



Department
for Transport

Alternative Covid-19 Recovery Strategy

Concessionary Fares Funding

March 2022

This guidance should be read in addition and in conjunction with the Concessionary Travel Recovery Guidance provided to the sector on 29 October 2021. Please contact the team at concessionaryfares@dft.gov.uk if you have any queries on this guidance

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Introduction

This guidance should be read in addition and in conjunction to the Concessionary Travel Recovery Guidance provided to the sector on 29 October 2021.

DfT remains grateful to those authorities that have continued to maintain reimbursement payments at pre-Covid levels, and those operators who are continuing to provide high service levels, ensuring the provision of local bus services during the pandemic.

For the 2022/23 financial year, authorities should choose which is the most appropriate method of continuing concessionary fares funding at pre-Covid levels to ensure a smooth recovery period, from the recovery options DfT outlines below.

For the avoidance of doubt, it is the DfT's position that the suspension of the "no better and" provision outlined below (in the section 'Extension of Statutory Instrument') gives authorities the ability and legal grounds to pay out ENCTS funding above the statutory minimum level. Whilst we have, and continue to, provide guidance on how to implement recovery in practice, authorities have the autonomy and flexibility to establish the right approach for a local area considering local circumstances.

To be clear, an LTA may, in order of DfT's preferred approaches, choose to:

1. Reduce their pre-Covid level payments in line with the Recovery Strategy (published October 2021 as part of the Concessionary Travel Recovery Guidance) ('*Default Recovery Strategy*'). **This is DfT's default assumption.**
2. Maintain pre-Covid level payments for the duration of the 2022/23 financial year, should they deem local circumstances require this.
3. Follow the *Alternative Recovery Strategy* contained within this guidance.
4. Adopt their own approach to pre-Covid concessionary reimbursement for the 2022/23 financial year. However, we urge LTAs to be sensitive to the financial needs of operators, and balance this against any alternative reduction in concessionary fare payments, as any sudden reduction can lead to immediate negative impacts to operators and service levels.

Concessionary Travel Recovery

The objective of a concessionary travel recovery strategy is to provide LTAs with a cost-effective way of reducing their pre-Covid concessionary payments whilst avoiding any sudden widespread reduction in these payments. This is because any sudden reduction could lead to a significant impact on operator service levels, and consequently to an effect on demand levels. We want to ensure that any reduction in pre-Covid concessionary payments is done at a rate that will not adversely affect other funding streams, the viability of the bus market, or impact the objectives and ambitions of the National Bus Strategy as detailed above.

It is still DfT's default expectation that LTAs will follow the *Default Recovery Strategy* as contained within the *Concessionary Travel Recovery Guidance*. However, DfT is aware that the impact of the Omicron variant and subsequent Plan B restrictions on concessionary patronage recovery have raised some concerns regarding the start date of the *Default Recovery Strategy*.

In response to these concerns, DfT has designed an alternative recovery timeline (*'Alternative Recovery Strategy'*), to provide local flexibility towards a recovery approach. **DfT therefore expects LTAs and operators to work together to understand and ultimately decide which recovery approach is most practical for their local area.** Both approaches have been developed through the consideration of both LTA and operator feedback, estimation of operator forecast patronage levels and the cost effectiveness for LTAs.

Alternative Recovery Strategy

Timing

This alternative approach will commence on 01 July 2022 and officially end on 05 April 2023.

As with the *Default Recovery Strategy*, LTAs will be unable to pay out at a higher level than actual concessionary patronage after 05 April 2023, due to the expiration of the temporary Statutory Instrument which has been extended to achieve the continued provision of enabling LTAs, in principle, to make pre-Covid level payments, during the Concessionary Travel Recovery Period. This is discussed in more detail below – see Mandatory Travel Concession (England) Regulations 2022.

Approach

From 01 July 2022, a phased approach is suggested for the transition back down to actual concessionary patronage levels. If LTAs choose to follow this alternative approach, they should steadily reduce their pre-Covid concessionary payments to operators in accordance with the below table.

Table 1: Table showing the scale down of LTA pre-Covid concessionary reimbursement payments for the *Alternative Recovery Strategy* approach

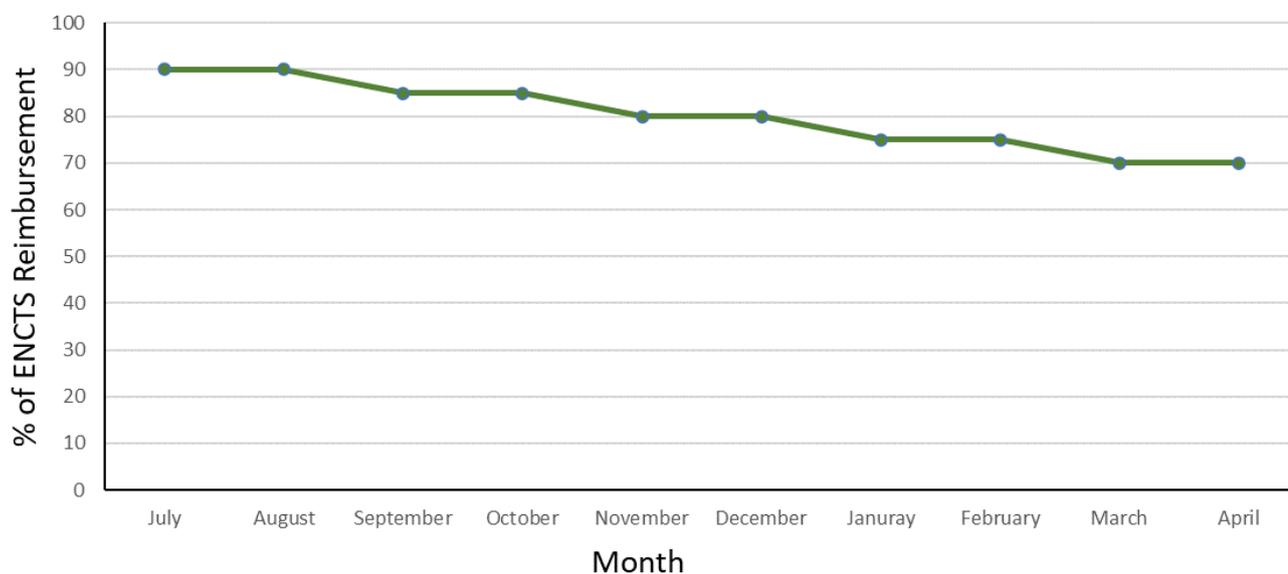
Month:	% scale down of LTA pre-Covid concessionary payments:
01 July 2022	90%
01 August 2022	90%
01 September 2022	85%
01 October 2022	85%
01 November 2022	80%
01 December 2022	80%
01 January 2023	75%
01 February 2023	75%
01 March 2023	70%
01 April 2023	70%

From **01 July 2022**, DfT suggests that those LTAs who have continued to pay out concessionary fare payments at 100% of pre-Covid levels, should lower these payments to **90% of pre-Covid levels**. Those LTAs who have already lowered their payments to 90% of pre-Covid levels or lower, should not reduce the amount they are already paying out to operators.

From **01 September 2022**, LTAs who continue to pay out concessionary fare payments at 90% of pre-Covid levels should then lower their concessionary fare payments to 85% of pre-Covid levels. Again, LTAs who's pre-Covid level payments are below 85% should not reduce the amount they are paying out to operators.

This approach should then continue, with **LTAs lowering their concessionary fare payments by 5% at the start of November 2022, January 2023, and March 2023** until realignment with actual patronage levels. However, when considering current patronage levels and average forecast levels, it is predicted that concessionary reimbursement payments will align with actual patronage levels by early 2023.

Graph 1: Graph showing the scale down of LTA pre-Covid concessionary reimbursement payments for the *Alternative Recovery Strategy* approach



Reasoning

DfT has designed this *Alternative Recovery Strategy*, which has a delayed start date of 3 months in comparison to the implementation date of the *Default Recovery Strategy*, in response to stakeholder concerns regarding the impact of the Omicron variant and subsequent Plan B restrictions on concessionary patronage recovery.

After careful consideration of stakeholder feedback, both recovery approaches will provide operators with additional support whilst patronage is still repressed. However, this *Alternative Recovery Strategy* will provide LTAs with the option to supply operators with further extended support, if they deem local circumstances require this, whilst still reducing their pre-Covid level payments within the Concessionary Travel Recovery Period.

It is expected that this will be an alternative suggested approach to the *Default Recovery Strategy*, providing LTAs with further local flexibility, if required. DfT therefore expects LTAs and operators to work together to determine the most practical approach for their area, which best suits their local needs and circumstances.

It should be noted that both the *Default Recovery Strategy* and the *Alternative Recovery Strategy* aim to reduce any impact of a significant reduction of pre-Covid concessionary reimbursement on service and demand levels, aligning with the National Bus Strategy objectives of delivering a better bus service of growing networks and improving routes. Both approaches aim to balance out operators' needs against the needs of LTAs, providing LTAs a choice on recovery approach options to reduce their concessionary reimbursement payments throughout the next financial year, allowing them to create savings whilst providing a slow and steady transition back to actuals.

Maintaining pre-Covid levels

As mentioned in the Concessionary Travel Recovery Guidance, (published on 29 October 2021), in accordance with regional variations and to take account of local flexibility and circumstances, during the Concessionary Travel Recovery Period, an LTA may choose to continue to pay out a higher rate of pre-Covid concessionary payments.

DfT is aware there will be localised differences in patronage return and LTAs can choose to maintain pre-Covid level payments for the duration of the Concessionary Travel Recovery Period, should local circumstances require this.

However, LTAs are reminded that they will be unable to continue to pay out concessionary payments at pre-Covid levels from 06 April 2023, due to the expiration of the extended temporary Statutory Instrument on 05 April 2023.

Appeals during the Concessionary Travel Recovery Period

Bus operators should financially be "no better and no worse off". However, as a result of LTAs providing concessionary fare reimbursement payments at pre-Covid levels, it can be argued that bus operators are "better off" in this respect.

Although legislation allows operators to appeal, DfT continues to encourage operators to take a pragmatic approach to such appeals while LTAs continue to provide funding at pre-Covid levels throughout the Concessionary Travel Recovery Period. This should be noted particularly once concessionary reimbursement re-aligns with actual concessionary patronage, as any perceived 'under-reimbursement' by operators may in fact be balanced out by LTAs continuing pre-Covid level payments for some duration of the 2022/23 financial year.

DfT expects operators to be in regular engagement with their LTA, particularly with the introduction of Enhanced Partnerships which depend upon this close collaborative approach. Any issues connected to the operation of services should therefore be discussed and resolved between the operator and the LTA. Operators should note that if LTAs are incurring time and money dealing with appeals which do not have any real prospect of success, this could affect the ability of the LTA to continue to provide funding in accordance with current and future recovery levels.

The Mandatory Travel Concession (England) Regulations 2022

LTAs previously had concerns that paying out concessionary fares at pre-Covid levels was not compatible with the provisions of the Mandatory Travel Concession (England) Regulations 2011 ('the 2011 Regulations'). In response to these concerns, DfT secured the necessary agreement across Government and laid a Statutory Instrument (SI) in March 2021 to temporarily change the legislation (Regulation 6(a) of the 2011 Regulations) to temporarily remove the requirement that travel concession arrangements should aim not to leave an operator financially better off as a result of providing a concession. The Mandatory Travel Concession (England) Regulations 2021 ('the 2021 Regulations') therefore allow LTAs, in principle, to pay concessionary fares funding to operators at a higher level than due through actual journeys by pass-holders (although, as noted above, LTAs will need to take account of and comply with subsidy control rules in making such payments).

This original amendment would, but for a new Statutory Instrument, end on 05 April 2022. However, a further temporary Statutory Instrument was successfully laid on 14 March 2022, to achieve the continued provision of enabling LTAs, in principle, to make pre-Covid level payments, during the 2022/23 financial year. The Mandatory Travel Concession (England) Regulations 2022 ('the 2022 Regulations') will therefore extend the suspension of the requirement that travel concession arrangements should aim not to leave an operator financially better off as a result of providing a concession, until the end of 05 April 2023, at the end of the 2022/23 financial year.

In all cases, the LTA will need to take account of subsidy control rules in making payments to operators, including in particular where payments are not directly aligned with concessionary travel patronage levels.

Should you have any queries, please contact the team at concessionaryfares@dft.gov.uk.