

**THE ESSEX COUNTY CONCESSIONARY TRAVEL SCHEME**  
**ARRANGEMENTS FOR REIMBURSEMENT**  
**With effect from 1 April 2016**

These Arrangements for Reimbursement must be read in conjunction with the separate Scheme Definition and set out the terms for reimbursement with effect from 1 April 2016.

These Arrangements for Reimbursement are designed to meet the requirements set down in the Transport Act 1985, the Transport Act 2000, the Concessionary Bus Travel Act 2007 and the associated Regulations in accordance with Guidance issued by the Department for Transport, together with the requirements of EC Regulation 1370/2007.

**Definitions**

1. In these Arrangements for Reimbursement:
  - i) all definitions set out in the Scheme Definition shall apply herein;
  - ii) The “Travel Concession Authority” responsible for this Scheme is Essex County Council and the term “Travel Concession Authority” shall also mean “Administering Authority” in the context of matters deriving from the Transport Act 1985;
  - iii) “Payment Periods” shall be:
    - 1 April to 30 June
    - 1 July to 30 September
    - 1 October to 31 December
    - 1 January to 31 March
  - iv) “Financial Year” shall mean a twelve month period starting on 1 April in one year and ending on 31 March in the following year;
  - v) “Statutory Elements” of the Scheme mean any provision(s) of the Scheme which allow holders of the National Pass to benefit from Statutory Minimum Travel Concession;
  - vi) “Discretionary Elements” of the Scheme means any provision(s) of the Scheme enabled by the 1985 Act but not required by the 2000 Act or the 2007 Act which allows individually or in combination Passenger Journeys:
    - a. To be made outside the statutory core time of 0930 hrs and 2300 hrs on weekdays other than public holidays;
    - b. To be made by Companions;
    - c. On other than Eligible Services.
  - vii) “Reimbursement Fund” shall be the funds available for distribution to Participating Operators;

- viii) “Fund Area” shall be that part of the Principal Area of the Scheme in respect of which a separate and specific Reimbursement Fund value applies;
- ix) “Standard Method” is the method of calculating Total Reimbursement as set out in these Arrangements for Reimbursement;
- x) “Normal Fare” means the average adult fare calculated in accordance with the principles set out in the Department for Transport’s Guidance;
- xi) “Amenity Element” when used in connection with fares, means those fares that are rendered significantly high as a result of that element in relation to the general level of fares for comparable journeys in the Principal Area in accordance with section 96(6) of the 1985 Act;
- xii) “Gross Revenue Foregone” shall be the gross value of travel made under the terms of the Scheme calculated according to the best estimate of the number of Passenger Journeys made and the best estimate of the Normal Fare that would have been paid in respect of those journeys before any adjustments in respect of Generated Travel;
- xiii) “Generated Travel” is defined as the proportion of additional journeys made over and above the number that would have been made had there been no travel concessions and arising as a direct result of the entitlement to the travel concession provided by the Scheme;
- xiv) “Net Revenue Foregone” shall be the cost to the Participating Operator in terms of the net value of lost income as a result of participating in the Scheme. This will be the value of Gross Revenue Foregone adjusted to take account of Generated Travel calculated by application of a Reimbursement Factor (see paragraph 20);
- xv) “Standard Additional Costs” mean those marginal, additional operational, management and overhead costs necessarily borne by the Participating Operator as a result of participation in the scheme (for example: additional fuel costs, engineering costs, the occasional operation of duplicate vehicles available from existing fleet resources, driver hours, insurance premiums; information costs; the operation of systems to provide data and information in the form required by the Travel Concession Authority on behalf of the Scheme);
- xvi) “Cost Allocation” shall be the sum of Net Revenue Foregone and Standard Additional Costs;
- xvii) “Total Reimbursement” shall be the amount due to a Participating Operator from the Reimbursement Fund calculated in accordance with paragraph 19;
- xviii) “Reimbursement Payment” means the payment made to a Participating Operator for the Total Reimbursement due in respect of all Included Services he provides;

- xix) “DfT Guidance” means any document and/or method statement (eg spreadsheet) which has been or is to be issued by the Department for Transport providing guidance on the calculation of Reimbursement and which remains appropriate for this purpose;

### **Requirements of Participating Operators**

2. Until notice to the contrary all dealings with the Travel Concession Authority should be carried out through the offices of the Travel Concession Authority or any other body (agent, consultant or contractor) they nominate such nomination to be notified in writing.
3. Participating Operators shall enable holders of valid National Passes to make Passenger Journeys free of charge in accordance with the Scheme Definition in respect of both the Statutory Minimum Travel Concession and Discretionary and Companion Entitlements.
4. Pursuant to the proper administration of the Scheme and to facilitate the process of reimbursement Participating Operators shall:
  - i) Permit (including the right to travel free of charge) officers, servants, agents and/or contractors of the Travel Concession Authority or others rightfully acting on its behalf access at any time to the vehicles of the Participating Operator on which concessions are given for the purposes of:
    - a) surveying or counting or estimating the number of passengers (whether generally or of any particular description) and the fares paid by those passengers and/or;
    - b) obtaining information on other matters relating to the Passenger Journeys made by Eligible Persons and Entitled Persons which, in the opinion of the Travel Concession Authority is necessary for the calculation and/or verification of reimbursement payments and/or;
  - ii) Provide at such times as the Travel Concession Authority may reasonably request information relevant to the calculation of reimbursement as may be specified and in the form specified in these Arrangements for Reimbursement or as otherwise requested at the time;
  - iii) Cooperate with the Travel Concession Authority to establish and maintain an inventory of Boarding Stages that are deemed to be within the Principal Area of the Scheme and/or its close vicinity and to assist in the process of allocating Boarding Stages to individual Authorities in accordance with any guidance issued by the Department for Transport;
  - iv) As soon as possible and in advance of it taking effect, notify the Travel Concession Authority of any change or changes to fares on any Included Service;
  - v) As soon as possible and in advance of it taking effect notify the Travel Concession Authority of any material change (additions, deletions and/or variations) to Included Services including details of any new or revised fare stages;
  - vi) Provide reasonable assistance to the Travel Concession Authority in the operation and administration of the Scheme;

- vii) Provide reasonable assistance and information to the Travel Concession Authority to enable the forward planning of budget requirements to properly fund the Scheme.
5. The Travel Concession Authority shall ensure that any information obtained in accordance with paragraph 4 shall be used only for the purpose of administering the Scheme and shall be confidential to the Travel Concession Authority and/or its contractors and/or consultants employed to assist in the administration of the Scheme and/or any Auditors acting on behalf of the Travel Concession Authority.

### **Reimbursement**

6. Participating Operators shall be reimbursed on the terms set out herein in respect of all Passenger Journeys made under the terms of the Statutory Minimum Travel Concession by holders of National Passes which commence from a Boarding Stage defined as being within the Principal Area of the Scheme. Participating Operators shall also be reimbursed on the terms set out herein in respect of all Passenger Journeys made under the terms of local Discretionary and/or Companion Entitlements by holders of National Passes and which commence from a Boarding Stage defined as being within the Principal Area of the Scheme.
7. Reimbursement payments will be made, as appropriate from the Reimbursement Fund in respect of the reimbursement for journeys boarding in the Administrative County of Essex - the Essex Fund Area. The fund will include provision for both Statutory and any Discretionary Elements of the Scheme but it is not intended to differentiate between these two elements. The value of the Reimbursement Fund for the 2015/16 year shall be as follows as determined in consultation with Participating Operators and thus agreed:

**The Fixed Pot for 2016/17 will be £18,300,000.**

8. The value of the Reimbursement Fund will be reviewed in consultation with Participating Operators for each subsequent Financial Year. A Review Notice will be issued to all Participating Operators on or by 1 December in the preceding Financial Year and this will constitute publication in accordance with Section 150(1) of the Transport Act 2000. Review consultations will commence after the Review Notice has been issued and would be expected to conclude within six weeks of the date on which the consultation commences.
9. If agreement cannot be reached in respect of the value of the Reimbursement Fund to apply for the forthcoming Financial Year, the Travel Concession Authority reserves the right to determine an alternative scheme and will publish this in accordance with Section 149(2)(b) of the Transport Act 2000 and Section 95(2) of the Transport Act 1985.

### **Payment and Calculation of Reimbursement**

10. Payments will be made to operators of existing services on the following basis:

- a) An amount equivalent to 95% of one twelfth of the estimated Total Reimbursement due shall be paid so that it is in the hands of the operator by the 1<sup>st</sup> day of each month or the next working day if that day falls on a weekend or public holiday.
  - b) The cumulative balance of the Total Reimbursement due at the end of each Payment Period shall be calculated as set out below and shall be paid so that it is in the hands of the operator by the last day of the following Payment Period or the next working day if that day falls on a weekend or public holiday.
11. Participating Operators will be notified in advance of the amount of each payment made in accordance with 10(a) above and any subsequent variation to that amount.
12. Payments will be made to new operators on the following basis:
  - a) An initial payment equal to 95% of the Total Reimbursement due for the period from the commencement of operation up to and including the end of the month in which the payment is made shall be paid within 28 days of the receipt of operational data for at least 3 months from which the payment will be calculated; where this is likely to cause cash flow problems for an operator, the Travel Concession Authority may make an earlier payment at their discretion provided data received for 2 months shows consistency in Passenger Journeys.
  - b) After the initial payment 95% of one twelfth of the estimated Total Reimbursement due shall be paid so that it is in the hands of the operator by the 1<sup>st</sup> day of each subsequent month or the next working day if that day falls on a weekend or public holiday.
  - c) The cumulative balance of the Total Reimbursement due at the end of each Payment Period shall be calculated as set out below and will be paid so that it is in the hands of the operator by the last day of the following Payment Period or the previous working day if that day falls on a weekend or public holiday.
13. The scheme reserves the right to reclaim any overpayments either by invoice or by deducting the overpaid amounts from future Reimbursement Payments. Such deduction will be advised no later than 3 months after the end of the Financial Year to which the overpayment relates and deductions from future payments will normally be made no later than 6 months after the end of the Financial Year to which the overpayment relates.
14. Participating Operators incurring a very low level of Revenue Foregone over a Financial Year may opt to be paid on the basis of a fixed Cost Allocation which may be agreed between the Participating Operator and the Travel Concession Authority and kept under review.
15. Payments to Participating Operators falling outside the statutory provisions will be based on an agreed formula with the objective of being no more and no less generous than the terms of reimbursement in respect of local services.

### **Balancing Payments**

16. The balance of Total Reimbursement due at the end of a Payment Period shall be the difference between:

- a) the payments already made at that time in respect of the period commencing at the beginning of the respective Financial Year less any overpayments invoiced and/or deducted and;
  - b) The Total Reimbursement due at that time in respect of the period commencing at the beginning of the respective Financial Year and calculated as set out below.
17. Participating Operators will be sent a reimbursement statement detailing each balancing payment reconciliation. This statement will show the following for the period from the start of the Financial Year to the end of the relevant Payment Period:
- a) The sum of the payments due to the Participating Operator;
  - b) The sum of the payments so far made to the Participating Operator;
  - c) The amount of any balancing payment or reclaim.
18. Payments will only be released to Participating operators upon receipt of a properly completed claim and the necessary data and information returns in respect of the previous Payment Period. These claims and data returns must be submitted within 2 weeks of the end of each Payment Period.

**Total Reimbursement**

19. Total Reimbursement for any period will be apportioned from each Reimbursement Fund to each Participating Operator on the basis of each operator's Cost Allocation for that period as a proportion of the total Cost Allocation for all Participating Operators for the same period calculated separately for each Fund Area. The Cost Allocation will be sum of the Net Revenue Foregone and Standard Additional Costs calculated separately in respect of journeys boarding in each Fund Area as set out in the following paragraphs.

**Net Revenue Foregone**

20. The Standard Method will be used to calculate the cumulative value of Net Revenue Foregone that has arisen at the end of each Payment Period for each service /route or group of services/routes operated by each Participating Operator as follows:

$$R = J \times F \times f_r$$

Where:

- R is Net Revenue Foregone
- J is the validated out-turn number of Passenger Journeys made in accordance with the Statutory and Discretionary Elements of the Scheme and starting in the Fund Area in question from the beginning of the respective Financial Year to the end of the period in question
- F is the out-turn average Normal Fare calculated from the beginning of the respective Financial Year to the end of the period in question (or an estimated value if no out-turn information is available)
- f<sub>r</sub> Is the Reimbursement Factor which represents the proportion of actual travel that would take place if there was no travel concession scheme. This factor will be applied according to the category of each service in accordance with the values in Table 1 below.

**Table 1 - Reimbursement Factors**

Category of Service*	Reimbursement Factor
Urban	0.5000
Inter-urban	0.4878
Rural	0.5128
Rural Infrequent	0.6250
Special	0.8333

\* Category Definitions are set out in Appendix A

21. The values in Table 1 are as determined and agreed previously for the purposes of apportioning the Reimbursement Funds.

**Standard Additional Costs**

22. A supplement in respect of Standard Additional Costs will be added to the Cost Allocation. The Standard Method will calculate this supplement on the basis of a payment of £0.13 per generated journey. A minimum annual payment of £500 or 50% of Revenue Reimbursement, whichever is the lower, will apply in all cases.
23. The number of generated journeys to be used in the calculation of the supplement referred to in paragraph 22 will be calculated as follows:

$$J_g = J \times (1 - f_r)$$

Where:

- $J_g$  is the number of generated journeys  
 $J$  is the validated number of passenger Journeys  
 $f_r$  Is the Reimbursement Factor (from Column B of Table 1)

**Values used in calculating Cost Allocation**

24. The values used in the formula set out in paragraph 20 will be derived and applied as set out in paragraphs 25 to 29 below.
25. The validated number of passenger journeys will be based on the number of journeys recorded by the Participating Operator as boarding in each respective Fund Area, where necessary adjusted by a count adjustment factor applicable to the Participating Operator. The value of this factor if it is to be other than 1.000 will be the subject of consultation and agreement between the Participating Operator concerned and the Travel Concession Authority. In the absence of agreement the Travel Concession Authority may determine the value and apply it in which case the Participating Operator may take any ongoing dispute over the value of the factor to Alternative Dispute Resolution (ADR) in accordance with Clauses 37 to 40. Any such factor will be determined by surveys undertaken over a sample of all services provided by the Participating Operator. Where the surveys show a sustained and significant variation between the surveyed number of journeys and the number recorded by the Participating Operator over a period of not less than 2 months he will be advised accordingly and the value of the factor will be set to adjust the recorded number of

trips. If the Participating Operator can demonstrate to the satisfaction of the Travel Concession Authority that he has successfully taken action to alter the factor or obviate the need for it he can apply to the Travel Concession Authority accordingly setting out his case for the factor to be reviewed. The same Journey Count Adjustment factor will normally apply in respect of all services provided by the Participating Operator concerned.

26. The Normal Fare will be based on the average adult fare per journey paid by fare paying passengers (single fares counting as one journey and returns as two journeys).
27. The Travel Concession Authority reserves the right to adjust the Normal Fare to take account of any significant variation in journey lengths between people making free journeys and those paying a fare (to remove as far as is possible any bias reflected in the average adult fare per journey) and any overall reduction in the lengths of journeys that would arise if a commercial fare was to be paid in a case where there was no travel concession scheme. The Travel Concession Authority also reserves the right to apply a factor to reflect any further fares discounts should this be appropriate. The case for any such adjustments will have to be demonstrable and no such adjustments will be made without consultation with the Participating Operator concerned. Any such adjustments will be applied in the form of a composite Fares Adjustment Factor.
28. The value of the Fares Adjustment Factor if it is to be other than 1.000 will be the subject of consultation and agreement between the Participating Operator concerned and the Travel Concession Authority. The value will normally be based on historic information and will normally be reviewed annually or at such time as the Participating Operator concerned may reasonably request. In the absence of any review the value will be carried forward from one year to the next. In the absence of agreement the Travel Concession Authority may determine the value and apply it in which case the Participating Operator may take any ongoing dispute over the value of the factor to Alternative Dispute Resolution (ADR) in accordance with Clauses 37 to 40. The same fares discount factor will normally apply in respect of all services provided by the Participating Operator concerned.
29. Unless agreed otherwise and/or subject to any mandatory appeal determination or court ruling in relation to the reimbursement arrangements under the Scheme the value of any of the factors identified in paragraphs 25 to 28 and/or any changes thereto will be subject to a period of consultation of at least 28 days. Should no agreement be reached by the end of the period of consultation the Travel Concession Authority may determine the value of any factor but will give at least 14 days' written notice of the intended date of implementation of any factor and/or change to the value of any factor will be given to the Participating Operator concerned.

### **Claims and Data Returns**

30. Data enabling the calculation of Revenue Foregone to be made shall normally be provided by Participating Operators in electronic form extracted directly from electronic ticketing machines and those machines must be configured such that journeys made by Scheme passholders can be separately identified. Participating Operators expected to receive Total Reimbursement totalling £50,000 or more in respect of a Financial Year must provide data in this form.



31. Operators expected to receive Total Reimbursement totalling less than £50,000 in respect of a Financial Year may provide an acceptable equivalent to electronic data.
32. The precise specification of the required data shall normally be a matter of agreement between each Participating Operator and the Travel Concession Authority but the Travel Concession Authority reserves the right to reasonably specify the content, manner, form and method by which such information has to be extracted and provided in cases where they consider it necessary to do so. The information normally required will be as follows:
  - a. Details of each journey made by a scheme passholder (route/service identifier, journey number, driver identifier, boarding stage, time, etc)
  - b. The average fare paid by fare paying passengers purchasing tickets on bus for each route/service and for each data return period (or information to enable this to be calculated)
33. In special cases (for example small commercial operators or community transport operators), Participating Operators who are unable to provide data from electronic ticket machines or its equivalent may, subject to the prior agreement of the Travel Concession Authority, have their Gross and Net Revenue Foregone estimated by means of data from sample surveys (or other sources) on their services or services of a similar type in the same area. To facilitate the process of estimation they may be required to provide details of gross commercial revenues.
34. The frequency of data returns shall be a matter to be determined between each Participating Operator and the Travel Concession Authority but such returns shall be no less frequent than quarterly and shall be provided within 8 working Days of the end of each period to which they relate. The Travel Concession Authority reserves the right to withhold payments of reimbursement in whole or in part in cases where Participating Operators do not submit data returns on time and/or in the required form.
35. At the end of the scheme year, should an operator become aware of missing data after the 8 working day deadline, then provided notice is given within the 8 working days and an exceptional situation can be evidenced then it may be possible for a later deadline to be agreed with that operator. However the absolute final deadline will be 30<sup>th</sup> April, after which no late data will be accepted. Once the fixed pot has been allocated it cannot be altered as all participating operators would be affected.

#### **Notice of Withdrawal from Scheme**

36. In the event that a Participating Operator wishes to withdraw his participation in respect of the Discretionary Elements of the Scheme he must give at least 42 days notice in writing to the Travel Concession Authority.

#### **Alternative Dispute Resolution (ADR)**

37. The Participating Operator and the Travel Concession Authority shall attempt to resolve any dispute in connection with the application of these Arrangements for Reimbursement through negotiations between the parties. If the dispute is not resolved

by negotiations between the parties either party may request that the dispute is resolved through an agreed Alternative Dispute Resolution (ADR) procedure within 12 months of the year end to which these Arrangements for Reimbursement relate. For the avoidance of doubt for these Arrangements for Reimbursement the year end is defined as being 31 March 2017.

38. Unresolved disputes over which Alternative Dispute Resolution (ADR) may be sought shall be:
- a) Disputes over the calculation of reimbursement payments;
  - b) The determination by the Travel Concession Authority of a Count Adjustment Factor and/or Fares Discount Factor the value of which a Participating Operator has reason to dispute;
  - c) The allocation of a service to a particular service category;

For the avoidance of doubt any matter referred to ADR must be supported by detailed evidence endorsed by appropriate technical advisors.

39. The matter of costs relating to the ADR procedure shall be dealt with as part of the process of ADR.
40. ADR shall be without prejudice to the rights of Participating Operators under Part V of the Travel Concession Schemes Regulations 1986 and/or Section 150(3) of the Transport Act 2000 (as amended) and/or any other relevant legislation and/or regulations and does not affect any other legal rights that the parties might have of resolving any dispute arising from these Arrangements for Reimbursement.

#### **Miscellaneous**

41. Within 26 weeks of the end of the Financial Year, a summary report and accounts will be published in respect of that Financial Year. The accounts will be subject to all proper audit procedures in accordance with Local Authority practice. The summary report and accounts will be made available on request to any Participating Operator.

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## **APPENDIX A**

### **DEFINITION OF SERVICE CATEGORIES**

The following definitions will be the normal basis used to identify the category to be allocated to each service provided by a Participating Operator. The appropriate definition will be determined by the function of the service as it relates to journeys boarding within the Principal Area of the Scheme.

#### Categories:

1. Urban
2. Inter Urban
3. Rural
4. Rural Infrequent
5. Special

#### Urban

Those services serving towns of more than 15,000 inhabitants. Those services which serve both urban and other areas and if over 50% passenger journeys are made within an urban area.

#### Inter Urban

Those services serving two or more urban areas and which are not otherwise defined as urban or rural.

#### Rural

Those services running daily on weekdays which either do not serve urban areas or where they do serve one or more urban areas, fewer than 50% of passengers make journeys entirely within an urban area or between urban areas.

#### Rural Infrequent

Those Rural services running less than daily on weekdays

#### Special

Community services such as community buses, dial-a-rides, etc.

#### Notes:

1. Population figures shall relate to the 2001 Census and the urban area definitions used by ONS in relation to the 2001 Census.