per cent.

6.42 Going forward, TCAs and bus operators should make every effort to collect the relevant fare data for future calculations of the change in fares.

Appendix 6 – Extract from DfT Guidance on Components of Marginal Operating Costs

Table 7.1 extracted from DfT Guidance – November 2016

| Table 7.1. Elements of marginal operating costs | | |
|---|--|---------------------|
| Item | Marginal cost per generated concessionary passenger (pence, 2009/10 prices) | Percentage of total |
| Fuel, tyres & oil | 0.4 | 8% |
| <i>Of which fuel</i> | <i>0.3</i> | <i>6%</i> |
| Maintenance & cleaning | 0.1 | 2% |
| Insurance | 2.7 | 54% |
| Information | 0.5 | 10% |
| Additional time costs | 1.3 | 26% |
| Total | 5.0* | 100 |

* Note: ITS have identified a bottom up component approach to marginal costs. The total of these identified components comes to 5.0 pence. This is different from the recommended composite marginal operating costs of 6.1 pence. However in making any adjustment local variations to marginal operating costs they should be justified by reference to the components. If a change to any of the components is agreed then this change is scaled by the difference between 6.1 and 5.0. Thus if the agreed change is an increase of 0.5p in one of the components the recommended value is increased by $6.1 \times 0.5 / 5.0 = 0.61$ or to 6.71 pence (in 2009/10 prices).

Appendix 7 – Extract from DfT Guidance on Peak Vehicle Requirement

Extract from DfT Guidance published November 2016 commencing from section 7.59

Peak Vehicle Requirements (PVR)

Definition

7.59 These are the costs associated with the requirement to run additional vehicles in the peak period due to generated concessionary travel. Generated concessionary travel may add demand in the peak period of travel, change the peak period or not affect the peak period of travel. The latter is likely to apply in the majority of cases and in such circumstances no additional peak vehicle is required, and no peak vehicle costs are calculated.

When PVR Costs Apply

7.60 If the operator wishes to claim additional peak vehicle requirements then the operator must supply data and analysis to support such a claim. The expectation is that additional peak vehicle requirements will be exceptional so that operators will have to demonstrate that exceptional or unusual circumstances are relevant.

Evidence to Be Provided

7.61 Operators wishing to make a claim for additional peak vehicle costs will have to supply detailed data on passenger boardings by route by annual (or neutral period) average weekday half hour (or if not possible hourly) intervals for all services (individually) covered by the claim. As a minimum the time periods covered should be 0700 to 1900 weekdays. If the existing peak of boardings (including concessionary travel) per hour or half hour, or the peak hour or half hour without generated concessionary travel is at the weekend, data should be supplied for the weekend hours as well.

7.62 Data on passenger boardings should be broken down into concessionary journeys under the statutory concession, other concessionary journeys and other journeys. In addition the concessionary journeys under the statutory concession should be split between journeys made because of the statutory concessionary travel scheme and those that would have been made at the relevant average adult fare in the absence of the concession. This split should use the generation factor derived in the revenue reimbursement part of the calculation and assume that the rate of generation is the same in all time periods.

7.63 This methodology does not imply that every peak demand is met in full by putting on extra buses. Operators should demonstrate the criteria they use to decide whether to put on extra services to meet peaks in commercial journeys or allow load factors to be above 100 per cent for short periods.

Calculation

7.64 The formula to use for working out the peak vehicle requirement (PVR) is derived from the peak vehicle requirement parameter of **£16,745** – this is the cost per vehicle per

annum that has to be added to the fleet to cater for additional concessionary journeys (Annex E provides further information on how this value was derived).

- 7.65** This is a per year figure so equates to £64.40 per PVR per weekday or £1.61 per PVR seat per weekday assuming 260 weekdays per year and a mean of 40 seats per vehicle.
- 7.66** If the new peak lasts one hour and that each additional peak passenger blocks one seat for one route length, the PVR cost per **additional peak period passenger** can be estimated using the overall route time and speed. The calculation would be £1.61 multiplied by one way route time (expressed in hours, and based on local circumstances or defaults) = £[...] per additional journey in the peak hour (or period).
- 7.67** In cases where the peak period with and without additional concessionary journeys is the same time period, then the calculated unit cost per additional journey can be applied directly to the additional concessionary journeys in that peak period only to calculate a total peak vehicle requirement cost.
- 7.68** In cases where the peak period with generated concessionary journeys is different from the peak period without generated concessionary journeys, for example, where the pm peak is higher than the am peak, the calculation is slightly different. The unit cost may be different between the two periods if the one way route times are different, but otherwise would be the same. The additional concessionary journeys over which the unit cost is applied are the difference between journeys in the “with generated journeys” peak period minus journeys in the “without generated journeys” peak period.
- 7.69** In these calculations the period referred to may be an hour or half hour, but should be the same length of time, i.e. hour or half hour when comparing journeys in the peak period.
- 7.70** The following illustrative example demonstrates how the PVR calculations should be done:

PVR cost per additional peak period passenger (including profit allowance) = £1.50
Number of generated journeys on the service that has the additional PVR, and in the time period over which the PVR has been justified:
100 concessionary journeys * (1-reimbursement factor 0.5) = 50
Grossing up from weekday to annual = 260
Annual PVR cost for that service (in 2009/10 prices) = 260 x £1.50 x 50 = £19,500.

- 7.71** The peak vehicle requirement costs should be added to other elements of the additional cost calculation.

Profit

- 7.72** This guidance is informed by the relevant European regulations and case law. Regulation (EC) No 1370/2007 defines ‘reasonable profit’ as ‘a rate of return on capital that is normal for the sector in a given Member State and that takes account of the

risk, or absence of risk, incurred by the public service operator by virtue of public authority intervention’.

7.73 Reasonable profit is defined therefore as **expected rate of return on capital invested** and not a constant profit margin on all costs. In cases where an increase in the peak vehicle requirement is identified this guidance recommends that the reimbursement should include an allowance for profit.

7.74 In the light of evidence from a recent research report (Review of Bus Profitability, DfT – see Annex E) this guidance recommends that where peak vehicle requirement is increased as a result of the additional concessionary journeys then a return on capital of 10 per cent is used and added to the PVR costs. This is done by obtaining the value of a vehicle and multiplying by **10 per cent**. This cost is then to be added to the £16,745 (See 7.52) above to calculate the total peak vehicle cost per additional passenger. Operators should derive the average value of a vehicle from their accounts, and this should be the average written down value and not the new value. Therefore the total peak vehicle requirement parameter cost should be

$$\text{Total PVR cost} = \text{£16,745} + [\text{Average written down value} \times 10\%]$$

Schedule 1 – Summary of Current Concessionary Bus Travel Legislation

Legislation current at 30th November 2015:

- European Regulation No 1370/2007 (Sets out the overarching rules for reimbursement of public service obligations. Concessionary travel schemes are considered to be public service obligations).
- Concessionary Bus Travel Act 2007
- Travel Concessions (Eligibility) Act 2002
- Transport Act 2000
- Transport Act 1985
- SI 2011/1121 – Mandatory Travel Concession (England) Regulations 2011
- SI 2010/1179 - The Concessionary Bus Travel Act 2007 (Variation of Reimbursement and Other Administrative Arrangements) Order 2010
- SI 2010/459 -The Travel Concessions (Eligibility) (England) Order 2010
- SI 2009/575 -The Travel Concessions (Eligible Services) (Amendment) Order 2009
- SI 2008/417 - Concessionary Bus Travel (Permits) (England) Regulations 2008
- SI 2005/3224 -Travel Concessions (Extension of Entitlement) (England) Order 2005
- SI 1986/77 - Travel Concession Schemes Regulations 1986
- SI 2002/1016 – Travel Concession (Eligible Services) Order 2002

Schedule 2 – Summary of Pass Holder Eligible Persons and Nature of Concessions:

Under the 2000 Act -

| Class of Eligible Persons | Nature of Concession to be Provided (Bus only) |
|--|--|
| <p><u>Elderly Persons</u> (as defined in section 146 Transport Act 2000 as amended by SI 2010/459 The Travel Concessions (Eligibility) (England) Order 2010)</p> | <p>On production of a statutory travel concession permit (as defined in The Concessionary Bus Travel (Permit) (England) Regulations SI 2008 no 417) a person shall be carried without charge on services to which the Arrangements apply, provided that the actual time of boarding falls between the following hours:</p> |
| <p><u>Disabled Persons</u> (as defined in section 146 Transport Act 2000)</p> | <p>(a) Monday to Friday (except when the day is a Bank Holiday) 09.30 to 23.00</p> <p>(b) Saturdays, Sundays and bank holidays. All day until end of normal services</p> |

Schedule 3 – Concessionary Travel begins at 09:30 on weekday mornings with the following exceptions (Section 2):

| Exceptions to the 0930 Concessionary Fares Start Time 2017_18 | | | |
|--|--------------------------|----------------------------|---|
| Service No | Route Details | Operator | Details of journey |
| 5 | Babcary to Yeovil | South West Coaches | 0920 from Babcary |
| 9 | Crewkerne to Donyatt | Somerset County Council | 0845 from Crewkerne |
| 19 | Bridgwater to Street | Hatch Green Coaches | 0905 from Bridgwater |
| 25 | Dulverton to Taunton | Buses of Somerset | 0920 from Dulverton |
| 99 | Taunton - Chard | Buses of Somerset | 0850 from Taunton |
| 162 | Frome to Wells | Frome Minibuses | 0915 from Frome Hospital |
| 184 | Frome to Midsomer Norton | Libra Travel | 0848 from Midsomer Norton |
| 414 | Midsomer Norton to Frome | Frome Minibuses | 0910 from Midsomer Norton |
| 667 | Wincanton to Street | Nippy Bus | 0900 from Wincanton |
| 667 | Street to Wincanton | Nippy Bus | 0900 from Street |
| 668 | Street to Shipham | Libra Travel | 0850 from Street |
| 669 | Street to Shepton Mallet | Nippy Bus | 0905 from Street |
| 678 | Dulverton to Minehead | Exmoor Community Bus | 0915 from Dulverton |
| 850 | High Ham to Langport | Isle Valley Transport | 0927 from High Ham |
| 901 | High Ham to Langport | Isle Valley Transport | 0927 from High Ham |
| N10 | Martock to Taunton | Nippy Bus | 0925 from Martock |
| Slinky | West Somerset | ATWEST | All journeys booked between 0900 and 0930 |
| Slinky | Sedgemoor | Mendip Community Transport | All journeys booked between 0900 and 0930 |
| Slinky | Mendip | Mendip Community Transport | All journeys booked between 0900 and 0930 |
| Slinky | Taunton and Wellington | Somerset County Council | All journeys booked between 0900 and 0930 |
| Slinky | Chard and Ilminster | SSVCA | All journeys booked between 0900 and 0930 |
| | | | |

Schedule 4 – Summary of Survey Requirements and Procedures

1. An operator shall allow the County Council's officers or appointed agents to have free access to the operator's vehicles for the purpose of:-
 - (a) surveying, counting or estimating the number of passengers (whether generally or of any particular description) and the fares paid by those passengers; and
 - (b) obtaining information on other matters relating to the journeys made by passengers who are eligible to receive travel concessions and necessary to the calculation of reimbursement payments by the County Council.
2. The survey data will be utilised by the County Council in calculating the reimbursement payable to the operator and/or validating the data supplied by the operator for the purpose of calculating reimbursement.
3. Without prejudice to the generality of 1 above, the information to be obtained from passengers may include the following:-
 - (a) whether or not the passenger is a concessionary passenger;
 - (b) if the passenger is a concessionary passenger, what category of concessionary passenger he or she is;
 - (c) if the passenger is not a concessionary passenger, whether the passenger is an adult, a child or an elderly person;
 - (d) if the passenger has paid on-bus or is using a pre-paid ticket;
 - (e) if the passenger has paid on-bus, the fare paid and the type of ticket bought;
 - (f) if the passenger is using a pre-paid ticket, the type of ticket;
 - (g) the stage or stop at which the passenger boarded the bus and the stage or stop at which the passenger is to alight from the bus;
 - (h) identification of pass or ticket fraud or misuse on the relevant services; and
 - (i) such other information as the County Council may from time to time reasonably consider it necessary or desirable to obtain in order to enable the County Council to reimburse each operator in accordance with these Arrangements.

Schedule 5 - List of infrequent services ie routes with less than 4 journeys each way (or 4 circular) per day

Infrequent Routes

| Route | Operator | Route | Operator |
|--------------|---------------------|--------------|-------------------------|
| 623 | Buses of Somerset | X80 | Frome Minibuses |
| 5 | South West Coaches | X96 | Frome Minibuses |
| 8 | South West Coaches | 4 | Isle Valley |
| 19 | South West Coaches | 850 | Isle Valley |
| 31 | South West Coaches | 901 | Isle Valley |
| 34 | South West Coaches | 904 | Isle Valley |
| 648 | South West Coaches | 55C | Berrys Coaches |
| 652 | South West Coaches | 625 | Berrys Coaches |
| 1A | South West Coaches | 751 | Isle of Wedmore |
| 1B | South West Coaches | 753 | Isle of Wedmore |
| 1S | South West Coaches | 754 | Isle of Wedmore |
| 23 | Hatch Green Coaches | 755 | Isle of Wedmore |
| 98 | Hatch Green Coaches | 62 | Crosville |
| 613 | Hatch Green Coaches | 66 | Crosville |
| 624 | Hatch Green Coaches | 111 | Crosville Motors |
| 23B | Hatch Green Coaches | 112 | Crosville Motors |
| 16 | Nippybus | 113 | Crosville Motors |
| 612 | Nippybus | 114 | Crosville Motors |
| 649 | Nippybus | 603 | Ridlers |
| 658 | Nippybus | 198 | SCC |
| 659 | Nippybus | 678 | Exmoor Community Bus |
| N10C | Nippybus | 678 | Chandlers Coaches |
| 196 | Mendip CT | 204 | Damory |
| 601 | Mendip CT | 74A | Damory |
| 414 | Frome Minibuses | 9 | Somerset County Council |
| 80 | Frome Minibuses | | |



For further details or reimbursement enquiries please contact:

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