

## **Scheme Conditions**

### **SOUTHAMPTON CITY COUNCIL CONCESSIONARY FARES SCHEME 2023/24 ('the Scheme')**

#### **Introduction**

The Concessionary Fares Scheme agreed by Southampton City Council will come into effect on 1 April 2023 and continues until 31st March 2024. This Notice and Scheme replaces the Southampton Concessionary fares Scheme 2023/24 and supersedes all previous Schemes and Notices.

#### **Legislation**

The scheme is made in accordance with the Concessionary Bus Travel Act 2007, the Transport Act 2000, the Travel Concessions (Eligibility) Act 2002 and the discretionary powers contained in the Transport Act 1985 ('the Acts').

#### **Responsible Authority**

The responsible authority for the Scheme shall be Southampton City Council. The Scheme shall be funded by Southampton City Council. The Scheme shall be administered by either Southampton City Council or its appointed agent(s).

All enquiries regarding the Scheme and all Notices required to be served upon the responsible authority under the Acts should be addressed to:

Pete Boustred, Head of Transport & Planning, Civic Centre, Southampton, SO14 7LY.

A copy of the Scheme will be supplied to any person on request by post from the person specified above and is available on the Council website at [www.southampton.gov.uk](http://www.southampton.gov.uk).

#### **Operator Eligibility**

Operators of registered bus services running within the City which is in receipt of Bus Service Operators Grant or contracted by the Local Public Transport team of Southampton City Council or a neighbouring local authority.

#### **User Eligibility**

Residents of Southampton who meet any of the following criteria will be eligible for a free concessionary fares pass:

- Men and women who have reached the female state pension age (you can calculate if you are eligible here: <https://www.gov.uk/state-pension-age/y>)
- blind people;
- partially sighted people;
- deaf people;
- people without speech (in any language);
- people with a disability, or who have suffered an injury, which, in the opinion of a qualified medical practitioner, seriously impairs their ability to walk;
- people without the use of both arms;
- people with a learning difficulty;

- people who would be refused the grant of a driving licence to drive a motor vehicle under Section 92 of Part III the Road Traffic Act 1988;
- people with a long term mental health problem; and
- travelling companions/escorts of disabled people.

For those under the female state pension age, applicants must provide confirmation that:

- i) They are in receipt of Disability Living Allowance (higher mobility component); or
- ii) They have been awarded 8 or more points Personnel Independent Payment for Moving Around or Communicating verbally
- iii) They are in receipt of War Pensions Mobility Supplement; or
- iv) They have a valid registration card for their disability; or
- v) Certification of Vision impairment; or
- vi) Have learning difficulties and attend Southampton Day Services or registered with Southampton Learning Disabilities team; or
- vi) They have a signed form (MQ14) from their doctor confirming eligibility.

### **Hours of Operation**

The Southampton concessionary fares scheme will be based on bus travel alone on eligible services<sup>1</sup>. Concessionary travel available all day on Saturdays, Sundays, Bank Holidays and declared public holidays; and between 09:00 and 00:30 on other days for residents of Southampton; and between 0930 and 2300 for all other English national passholders. Blind persons will be permitted to travel at any time.

### **Area of Travel**

Any journey that starts within the boundary of Southampton (NOTE: funding of such travel shall be subject to any inter-authority boundary/funding agreements which may be entered into and shall be deemed to be part of this Scheme. This will not affect user eligibility or operator reimbursement).

### **Level of Concession**

The proposed scheme provides free travel on presentation of a valid pass on eligible services.

### **Administration**

The administration of the issue of concessionary fares scheme passes will be carried out by the Strategic Transport Team. A database of all people who are issued with a bus pass will be kept. The City Council will be responsible for meeting the statutory requirements for data protection.

### **Reimbursement Arrangements**

Operators will submit monthly returns to the City Council unless otherwise agreed in advance. Payment of 85% of the estimated figure for the month will be agreed with the operator and be made on the 15<sup>th</sup> of the month. The outstanding figure will be paid once exact figures are known from verified operator returns.

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<sup>1</sup>View the Explanatory Memorandum defining excluded services here [https://www.legislation.gov.uk/uksi/2009/575/pdfs/uksiem\\_20090575\\_en.pdf](https://www.legislation.gov.uk/uksi/2009/575/pdfs/uksiem_20090575_en.pdf)

The City Council will require all information produced in support of claims to be certified as accurate by a “responsible person”.

The returns will be subject to periodic audit by the City Council or its nominated representatives. Bus operators will be expected to provide information reasonably required for this purpose.

The standard method of operator reimbursement will be the method used in the Reimbursement Calculator published by the Department for Transport<sup>2</sup>, in line with Department for Transport guidance on operator reimbursement<sup>3</sup>. Reimbursement for any period is the aggregate of the sum of Revenue Reimbursement (Net Revenue Foregone), Marginal Operating Costs, Marginal Capacity Costs, Peak Vehicle Requirement Costs and Scheme Administration Costs for the same period in respect of each service/route operated by each operator during that period.

### Revenue Reimbursement

Under the standard method Revenue Reimbursement will be calculated for each operator as follows:

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

Where:

R is Revenue Reimbursement  
J is the validated number of eligible passenger journeys made starting in the scheme area  
F is the average fare forgone  
f<sub>r</sub> is the Reimbursement Factor which takes account of generated travel. This factor will be determined individually for each operator.

The validated number of passenger journeys will be the number of bus boardings recorded by the participating operator commencing from a boarding stage within the scheme area, checked and validated as necessary by the City Council or its agent.

The average fare forgone will be calculated using the DfT’s Reimbursement Calculator. In line with DfT Guidance, it is intended that the “Discount Factor” method will be used for all operators except where any of the following criteria are met, in which case the “Basket of Fares” approach will be used:

- Operators with cash fares only
- Operators with only cash fares and weekly tickets
- Operators with no cash fares
- Operators with atypical ticket price combinations such that the daily ticket to average cash fare price ratio is greater than 5 (before or after degeneration)
- Operators with ticket price ratios such that the Discount Factor method would lead to the proportion of daily or period tickets to cash fare ticket sales being higher than the corresponding proportion for current fare paying passengers
- Where 60 per cent or more of an operator’s concessionary passenger boardings (on services serving a TCA’s area) are carried on buses where the average weekday daytime frequency (09.30 to 18.00) is one bus per hour or less

The Reimbursement Factor value for each individual operator will be calculated using the Department for Transport’s Reimbursement Calculator. The DfT Reimbursement Calculator uses

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<sup>2</sup> <https://www.gov.uk/government/publications/concessionary-bus-travel-reimbursement-calculator>

<sup>3</sup> <https://www.gov.uk/government/publications/guidance-on-reimbursing-bus-operators-for-concessionary-travel>

two Single Demand Curves – one for “PTE-like” areas and one for “non-PTE-like” areas. For concessionary journeys on routes that run wholly within the Southampton scheme area the appropriate Reimbursement Factor will be determined using the “PTE-like” Single Demand Curve. For concessionary journeys on routes that run across an administrative boundary from “PTE-like” into “non-PTE-like” areas (as defined by DfT Guidance), a proportion of concessionary journeys will be reimbursed using a Reimbursement Factor based on the “non-PTE-like” Single Demand Curve, with the remainder being reimbursed using a Reimbursement Factor based on the “PTE-like” Single Demand Curve. The appropriate proportions of concessionary journeys for the “PTE-like / non-PTE-like” split will be estimated by the Council based on best available information on residency of concessionary passengers boarding the cross-boundary services within the scheme Principal Area. The default estimate is that half of such concessionary journeys will be reimbursed using a Reimbursement Factor based on the “non-PTE-like” Single Demand Curve, with the other half being reimbursed using a Reimbursement Factor based on the “PTE-like” Single Demand Curve.”

The actual value of the Reimbursement Factor used for each operator is determined by the appropriate Single Demand Curve, together with the percentage change in average commercial fares (in real terms, taking account of inflation as measured by Government Consumer Price Index (CPI) figures) on the operator’s routes that serve the scheme area between 2005-6 and 2023-24. This will be calculated by the City Council using the best available information, including data provided by the operator concerned. Care will be taken to use comparable data sets in calculating this change, to the extent possible. Where operator-specific data on the change in average commercial fares between 2005-6 and 2023-24 is not available, the City Council will use either: (a) a scheme-wide figure for average percentage change in commercial fares; or (b) the National Bus Index up to 2010-11 and the percentage change in average commercial fares between 2010-11 and 2023-24.

#### Marginal Operating Costs

Marginal Operating Costs will be calculated in accordance with the Department for Transport’s Reimbursement Calculator. Each operator will receive Marginal Operating Costs for each generated concessionary journey. Marginal Operating Costs will be calculated in two parts for each operator; the “Fixed” and “Variable” elements, using the DfT Reimbursement Calculator. The “Fixed Element” of operating costs equates to £0.073 per generated concessionary journey (according to the latest DfT Calculator published November 2022). The “Variable Element” relates directly to the average concessionary journey length for an operator. The average journey length will be taken to be the default value in the DfT Reimbursement Calculator unless the City Council can determine an alternative value based on local evidence from the operator.

The number of generated journeys to be used in the calculation of the Marginal Operating Costs 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 which takes account of generated travel, expressed as a decimal fraction.

#### Marginal Capacity Costs

Marginal Capacity Costs are the costs to a bus operator of necessarily providing increased capacity on a bus route to accommodate generated travel resulting from the concessionary travel scheme, by using the existing bus fleet more intensively through increased frequency. Marginal

Capacity Costs payable are net of the estimated additional revenue generated from commercial journeys that arise from increased frequency.

It is recognised that a possible alternative response to the increase in demand from generated concessionary travel would be to increase seating capacity rather than increase frequency of service. However, the costs payable to operators making this operating choice will not exceed the net costs of increasing frequency (including revenue effects) of using existing buses, as set out below.

The City Council will adopt the Marginal Capacity Cost (MCC) calculator of the DfT Reimbursement Calculator for determining the level of Marginal Capacity Costs payable to each operator. This requires the following input parameters for each operator's network of services that serve Southampton:

- Average bus speed
- Mean vehicle occupancy
- Mean journey length
- Mean route length
- Commercial journeys (including adults, young people and children) as a percentage of total journeys
- Average commercial fare (including adults, young people and children) per journey

Where an operator can provide (in the reasonable judgement of the City Council) a properly evidenced full set of local inputs on all of these parameters, they will be used for calculating Marginal Capacity Costs due using the DfT MCC Calculator. Where an operator does not provide such a properly evidenced full set of local inputs on all these parameters, the set of default values contained within the DfT MCC calculator will be used for calculating Marginal Capacity Costs due to that operator.

#### Peak Vehicle Requirement Costs

The City Council recognises that in exceptional circumstances an operator may have to operate additional vehicles in the peak period due to generated concessionary travel. If an operator wishes to claim additional Peak Vehicle Requirement (PVR) Costs then the operator must supply data and analysis to support such a claim. If an operator wishes to submit a claim, the evidence that is required to be provided is set out in the DfT Guidance on reimbursing bus operators (as published in November 2022) at paragraphs 7.61 to 7.63. The calculation of any PVR costs due to an operator submitting a valid claim will follow the calculation process set out in the DfT Guidance on reimbursing bus operators (as published in November 2022) at paragraphs 7.64 to 7.74. Settlement of claims agreed as reasonable by the City Council will be made without undue delay.

#### Scheme Administration Costs

The City Council recognises that operators are subject to administration costs for which they should be reimbursed. These costs include publicity, ticketing, software changes and management time relating to special requests for information. The council will pay administration costs at a rate of £0.002 for each trip made under the scheme.

Operators claiming reimbursement from the scheme above a level of £10,000 per annum must have suitable, auditable, Electronic Ticket Machine (ETM) data that will be required each month, except in circumstances that have been agreed with the Authority. Claims submitted with inadequate data may need to be validated through surveys. In these cases, the Scheme reserves the right to reclaim the cost of this validation.

Operators claiming reimbursement from the scheme above a level of £10,000 per annum must have ITSO-compliant smart readers with fully-functioning Class 2 messaging (including hot listing), and that are compatible with the Southampton HOPS, in active operation and must use the output of those readers to arrive at the claim. If smart readers are not in use or if they are not being used with full functionality as above, the Council reserves the right to make a proportionate deduction of 3% from the number of journeys claimed each month to account for the level of undetected fraudulent travel that is assumed to be taking place. The relevant reimbursement rate will be applied to the number of journeys after deduction unless the operator can provide verifiable evidence that all the journeys claimed for were made by holders of valid passes.

On request, the operator must make available historic boarding data for affected services; this will normally be in the form of unprocessed data from electronic ticket machine systems.

To enable the timely and efficient operation of the scheme and consideration of claims, claims should be submitted by the end of the calendar year to which they relate and relate to the preceding 12 months operation of the scheme. Additional claims submitted in accordance with the Limitation Act 1980 will be considered on a case by case basis.

Any challenge to any decision by the Authority in relation to any claim for additional capacity costs must be brought in accordance with the paragraph below headed "Operator Representations and Complaints".

### **Right to Survey**

The City Council has the right to carry out surveys on vehicles on which concessions are given. Bus operators will be consulted as to how and when the survey will be carried out and operators will be given reasonable prior notice of the City Council's intention.

### **Variations**

Southampton City Council reserves the right to vary the Scheme or to offer discretionary enhancements to the Scheme in accordance with the provisions of the Transport Act 1985 and any reimbursement arrangements relating to and forming part of the Scheme at any time in accordance with the provisions of the Acts, upon relevant Notice. Southampton City Council shall give 28 days notice in writing to Operators of any proposed variations or changes to the Scheme, save where changes relate to reimbursement arrangements in relation to which the Authority shall give 4 months notice of any proposed changes reimbursement arrangements, but the period of such notice may be shortened by mutual agreement or variations to the scheme required to give effect to a decision of the Secretary of State for Transport's determination of any application under the Transport Acts in relation to which the Authority shall give notice in writing to apply with immediate effect .

### **Right of Participation**

Notwithstanding the mandatory participation of Operators in accordance with the Transport Act 2000 and the Concessionary Bus Travel Act 2007, Southampton City Council may require and notify any Operator to participate in the Scheme or any variation of the Scheme in accordance with the Transport Act 1985, and such participation will commence not less than 28 days after receipt of such written notification. At the date of notification the Operator will be supplied with a copy of this Scheme and any Variations thereto.

### **Operator Representations and Complaints:**

If an Operator in this Scheme wishes to make any representations in relation to this scheme or reimbursement under this scheme (including any challenge, complaint, concern or grievance in

relation to the Scheme) such a representation should be made in writing to the Responsible Authority at the address set out above. Representations will be considered by the Council on their merits and without prejudice to the Operators rights of Appeal under the Acts. Operators also have the right to avail themselves of the Authority's Corporate Complaints Policy, details of which may be found on the Authority's website at [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Right of Appeal**

Any Operator has a right of appeal to the Secretary of State against the terms of reimbursement of the Scheme under the Transport Acts 1985 and 2000 or against participation in any discretionary element of the Scheme under the Transport Act 1985 on the grounds that:-

(a) There are special reasons why their company's participation in the scheme in respect of any of the services to which the notice applies would be inappropriate (under both the 2000 Act and the 1985 Act); or

(b) Any provision of the scheme or of any of the scheme arrangements are inappropriate for application in relation to any operators who are not voluntarily participating in the scheme (1985 Act only).

Prior to making such an application, notice in writing must be given to the person and at the address specified under the 'Responsible Authority Heading above.