

Concessionary Travel Scheme Arrangements for Reimbursement Summary of Changes following DfT Guidance for the 2011/12 Year

This paper should be read in conjunction with the published Arrangements for Reimbursement and the Annex which gives details of the revised methods to be used in calculating Reimbursement

Regulations

1. Following the Judicial Review, it is now necessary to follow the requirements of EC Regulation 1370/2007. Whilst this does not have a large impact because the UK legislation is in line with this, it is specific in its instruction that operators should not be over-reimbursed as this could amount to "state subsidy".
2. New Regulations will come into force it is expected from 1st April 2011 which will have the effect of bringing the Regulations in line with the changes to the reimbursement guidance, in particular:
 - a. Clarify concepts such as average fares foregone, revenue foregone and components of additional costs
 - b. Make provision for TCAs to be able to require data on (1) ticket prices, sales and revenue for the purpose of calculating the average fare foregone; (2) adult commercial fare for the purposes of calculating net revenue of additional capacity costs.
 - c. Operators to inform TCAs of any fare changes at least seven days before the changes take place rather than seven days afterwards
 - d. Restate clearly the requirements that operators must provide details of the grounds for the application in appeals.

Definitions

3. A number of definitions have been amended to take account of the fact that the DfT RAT (Reimbursement Analysis Tool) is dead and replaced by a Calculator. In addition the more prescriptive Guidance will generally be followed. This affects
 - a. "Normal Fare", where reference to the RAT is removed
 - b. "Additional Capacity Costs", where reference to using available fleet resources is removed to acknowledge the existence of decremental claims (those which relate to the service that would be run without concessionary generation)
 - c. "Net Financial Effect", which refers to the terminology used in EC Regulation 1370/2007

Reimbursement

4. The "Net Financial Effect" is referred to as having the objective of achieving the "no better/no worse" requirement.

Revenue Reimbursement

5. These paragraphs have been amended to reflect the use of the Calculator in determining an individual Reimbursement Factor for each operator, as opposed to the current method of applying a factor for each service category (Urban, Rural, etc.) As a result, no factors are

quoted in the document but at the same time as publication of the Final Documents in early March 2011, operators will be advised of their Reimbursement Factor as well as their Fares Discount Factor.

6. The detailed method by which the Calculator will be used is set out in the Annex to the Arrangements. A statement is also made that an operator is expected to provide the necessary inputs to the Calculator, but if that information is not provided, the Administering Authority will use reasonable estimates.
7. The method by which the Normal Fare will be calculated will be by using the DfT's "Discount Factor" method in the Calculator.
8. The Normal Fare for each of an operator's services will be averaged out to get a single average fare for all of an operator's services. That fare is then input into the Calculator to produce a Reimbursement Factor. That Reimbursement Factor will then be used across all of that operator's services.
9. The only exceptions to this Operator Reimbursement Factor that will be allowed are
 - A. Eligible Services registered under Sections 12, 13, and 22 of the 1985 Transport Act (e.g. taxi buses, dial-a-ride and community buses)
 - B. Discretionary services registered under Section 19 of the 1985 Transport Act if allowed by the Administering Authority (e.g. dial-a-ride)
 - C. Infrequent services (one journey per day or less)
 - D. Services operated under contracts where lower than normal fares are specified

In these cases, the services will be taken out of the average fare calculation and will have pre-agreed Reimbursement Factors applied.

Marginal Additional Costs

10. There is very little change to the method of calculating these. The Calculator used in its default setting produces a value of 7.4p per generated journey for 2011/12. This does not include an operator's administrative costs in supplying data. This is added at 0.2p per generated journey. In addition an allowance is added for the occasional relief vehicle that may need to be run of 6p per generated journey. The total payment in 2011/12 will therefore be 13.6p per generated journey.

Additional Capacity Costs

11. The scheme is not using the DfT Calculator to determine any automatic payments in this respect. All claims will need to be submitted by operators who will be required to supply evidence as detailed in the Arrangements for Reimbursement and as provided by the Administering Authority after they have notified their intention to submit a claim.

Year End Reconciliation

12. Included in the Annex is the statement that the calculation of Fares Discount Factor and Reimbursement Factor will be undertaken twice a year. Before the start of the year, "working values" will be calculated which will be used in the quarterly reconciliations. After the end of the year actual data will be used to determine final values which will be used to calculate the final reconciliation for the year.