

Minibus replacement strategy, again...

A paper by the Deputy President (Finance & Services) and Membership Services Manager

In March & April 2008 the Executive Committee approved a plan to purchase four minibuses (delivered in September 2008) to replace various tired, damaged and unsatisfactory vehicles. Additionally a strategy for replacing every vehicle in the fleet was approved, in essence laying down a road map through to 2015 and continuing a financially breakeven operation. This roadmap involves purchasing new vehicles and replacing them after 5 years, in a staggered manner. In April 2009 the Executive agreed a proposal to increase the fleet by a further two vehicles due to user demand, this paper proposes to increase it by a further two.

While the fleet is currently operated as a non-commercial service the financial performance is important. The month 9 (April) management accounts show that the operation is currently around £7k ahead of the breakeven budget. While some expenditure has been delayed in the current year (due to demand on the fleet during the winter months) the expenditure in total is £3k ahead of the YTD budget position. This also takes into account the unbudgeted expenditure of the additional depreciation on one vehicle due to a historic accounting error – £3.7k agreed by the Executive in January 2010.

The service has been operating well over the past three years, with newer more reliable vehicles proving their worth in terms of reliability and encouraging many groups who have never before used the minibuses to use them. This is especially for groups from within the college who use them during the downtime for ICU groups. The proposal in this paper will hopefully go some way to addressing two issues that continue to arise:

- The popularity of the minibus operation is often meaning that we are unable to fulfill all the requests for vehicles we have. Union use is still prioritized over College use, as per the agreed schedule. The solution here is more vehicles.
- There is virtually no redundancy in the operation – if something breaks the users who have that vehicle booked suffer. We have no alternative vehicles to offer them. A large proportion of term time Wednesdays and weekends are fully booked; there is very little slack in the system. While would not advocate having a vehicle on stand-by in case something should break (as was the case five years ago), it would be sensible to try and give some more flexibility in the system.

It is proposed therefore to purchase two additional vehicles.

On some occasions there are requests for double the number of vehicles we currently have, however the purchase of two additional vehicles should go some way to satisfying a proportion of the additional demand we know of. What we have no knowledge of is the number of people who look online, see everything is booked and do not submit a request.

The trend is that Club & Society activities are increasing year-on-year and there are already some additional sports teams proposed for next year, together with potential for more spreading out of sports training times – so we can be confident in our ongoing and increasing demand.

The budget for 2010/11 has been constructed for increasing the fleet by two vehicles, using the following assumptions:

- There will be no hire charge increase for 2010/11, as agreed by the Executive in January 2010
- The expenditure takes into account increasing the fleet by two, as well as extra staff charges for managing the extra vehicles
- The income target has used our actual income for this year as a base, applying a correcting prediction that for some of October and November only 8 out of 11 vehicles were in place. For the

additional two vehicles a changing usage percentage for the winter months only has been applied to the average income per bus (from previous data), giving a requirement for only £8.5k in income from the two additional vehicles.

These assumptions give a very prudent view of the finances, and the income target gives a significant protection factor. This plan does also have a “get out” option - during 2010/11 we are due to replace one 5-year old vehicle – if the finances should not work out as planned there is an option to then reduce the fleet by one vehicle at that juncture.

The financial plan is completely viable. In effect this plan requires cash from the reserves to the value of two minibuses to be turned into fixed assets and depreciated over five years. This plan will ensure demand can be fulfilled for one of the Union’s most popular services. The proposal in this paper will ensure ICU has more appropriate fleet capacity for the start of the 2010/11 academic year.

There is one small issue of where to park additional vehicles, for which investigations are currently taking place. Obviously this plan cannot work without anywhere to park the vehicles.

The reason this paper is coming to the Executive now is the need to order the vehicles very soon for delivery in September.

Resolution

On the condition that suitable parking arrangements can be found:

To formally approve the ordering of two additional minibuses for delivery in September 2010. To allow the purchase order to be up to £62,000. This is to allow for an on-the-road purchase price at the dealer – but mandating use of the Charity Purchasing & Services Centre’s bulk discount scheme and the reclaiming of VAT to make up the difference. The final target cost to be around £53,000.

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