Annual Report for Moray Carshare October 2016 – September 2017

Gordon McAlpine, 20th November 2017

The year of October 2016 to September 2017 has been another year of **organic growth** and **gradual consolidation**. The average number of members rose from 93 to 119 (72 full and 47 associate). By the end of September we had 145 members in total.

Our most significant achievement of the year was **changing our legal form** from an association to a charity (Scottish Charitable Incorporated Organisation). So we now have limited liability, our status as not for profit and for community and environmental benefit is legally binding, we do not need to pay corporation tax and we should be better placed for receiving grants and donations.

We have also accelerated our **transition** from a bit of a "one man band" to a more professional, robust and sustainable organisation. The establishment of the Strategy Circle and the engagement of an assistant manager with accounting skills, have all contributed to improving our internal policies, procedures and documentation.

Other highlights of the year have been:

- Receiving a **development grant** from the Scottish Government's "Developing Car Clubs Scotland", which has enabled us to employ a part-time assistant manager (`Bea Jefferson), so Gordon had the space to focus half his time on development:
- Starting an **organisational membership scheme**, so organisations can join and allocate staff to use the cars, while the bills are paid by the organisation.
- Starting **a branch in Kinloss**, with a single car at the west end of the village. This has included dealing with the challenges of finding an appropriate parking space.
- **Registering with HMRC** as an association, engaging a firm of accountants (Scott-Moncrieff), and submitting accounts for tax purposes for both 2014-15 and 2015-16.
- Establishing a **help line number** – so a single number routes the caller to whichever member of staff is available at the time.
- Receiving a £20,000 **low-interest loan** from an anonymous supporter of our purpose, which has allowed us to finance the purchase of new low emissions vehicles for our continued expansion.

1. Profit & Loss

As can be seen from the attached "Accounts 16-17 for members", our financial result has not been as good as we had budgeted for. Overall, we have made a **profit of £7,571** after tax. However, that result includes this year's share (£13,511) of all the grants we have received for cars from the Developing Car Clubs Scotland scheme. If we look at how we would be doing without those grants, our income was about 2% down on budgeted while our expenses were about 9% up on budgeted. Thus, our **gross result of £13,554** was **£7,144 less than budgeted**. In terms of financial sustainability we estimate that we should have set aside at least £14,971 of this gross result to pay for replacing our fleet. **So that is a shortfall of £1,417.**

Details

The main reasons we can find for this disappointing result are as follows:

1. **Income** was less than expected by about **£2,600**. This is primarily because the price increases for that year were not introduced until half way through the year – while the budget was based on these prices for the whole year. Last year's budget and the previous year's accounts were extremely late due to Gordon's personal circumstances – his mother died in October 2016.
2. The biggest overspend in our expenses was for **maintenance of our cars** – amounting to **£2,700** – comprised of £1,600 more on service and repairs at garages and £1,100 more on our maintainer (Iain's) work.
3. The next biggest overspend was on **new equipment and infrastructure**, for which we had not budgeted anything, but spent **£800**. Them main items were all at The Park: a new key-safe, sleepers for parking safety and a duct leading out of the electricity transformer at West Whins to prepare for putting in a charging point.
4. We spent **£800** more on **management work** because we hired an assistant manager (Bea) so Gordon could work on a **funded development project**.
5. Then comes a series of overspends in the region of £400-500 each:
   a) We had forgotten to budget for **breakdown cover**, since it used to be part of our insurance with NFU Mutual.
   b) The **fuel consumption of both Berlingos** was much higher than the previous year.
   c) Members drove a **lower percentage of miles at the higher rate** compared with the previous year.
   d) We spent more an **accountancy fees**.

Obviously we will seek to take all this into account in this year's budget.

2. Balance Sheet

Our total balance at the end of the year was £34,488. This is a very healthy balance for an organization of our nature and size. This is primarily due to the value of the cars we were given through grants.

3. Vehicle Analysis

Regarding **our fleet**, at the start of the year we sold Twizy, in order to cut our losses from previous years, and we replaced Bluebird with a new low emissions white Toyota Aygo, funded through a grant from Developing Car Clubs Scotland. We also added a second Berlingo to our fleet, as well as a medium-sized trailer. In the spring and summer we then expanded our fleet with 3 new vehicles: our first car in Kinloss, a 4th car in Forres (at Newbold House), and an 8th car at The Park.

Details

The sale of Twizy has improved the overall performance of our cars. We spent significantly more than budgeted on Berlingo 1st and each of our two Nissan Leafs. On the Leafs these were faults that could have happened to any car. For the Berlingo we had to spend over £300 on cleaning the Diesel Particulate Filter, a common problem with diesel cars, because the car was not being driven often enough at high speeds – needs at least 20-30 minutes at 70 mph every month or so.

In the new budget, we have set aside £1,200 for major unexpected faults on cars.

The fuel efficiency of both Berlingos was way down on what we expected. We are currently trying to find the reason for this by monitoring these cars closely each month. We hope to solve the problem, and have therefore budgeted with fuel consumption half way between the 2015-16 measurements and the 2016-17 measurements.

The overall performance of the Silver Picanto was down on previous years – higher fuel consumption and higher maintenance costs. We plan to sell this car in the coming year and replace it with an Aygo. The Aygos have a much better fuel efficiency and have therefore much lower carbon emissions.

4. Proposed budget for 2016-17

The attached "Budget 17-18 for members" has been proposed by our Board of Trustees. As indicated in our new constitution, the Trustees would like to hear feedback from the members at the upcoming AGM before finally setting the budget and revised prices, which will apply from 1st December.

This budget takes into account the increased expenses of last year plus other increases we can anticipate for the current year: primarily wage increases and the obligation to register for VAT. The fact that we will soon need to pay VAT is actually a measure of our success. And it is a chance to pay back to a society that has really helped us a lot.

The budget can be summarised as:

- Being about **£2,000 short** of what is needed from a **financial sustainability point of view** (line 63 in the Budget Summary).
- **Breaking even** when we include all our grants and development work, but **before we take tax into account** (line 53).
- Making a **surplus** of almost £10,000 when we include the VAT we will get back on "cars already purchased" when we register for VAT. (This is a one-off occurrence because HMRC rules allow us to claim back all the **VAT on cars purchased in the last 4 years**.)
- **Price increases** of 15p on the base hourly rate for full members using small or electric cars, plus significant additional increases on both the hourly and mileage rates for the larger cars. In all these amount to an **8% increase in our prices**.

Details

The operational expenditure is up a lot and hopefully also more realistic. In addition, this budget includes further increases in expenses to take account of the following:

- At the point in the year when we reach a 12-monthly income of over £85,000 we will be obliged to **start paying VAT** for the remaining part of this year and thereafter. We estimate that this will increase our net costs by about 10%, since we will also be able to claim VAT back on some of our costs. The budget is based on a prediction that we will need to register for VAT in March 2018.
- We have agreed to pay our **maintainer a higher hourly rate**: £11.50 -> £15 an hour on a self-employed basis. This is because Iain saves us a lot of expenses by

doing a significant amount of skilled work himself. We believe another equivalent contractor would charge about the same.

- We believe that our manager, Gordon, will now need to **become an employee** – rather than being self-employed. This budget also allows for our assistant manager, Bea, to be employed as an employee. Paying workers as employees adds costs for holiday pay, sick pay and pensions.
- We will also need to pay **employers' liability insurance**, which we estimate at £400.

In the past we have used depreciation as a means of measuring whether we are **setting aside enough money for replacing our cars.** We have now realised that this is not an accurate measure. Instead we have started developing our own measure, using the advice of John Hyslop, a very experienced car expert, as well as our own research and experience. Our initial measure calculates a set-aside amount for each car, distributed evenly over the years we operate it. The measure used in this budget assumes we buy 9-month old cars, and then sell small cars when they are 8 years old and large cars when they are 6 years old. But we may adjust this measure as we discuss it more amongst the Trustees, and then gain experience in buying, selling and maintaining our cars.

In order to break even for this year, and to move much closer to prices that cover our VAT costs, the following **price increases** are proposed:

Price increase	**2017-18**	**2016-17**
Increase full member basic hourly rate by 15p	75p	60p
Increase full member Yaris hourly rate by 17p	83p	66p
Increase Fabia & Auris hourly differential by 22p	91p	68p
Increase Berlingo hourly differential by 34p	105p	71p
Increase Berlingo, Auris & Fabia mileage rates by 1p	20p/28p	19p/27p

If we continued with these prices in the following year, then we predict they would not be quite enough **to cover VAT costs for a whole year**. A base hourly rate of between about 82p and 85p would be required for that. We could of course move to that level already this year, but the Trustees are suggesting it is better to spread the increase over a couple of years, as we can afford to do this because when we register for the first time, we will get a one-off pay back of the VAT on cars bought over the last 4 years.

We are proposing to keep **associate** and **organisational** member rates as they are, as calculations show they already "pay their way" through their current rates.

Please note that even with these price increases, we are still probably cheaper than any other medium to large sized car club in the UK. I know of only 2 car clubs who have prices anywhere close to ours: "Hour Car" and "St James & Bartonsham Car Club". They service much smaller groups, and are still a bit more expensive than these new prices. Most car clubs charge £4 an hour or more for the use of a small car, plus mileage charges of about 20p per mile.

The following table compares our prices with the cost of running a small car of similar age range to our cars with the usage of an average member (**22 hours** and **130 miles per month** = 1,560 miles per year):

Cost of owning your own car	**Per year**	**Per month**
Depreciation, set-aside or loan	£857	£71

Insurance	£350	£29
Service, MOT & repairs	£400	£33
Road tax (new rates from April 2017)	£140	£12
Petrol (10p per mile)	£156	£13
TOTAL	**£1,903**	**£159**

Cost of using Moray Carshare (full member)	**Per year**	**Per month**
Subscription	£192	£16
Hourly charges (75p per hour)	£198	£16
Mileage charges (per mile: 25p for first 20 miles then 17p)	£328	£27
TOTAL	**£718**	**£60**

We can also hope that we will be able to reduce some of our costs. For example, replacing our older Berlingo with a Toyota Aygo would reduce our depreciation & maintenance costs. We intend to apply for a LEADER grant, which might help fund some more electric cars, which would reduce our overall costs, while such cars are in operation. Introducing cancellation fees when a booking is cancelled on the same day as it is due would also bring in a little more income.

5. Appreciations

I would like to thank our Strategy Circle for using their time to support our club in this way, and for their diligence and creativity. The members include our district representatives: who until October 2016 were Duncan Easter, Karen Luedtke, Shanti Coodee and Ilona Kaestner (until March 2017). In addition, I am most grateful to Mark Anderson, who has joined our Strategy Circle meetings as an advisor during the last 12 months, and has contributed with much pertinent advice.

I would also like to thank all those who support the car club in other ways:

- Those who have lent us money;
- Transport Scotland for recognising the good we do by rewarding us with grants;
- Moray Council, Findhorn Village Centre, New Findhorn Directions and the Findhorn Foundation for providing us with free parking spaces;
- Iain Lapsley and Mark Bardner for the excellent way in which they carry out the maintenance and car-cleaning roles.
- Bea Jefferson for so smoothly stepping into the role of assistant manager and for improving our accounting systems.
- Heather Ripley, Jan Nowell and Patricia O’Shea for volunteering to be district representatives and thereby also trustees.