

# Annual Report for Moray Carshare Members October 2017 – September 2018

Gordon McAlpine, 22<sup>nd</sup> November 2018

This financial year has been rather different from the past. Right at the end of the previous year we changed to being a **charity** (SCIO), and in the middle of the year we were required to register to pay **VAT**, as we had reached the VAT threshold.

In the last 12 months we have continued to **consolidate and improve** the way we run our operations. In particular, we have:

- Improved our **accounting practices**, thanks to our outgoing assistant manager Bea Jefferson.
- Improved our monitoring and repair of **damage to our cars**, thanks to Iain Lapsley and Transition Town Forres, who are allowing us to use their large shed for this purpose.
- Held regular **trustee meetings** for which we have developed appropriate reporting mechanisms. Thank you to Patricia O'Shea, Duncan Easter, Jan Nowell, Mark Anderson, Heather Ripley and myself.
- Introduced a **text message booking reminder system** to reduce the risk of members taking the wrong car.

We have also completed the introduction of **2 cars in Kinloss**, thanks to a "Developing Car Clubs Scotland" grant from Transport Scotland. When this project finished at the end of April 2018, the trustees made a decision to keep on an assistant manager, partly so that Gordon McAlpine had the space to complete an application for the Moray LEADER programme. This application, was successful, and we have been awarded 70% funding amounting to £136,000, and the project began on 1<sup>st</sup> August 2018 with the main aims of:

- Expanding our operations into **Elgin** and **Aberlour** using 3 pure electric and one hybrid car.
- 2 new **electric cars** (one in Forres and one in Findhorn).
- All of these will be charged through new **charge points** that we have applied for via the Energy Saving Trust.
- The introduction of 12 **electric bikes**, spread over all our districts. These will encourage more people to cycle, and thus improve people's fitness and well-being.
- **Eco-driving coaching**, so our drivers learn how to use less fuel and drive more safely.
- A **lift-sharing service**, so local people outside the car club also have a really easy way to offer and request lifts via the internet.

This project has also been awarded a £15,000 grant from HiTrans.

In addition, thanks to a grant of £500 from the New Findhorn Association, we will be implementing a lift-matching service at The Park Eco-village in Findhorn so elderly community members have a central number they can call to arrange lifts to health appointments etc. from friends and neighbours within their community.

## 1. Profit & Loss

Our detailed accounts are shown on pages 3-5 of the attachment, but a simpler overview is also shown on the 1<sup>st</sup> page as the 3<sup>rd</sup> column of the budget.

This year's accounts are **unusually complex** because of 2 huge changes: we now have to structure our accounts to satisfy the rules for a SCIO, and we started charging VAT - for the last 5 months of the year.

The actual figures show an **operational loss** very close to what was budgeted: -£6,618 against a budget of -£6,047. However, the budget assumed we would pay VAT from 1<sup>st</sup> January, while we did not actually need to register until 1<sup>st</sup> May 2018. So from January, when we introduced price increases of 8%, and up until April we were getting the extra income to cover VAT but not paying the VAT. That amounts to about £5,000 extraordinary income.

So why did our operations run about **£5,000 worse than budgeted**? The main reason is that the average number of members on the Contract price plan was much lower than estimated: 77 against 93. Also the average number of members of all types was 147 rather than the predicted 155. In the budget we had planned to buy new cars for Forres, Findhorn Village and Kinloss, but due to the slower growth in usage we only got one new car for Kinloss, and we also reduced the number of cars at The Park from 8 to 7.

Other factors that contributed to the loss were that charging VAT increases our costs by about 10%, while we only raised our prices by about 8%. And some of our other overheads also rose a bit.

Our overall "**Result for year**" when development work is included is £4,451. However, this is also a misleading figure. It includes development work carried out under a Developing Car Clubs Scotland grant that we received last year, but due to SCIO accounting rules, it does not include the corresponding grant income. It also includes income from a £15,000 grant from HiTrans, but not the corresponding expenses as these have not been incurred yet. If we take these 2 factors out, the overall result would be a loss of £2,203.

Finally, we had some **extraordinary income** that helps our balance sheet. When an organisation registers for VAT, it is allowed to reclaim VAT paid on assets bought within the last 3 years. This amounts to £5,831, which we have received this year only through this rule.

## 2. Balance Sheet

Our total balance at the end of the year was £86,965. This includes the £15,000 from HiTrans that is ring-fenced for development work. Without that our balance as of 30<sup>th</sup> September 2018 would be £71,965. See the 6<sup>th</sup> page of the attachment for details.

## 3. Proposed budget for 2018-19

Last year's result shows that our operations are running at a significant loss, and that this is because, for the first time in our history, the number of contract members, which makes up the mainstay of our income, has stagnated. At the end of September 2017 we had 77 contract members, while at the end of September 2018, we had 80 – only 3 more.

So how do we deal with this going forward next year?

One choice would be to increase our prices. However, the trustees are not convinced that this would have a positive effect at this point in time. It was only back at the start of this year that we introduced an 8% price increase, mainly by raising the basic hourly rate for Contract members from 60p to 75p. It appeared that usage of our cars at The Park went

down after this measure. Price increases could lead to reduced usage of the cars, which would not help our finances.

Instead we propose 3 measures to improve our financial result:

1. To implement the **LEADER project** to expand into Elgin and Aberlour with electric cars and bikes. Over time we hope that this will significantly increase our income and spread our overheads over a larger number of transactions, so that within a few years we are able to make a surplus again.
2. To offer a **new price plan** to our members. This plan, called Contract Light, would fill a gap between our Contract and PAYG price plans by providing a cost effective option for existing and new members who want to use a car for about 5 to 15 hours a month on average. The monthly subscription would be £8 and the hourly rate for a small or electric car would be £1.30.
3. To introduce a **cancellations policy**. Currently, when bookings get cancelled the same day or even a day or two before, then a resource has been blocked. Usually there will not be time for another member to book that car. And so we lose income. This is why most companies charge cancellation fees. From 1<sup>st</sup> January we propose to charge a £4 cancellation fee for all bookings cancelled less than 48 hours before the booking starts. This would also apply to updates (within 48 hours) in which the booking is amended to be more than 1 hour shorter or moved to a later day. As well as bringing in some much needed extra income, we also hope this will encourage members to cancel bookings earlier, so there is a better chance for someone else to book a car, thus increasing both the availability and the utilisation levels of our cars, which again increases our income.

The proposed budget, shown on the 1<sup>st</sup> two pages of the attachment, has been discussed by the Trustees, but not approved yet, as we want to get member feedback first.

It shows an **operational loss of £9,783**. We have calculated that about half of this is due to the expansion into Elgin and Aberlour. Cars in new districts are not so heavily utilised in the first year or two, so we always make a loss during this period. That still means we expect to make a loss of about £5,000 in our established districts. That is clearly not a sustainable result. The proposed strategy is to increase our income in the next 2-3 years by covering more districts and attracting more members within existing districts. That should spread our fixed overheads over a larger income base, and thus return our operations to profitability.

We also propose to rent an **office space** in the new Ekopia Social Enterprise Hub at The Park, once it is completed. This will both give our staff better working conditions and provide a place where members and prospective members can come and meet us. The cost is estimated to be £136 per month.

Finally, the **LEADER project** itself requires a significant investment of our own funds: about £10,000 in this financial year. We consider this a very sound investment as we both gain a very favourable opportunity to try out expanding into Elgin as well as strongly subsidised electric cars and bikes that increase the value of our assets, as detailed in the bottom part of the attached budget.

## **4. Appreciation**

Thank you to all our funders: Developing Car Clubs Scotland, Moray LEADER, HiTrans and Energy Saving Trust.

Thank you to all our staff during this year: Bea Jefferson, Iain Lapsley, Mark Bardner, Mark Richards, Wilfred Schenk.

And most importantly, thank you to all our members!

Whether you have been aware of it or not, you are not only using a service. You are also participating in an experiment, where we explore the benefits of a community entity that facilitates the use of technology to meet the needs of the individual in a way that also serves the greater good of our human society and of our planet as a whole?

Remember: it is your car club and we always welcome your feedback.