

Imperial College Union
Minibus Depreciation Correction
A paper by the Deputy President (Finance & Services)

Background

1. One of the current fleet of minibuses was purchased in the spring of 2006. It has recently become apparent that no depreciation charges relating to this minibus were charged in either the 2005/06 financial year (the year of purchase) or the 2006/07 financial year.
2. The omitted charges amount to 18 months of depreciation, with a monetary value of £5600. The reasons behind why these charges were not made at the time are unclear; this was a time when no management accounts for minibuses were available.
3. As a result, the replacement strategy previously approved by the Executive is now out of sync with the depreciation being charged on one of the vehicles in the fleet. The result, if no action were to be taken, would be that the replacement for the vehicle in question would not be made for 18 months after it's intended replacement, which would also then have an impact on the linearity of the full replacement plan.

Proposed solution

4. The current vehicle is in an adequate condition and so could reasonably be expected to last another 6 months beyond its intended replacement date. Therefore the budget for 2010/11 has been constructed to take account of this, including 12, rather than 6 months, of depreciation charges for this vehicle. This has little material difference on the total budget or overall replacement plan.
5. The latest 2009/10 management accounts for minibuses show a performance ahead of budget. It is proposed to make an additional one off depreciation charge (accounting for the missing 12 months) in the January 2010 accounts. This additional charge should not wildly affect the financial performance of the minibuses against the agreed budget.

These two measures will resolve the issue.

Resolution

To make an additional one off depreciation charge of £3733 in the January 2010 accounts.