



Department
for Transport

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To Noble Lords

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My Lords,

BUS SERVICES (NO. 2) BILL: UPDATE FOLLOWING COMMITTEE STAGE

I thank Noble Lords for the contributions during Committee Stage of the Bus Services (No. 2) Bill (“the Bill”). Ahead of Report Stage, scheduled for Wednesday 26 March, I am writing to share my latest thinking across a number of areas where I made commitments at Committee to provide further information.

As the Bill continues its parliamentary passage, my department is developing a strategy for implementation, associated secondary legislation, and publishing guidance.

While further updates will be provided in due course, I hope to address the points raised about the amount of detail to be set out in the form of guidance. The precise content of guidance cannot be finalised until after the Bill receives Royal Assent, however in the spirit of collaboration and transparency, I will endeavour to provide as much detail about the guidance as possible.

Annex A to this letter sets out some of the areas where the department will produce guidance on measures in the Bill, and latest thinking on the content of that guidance. Annex B covers other questions raised at Committee Stage, to which I am now able to respond in more detail.

I am copying this letter to Noble Lords who have spoken in debates so far. I will also place a copy in the Library of the House. I look forward to the debate at Report Stage.

Yours sincerely,

Lord Hendy of Richmond Hill CBE
MINISTER OF STATE FOR RAIL

Annex A – Guidance that will be produced:

Guidance on the franchising process

Franchising models and Demand Responsive Transport

The department recognises that the model of franchising used by Greater Manchester and currently being pursued by other mayoral combined authorities (MCAs) is unlikely to be suited to the majority of Local Transport Authorities (LTAs).

Whilst examples of alternative models of franchising have been included in the revised statutory guidance to franchising authorities (published in December 2024), the department has also been engaging with LTAs, operators, and has as well considered international approaches. The department is keen to identify potential alternative models that could be adopted to franchising, including those using Demand Responsive Transport (DRT).

The ambition is that these models will be capable of delivering better bus services at the same or lower cost than maintaining the status quo in a deregulated market.

A further revision of the statutory guidance on franchising will be issued as part of the work to implement the Bill.

Qualification requirements for the assessor of a franchising assessment

This Bill removes the requirement that independent assurance of LTAs' franchising assessments (i.e. business cases) be conducted exclusively by auditors. Following my comments at Committee, I want to reiterate that robust assurance remains a crucial aspect of the legislation. The current requirement that an auditor carries out this assurance has significantly limited the pool of assessors, raising costs for LTAs and increasing the time it takes to deliver franchising.

The department intends to set out the detail of further qualifications and experience in secondary legislation that would qualify someone as an 'approved person' which would enable a greater number of professionals to undertake assurance. By using secondary legislation rather than naming the qualifications in the Bill, there is greater flexibility to respond to changes to qualifications, while ultimately ensuring that they are still relevant to delivering a robust review of the franchising assessment.

To identify the list of relevant qualifications, officials have already begun work looking at stakeholders to hold detailed discussions with. Bodies in the accountancy sector could include:

- CIPFA (Chartered Institute of Public Finance and Accountancy),

- ACA (Associate Chartered Accountant),
- ACCA (Association of Chartered Certified Accountants), and
- CIMA (Chartered Institute of Management Accountants).

To identify professional experience which could also potentially qualify someone as an 'approved person', the department intends to hold discussions across the public and private sectors with key stakeholders, including:

- CILT (Chartered Institute of Logistics and Transport),
- CIHT (Chartered Institution of Highways and Transportation),
- the Confederation of Passenger Transport (CPT),
- the Association of Local Bus Managers (ALBUM),
- the Association of Transport Co-ordinating Officers (ATCO),
- the Urban Transport Group (UTG), and
- the Local Government Association (LGA).

As part of this engagement, I will ask my officials to consider whether people who have senior and extensive experience in the bus sector or local government could provide assurance.

Furthermore, guidance will be provided to franchising authorities about considerations to be taken into account when selecting an independent approved person.

Guidance on the structure of direct award contracts

Franchising authorities will have the flexibility to determine the structure of contracts directly awarded under the new provisions in the Bill. They would be expected to negotiate terms with incumbent operators based on local context and the services to be provided.

The Bill requires franchising authorities to publish information about some specific terms of their direct award contracts. This is through an amendment to the Public Service Obligations in Transport Regulations 2023 (inserted regulations 16A(2) and (3)). The information is:

- the name of the operator and its ownership,
- the contract duration,
- a description of the services to be performed,
- a description of the parameters of the financial compensation,
- information about any quality targets, and
- any requirements intended to protect the environment or ensure accessible and inclusive travel provisions.

Further details on these contractual terms, and suggestions for other terms that can be included will follow in guidance, developed closely with stakeholders.

Training and support for LTAs pursuing bus franchising

The department is committed to providing practical support to officers and elected members of LTAs considering franchising. This support includes:

- setting up a working group for those LTAs who have indicated to the department that they are interested in franchising,
- allocating a named departmental Relationship Manager for LTAs wishing to pursue franchising, and
- developing templates and guides such as for the franchising assessment, information requests, standardised procurement, contract documents and consultations documents.

Lord Hampton raised points on health and safety qualifications provided by the National Examination Board in Occupational Safety and Health (NEBOSH) and the Institution of Occupational Safety and Health (IOSH). I recognise these certifications can form an important part of the training for local authority officers and elected officials in franchising authorities working on health and safety, and environmental aspects of franchising schemes. It is therefore appropriate that future iterations of the franchising guidance ask franchising authorities to consider making this training available to officers and elected officials conducting relevant activities, such as inspecting depots or reviewing operators' safety management arrangements.

The department also continues to fund the Bus Centre of Excellence (BCoE). As well as offering a repository of guidance and good practice for bus practitioners, the BCoE offers a variety of in-person and online training and events, including workshops and forums, designed to facilitate knowledge sharing and professional development among stakeholders in the bus industry, such as LTAs. This includes sessions specifically focused on guidance and support for franchising.

Workforce

At Committee Stage, Lord Woodley raised workforce challenges in the bus sector. Whilst I recognise the sector has faced challenges in recruitment and retention of drivers over recent years, as a number of experienced drivers have left the industry, I understand that shortages have reduced.

While under existing franchising models, pay and conditions are a principally a matter for bus operators in discussion with employees and their representatives, the department's franchising guidance highlights the importance of franchising authority engagement with unions to develop an approach to staff pay and conditions in managing the transition to franchising. The department will continue to consider workforce-related best practice from Greater Manchester and elsewhere in future iterations of the guidance.

Guidance for Enhanced Partnerships

Socially Necessary Local Services

The purpose of the socially necessary local services (SNLS) guidance was discussed at Committee Stage. Under the SNLS measure, LTAs operating bus services through an Enhanced Partnership will need to identify local services that they consider socially necessary and put in place requirements that must be followed when such services are proposed to be cancelled or varied in such a way as is likely to have a material adverse effect on the ability of passengers to access certain goods, services, opportunities or activities. LTAs will also need to make sure that the Enhanced Partnership Scheme requires them to consider alternative options that are available to mitigate the effect of a proposed cancellation or variation.

The department is currently working with key stakeholders to discuss the contents and scope of guidance to support implementation of the measure. This includes bus industry stakeholders such as the Confederation of Passenger Transport (CPT), the Urban Transport Group (UTG), the Association of Transport Co-ordinating Officers (ATCO) and LTAs. The department will continue to work collaboratively with stakeholders throughout development of this guidance and is identifying the key touchpoints for engagement.

As I mentioned at Committee Stage, the department is also in the process of conducting a review of Enhanced Partnerships which will be completed in summer 2025.

Guidance on other Bill Measures

Guidance on accessibility

Floating bus stops

I recognise that issues around 'floating bus stops' have formed part of debate on this Bill, especially issues experienced by visually impaired people. This is an issue primarily about accessibility and equality. This is a complex area where there are no simple answers, but I acknowledge that more needs to be done. Bus stop design should be as consistent as possible, taking into account the need to accommodate local circumstances.

Feedback from Active Travel England's (ATE) engagement with local authorities showed that many were unaware of what advice already exists to help them design bus stop treatments, and they are working on collating and publicising this. They are also considering funding for remedial works, to allow local authorities to upgrade sites on their networks.

The department is also working with Transport for London, who have the most experience of floating bus stops and are undertaking their own design review, to ensure the lessons learnt can be applied nationally. Alongside this, ATE are developing further research to inform updated good practice guidance.

The department will consider how the statutory guidance in clause 25 of the Bill may cover floating bus stops to the extent that designs impact the way disabled passengers access bus stop infrastructure.

- *Disability guidance for LTA staff*

At Committee Stage, Baroness Pidgeon raised the need for relevant organisations to support the development of training programmes for their staff which address the content of accessibility guidance.

As I said at Grand Committee, I can assure all Noble Lords that the guidance issued under clause 25 will be written in clear and accessible language, enabling staff in relevant authorities to understand how it should be applied. It will also be publicly available, allowing everyone to take it into account if they so choose.

I can also confirm that the BcoE, who are in the process of developing a bus specific pan-disability module, have taken onboard comments made at Committee and will be reflecting this in their course development. This will be a free course, available to all, in addition to the department's "Respect, Empathy, Ask and Listen" ("REAL") disability awareness training package, and other resources already supporting local areas on improving their accessibility.

Local authority bus companies and application of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)

At Committee Stage, in response to Lord Woodley's comments about staff transfers, I committed to consider further what might be said in guidance to address concerns about the applicability of TUPE.

I am pleased to be able to confirm that, in addition to the existing application of TUPE regulations, which are supported by additional guidance to help employers and employees understand their respective responsibilities, the planned guidance on local authority bus companies will include information on how TUPE applies in respect to services transferring over to such companies.

Annex B – Further areas of consideration following Committee Stage

VAT treatment of home-to-school transport for Special Educational Needs and Disabilities (SEND) children at private schools

The Earl of Effingham and Lord Moylan raised the issue of the VAT treatment of school transport services at Committee Stage.

I responded during the debate, but I also asked my officials to look into this matter further. I can confirm that school transport services are exempt from VAT application - including vehicles adapted to carry people with disabilities. I understand that in some cases private schools are invoicing parents for all services as a single, bundled charge and applying a blanket 20% VAT to the total bill. This practice is not a result of policy but rather an administrative approach to invoicing which is a matter for the schools in question.

National Insurance Contributions relating to contracted SEND home-to-school services

Lord Moylan also noted concerns about the effect of employers' national insurance contributions on providers of transport for SEND children. To confirm, the £515 million being provided to support councils with the increase in employer National Insurance Contributions (NIC) is not ringfenced funding for public sector employers and could therefore be used to fund contracted services should a local authority wish to.

I am also pleased to confirm that the employment allowance has been increased to provide relief to businesses— at present a selection of employers can take £5,000 off of their total NIC bill and this will rise to £10,500 for all employers.

Moreover, I understand a large proportion of SEND transport operators are self-employed and therefore exempt from this change. The Department for Education do not expect there to be significant impacts on SEND transport operators.

Bus collisions on private land

Lord Hampton has raised the matter of bus collisions and safety. Specifically, Lord Hampton has shared concerns around the inability of STATS19 to record safety information on private land.

As discussed at Committee Stage, STATS19 provides the framework for the collection and publication of detailed road safety data. Reviews of the STATS19 framework are steered by the Standing Committee on Road Injury Collision Statistics (SCRICS) which meets annually. The department will raise this issue with the SCRICS at the next meeting, later this spring, and seek to drive forward further action as it relates to improving bus safety, and in particular the matter of incidents at bus stations occurring on private land.

In addition, any public service vehicle operator is legally required to report incidents or collisions involving their vehicles to the Driver and Vehicles Standards Agency (DVSA). Officials are working with the DVSA to explore making relevant information, including relating to incidents at bus stations, publicly available.

Separately, I have written to the DVSA about how best to make their existing reporting channel for bus safety issues more efficient and easier to use following the points raised by Lord Hampton at Committee.

Demand responsive transport

At Committee, I agreed with Lord Moylan and Lord Grayling on the importance of demand responsive transport (DRT) and confirmed it would be for local areas to determine how best to deploy DRT services in an appropriate manner as part of their bus networks.

Guidance for both franchising and Enhanced Partnerships already encourages LTAs to consider the role of such services in their areas, and as guidance is updated following the passage of this legislation, the department will further consider how to best encourage the use of DRT through these documents.

However, further to my comments at Committee, I am pleased to confirm that the government is in the process of developing best practice guidance for DRT. This will provide local authorities with a comprehensive guide to considering and deploying DRT schemes. An advisory group has been formed which will help draft the guidance, drawing on experience of implementing DRT schemes, with its first meeting having taken place in late February. The guidance will also use learning from the ongoing Rural Mobility Fund monitoring and evaluation process. We expect the first version of the guidance to be available later this year.

TfL bus safety data

Lord Hampton also noted concerns surrounding the lack of availability of TfL's bus safety data from 2023 onwards. I can confirm that while TfL has previously published quarterly bus safety data, it paused these publications due to the cyber security incident that occurred in September 2024, which restricted TfL's access to a range of data systems, including their bus safety system which holds this data.

TfL has confirmed to officials that they have worked to regain access to this data set and intends to resume publishing this data in the usual quarterly manner as quickly as possible.