



OFFICER REPORT TO CABINET

'Ride Pegasus' Pilot School Bus Service 29 September 2009

KEY ISSUE/DECISION:

This report outlines the key issues relating to the 'Ride Pegasus' School Bus Service Pilot which comes to an end in December 2010. It presents the Cabinet with options for the future of the scheme.

BUSINESS CASE:

The Challenge

1. The Ride Pegasus School Bus Service was developed as a five-year pilot finishing in December 2010. The intention was to seek government funding for a wider school bus scheme, and act as a national pilot for the 'school bus' concept.
2. In December 2008 the Executive agreed that a new two-year contract should be let in order that there is continuity of service and that possible future provision of primary school transport in the county could be scoped.
3. Cabinet Members will understand the financial pressure facing the County Council. The Head of Finance's report to Cabinet (14 July, Item 8, Annexe B) explained in stark terms the need for reductions in expenditure.
4. 'Ride Pegasus' is a heavily subsidised service, both in terms of overall cost and cost per pupil, costing over £900,000 pa (net) to run. It is timely to revisit the decision to extend the contract with a new Cabinet, new financial pressures, and in light of the concurrent Bus Review.

Context

5. The Ride Pegasus pilot scheme is an innovative transport service for primary aged school children in Guildford and the surrounding area. It serves 14 primary schools using a fleet of 22 buses. 840 pupils are registered to use the service, of which 147 are entitled to free school travel. Overall seat occupancy is high at over 90% daily and there is a waiting list to use the service on a number of routes. Take up of the Pegasus service equates to 18% of pupils in the 14 schools.

6. The aim of the Ride Pegasus initiative contributed to the key targets in Surrey's second Local Transport Plan (2006-2011). Service objectives related to:
 - Modal shift in school journeys
 - Reduction in vehicle kilometres travelled by children in cars to school
 - Reduction in accidents
7. However, the specific targets were related to a much larger Private Finance Initiative rather than the scaled down Ride Pegasus pilot scheme that developed. As a consequence it has been difficult to establish that Ride Pegasus has met these objectives:
 - Levels of change in travel from car to Ride Pegasus are difficult to determine due to availability and consistency of data. In the nine schools for which figures are available there has been an estimated 7% decline in car usage.
 - It has been very difficult to attribute any changes in child casualty figures or Guildford-wide congestion to the Ride Pegasus scheme.
8. The innovative features, such as trained escorts, on board CCTV, and satellite real time information, that make the service suitable for primary school children and popular with parents mean that the service is much more costly to run than most public bus services, at over £900,000 pa (net).
9. Children aged over 8 using the service currently pay £1.80 per day and £1.30 per day for under-8s (from September 2009). The true economic rate per day would be approximately £8.
10. Work to determine how far fares could be raised shows that at most, subsidy could only be reduced by 3.5%, with a fare increase of 70-80%. After this, passenger numbers would drop off rapidly, prompting a corresponding loss of income.
11. Other measures to reduce the level of subsidy would also have a very marginal effect as follows:
 - Removing current discounts for siblings could raise an extra £14,000 pa.
 - Removing the current discount for children under 8 could raise £20,000 pa.
 - There is little scope to increase private hire income, currently £34,000 pa.

What Can We Do?

12. Ride Pegasus has been successful as a best practice pilot and in terms of user satisfaction, but has not been able to attract the external funding originally hoped for. Pegasus therefore remains a significant call on the Council's revenue budget.
13. Give the County Council's current and future financial pressures and the high subsidy level for this service, it is timely to re-visit the Executive's previous decision (December 2008) to extend the original pilot to 2013.

Contract Termination Options

14. There are a number of options to terminate the Pegasus contract, whilst still maintaining a service for legally entitled children. All savings figures allow for the re-provision of transport for entitled children:

Options for contract termination	Benefits	Implications	Total savings to April 2013	Ongoing annual revenue saving
1. July 2010. The end of the current school year.	Early contract end Maximise savings at earliest possible date	Limited time to prepare an exit strategy Limited notice for parents who have applied for a Pegasus school for 2010/11	£2,190,000	£548,000 during 2010/11 £821,000 pa from April 2011
2. December 2010. The current end of contract	Current contract end date and end of five-year pilot. Savings start in 2010/11 financial year	Mid school year disruption Limited notice for parents who have applied for a Pegasus school for 2010/11	£1,847,000	£821,000 pa from April 2011
3. July 2011. Extension of current contract.	Short extension of current contract. No need for re-tendering process.	Notice to parents is one full academic year	£1,369,000	£821,000 pa from April 2012
4. July 2013. A new two-year contract.	Longer notice period for parents and schools	Re-tendered contract may be more expensive due to shorter contract.	None in current Council	£548,000 during 2013/14 £821,000 pa from April 2014

The possibility of the service running indefinitely has not been included on the grounds that the level of subsidy required is not sustainable in the current financial climate.

Key Question

15. The key question is:

- What is the Cabinet's preferred option for the future of the Ride Pegasus service?

IMPLICATIONS

Communications

16. Following a Cabinet decision there will be a communication programme with impacted schools and parents. The Council's Communications team are also fully briefed to deal with media enquiries.

Finance/Value for Money

17. The initial purchase cost of the 22 Pegasus buses, owned outright by the County Council, was in the order of £2.8m. Using current industry estimates for the re-sale value of similar vehicles it is expected that their residual market value in December 2010 would be around £1.1m They could reasonably be expected to have a further 12 year life and are in good condition.
18. An alternative exists for the Council to re-deploy the buses, by leasing them to the successful bidder(s) for other bus contracts that fall due for re-tender from 2010 onwards. This should result in lower contract prices and reduce the overall subsidy for bus services. The contractor would be responsible for maintenance, insurance and fuelling. The buses might also be leased to operators of bespoke Home to School services run on behalf of Schools and Learning to cater for predominantly statutorily-entitled children, where their capacity is suitable.
19. The Council is able to terminate the Ride Pegasus contract (subject to four months notice) without penalty.
20. The s151 Officer confirms that all material, financial and business issues and risks have been considered in this report.

Accessibility and Equalities

21. Withdrawing Ride Pegasus would affect access to learning for those students not statutorily-entitled to transport, as Pegasus routes were designed to offer travel for 4-11 year olds where there were no alternative public transport options. Some of the children carried attend certain schools for denominational reasons and accessibility to learning on faith grounds would be diminished, although no particular priority was given to denominational issues when the routes were developed.

Community Strategy/LAA

22. The Ride Pegasus service is used by a relatively small number of primary school children: 840 are registered users. The overall effect on Local Area Agreement indicators and achievement of targets is likely to be small. However there could be an impact on the eleven attainment indicators specified by the DCSF (Department for Children, Schools, and Families) in those schools served by Pegasus.

Risks and Obstacles

23. Public concern
There is likely to be adverse reaction from schools, parents and media to the proposed closure of a well-subscribed high profile scheme. Congestion around the school gate and surrounding roads is likely to increase.
24. School admissions
Parents are currently making their preference choices for primary school admissions in September 2010, based on the knowledge of the Ride Pegasus

scheme. Parents of non-entitled children may have the expectation that the service will run until 2013 in line with the December 2008 Executive decision.

25. Claims for entitlement to free transport on safety grounds and/or low income may escalate in terms of those with no alternative means of securing their child's attendance at school, particularly in rural areas.
26. Staffing and service provision
Two County Council staff members are directly involved with the administration of Ride Pegasus – the Project Manager who is due for retirement in 2010 and a Senior Transport Officer who would be offered re-deployment within the Service.
27. There is a risk that in the final months before closure there will be insufficient enhanced CRB-cleared drivers and escorts available to run a full service, as bus operator staff seek alternative employment.

Section 151 Officer Commentary

28. The section 151 officer confirms that all material, financial and business issues and risks have been considered in this report.

RECOMMENDATIONS:

The Cabinet is asked to:

- Consider and approve one of the four options for contract termination presented in the report
- Recommend the option it wishes to see implemented

REASONS FOR RECOMMENDATIONS:

While recognising the benefits and achievements of Ride Pegasus, to end the pilot scheme and terminate the contract in a way that makes best use of the County Council's resources.

WHAT HAPPENS NEXT:

If Cabinet agrees to terminate the Pegasus contract:

- Detailed work will begin with schools and parents served by Ride Pegasus
- Contact will be made with parents who have applied to Pegasus schools for the 2010/2011 school year in order that they can take the changes into account and amend their application if they wish.
- A communications programme will begin with our communications team.

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**Consulted: Cabinet Member and previous Executive Member for Transport
Previous Chairman of Transport Select Committee
Corporate Leadership Team**

Informed:

Sources/background papers:

Officer Report to Executive 16 December 2008
Pegasus Review Summer 2008
