

# Hire Charges

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## Introduction

When hiring out a minibus, although you are not trying to make a profit, it will still normally be necessary to charge the groups using your vehicle in order to cover the running costs. This is allowed if you are operating your minibus under a Section 19 (Section 10B in N Ireland) Small Bus Permit. These permits are available from the CTA as part of our membership services.

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## Calculating the running costs

You will first have to calculate the running costs of the vehicle. These fall into two categories: fixed and variable. Fixed costs remain the same no matter how much work the vehicle does e.g. insurance, road tax etc. Variable costs change according to the mileage covered by the vehicle e.g. fuel, tyres etc. Obviously certain figures will have to be estimated although this becomes easier after the first year. Once the total running costs has been calculated this figure can be used in conjunction with the estimated mileage to be covered (and/or the expected number of hires) to calculate how much you have to charge in order to cover this cost.

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## Fixed Costs

Item	Cost
Vehicle Excise Duty	£
Insurance	£
Breakdown service (plus joining fee in first year)	£
Section 19 Permit (first year only)	£
Garaging	£
CTA membership	£
<b>TOTAL</b>	£ <b>(A)</b>

## Variable Costs

Item	Cost
Fuel	£
Oil	£
Tyres	£
Maintenance/Servicing	£
Lift Maintenance (if applicable)	£
<b>Total</b>	<b>£ (B)</b>

Total running costs for year = A + B

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## Depreciation

Depreciation is another significant cost. The traditional method of calculating is known as straight-line depreciation. The annual depreciation for a vehicle is the purchase price, less the (estimated) resale value, giving the net cost, which is then divided by the number of years you expect it to be in service (7-8 years average life of a minibus).

Of course, the price of a new vehicle will have risen so even if you were to include depreciation in your charges, you will still not be able to replace the minibus after this period. In any case, most organisations find that it is unrealistic to include depreciation in charges to members. The resultant hire rates are likely to be so expensive that very few local community groups will be able to afford them.

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## Setting the Charge

At this point you have to decide how you want to charge groups using your minibus. There are some important points to take into account:

- Be as accurate as possible with both calculations and estimates.
- You will have to take into account the maintenance cost of special equipment such as a passenger lift.
- Remember to allow for five tyres on a four-wheel vehicle or seven if there are double rear wheels.
- You may have costs other than those above which you will need to include.
- Depreciation can be included as it is a true part of your costs.
- Drivers' wages (if you pay them) may be included.

There are three main ways in which charges can be set:

- Mileage
- Time
- Time + Mileage

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## Mileage

You will not be charging somebody for each and every mile that the vehicle covers. You will have to estimate the mileage that you will be charging for (job mileage) and divide this into the total annual running cost to arrive at the figure you need in order to cover this cost.

The advantage of this system is that it is easy to operate and understand. However a flat-rate mileage charge can mean that long distance journeys are rather expensive; you may wish to consider a lower rate for journeys, say of over 200 miles. It may also be a good idea to have a minimum charge; it is not cost-effective to send out an invoice for £1.50 !

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## Time

You may wish to make a simple daily charge. In this case you will need to estimate the number of day in the year you expect the minibus to operate (it is unlikely to be 365). You then divide the total running costs by this figure to arrive at the amount you need to charge per day to cover your costs. Using similar calculations, it is also possible to charge on an hourly basis. A disadvantage of using time based charging is that it can lead to arguments: e.g. will you charge another full daily rate if the group is 30 minutes late returning the minibus?

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## Time + Mileage

A combination of the above methods can be used as follows:

Divide the total fixed running costs by the number of days you expect to hire the minibus out. This will give you a fixed daily charge.

Divide the total variable running costs by the estimated annual job mileage. This will give you a mileage rate that will cover the variable running costs.

You can now charge a daily hire charge plus a mileage rate for the distance covered.

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## About the Community Transport Association (CTA)

The CTA is a national charity giving voice and providing leadership, learning and enterprise support to member organisations, which are delivering innovative transport solutions to achieve social change. The CTA promotes excellence through providing training, publications, advice and information on voluntary, accessible and community transport.

Voluntary and community transport exists to meet the travel and social needs of people to whom these would otherwise be denied, providing accessible and affordable transport to achieve social inclusion.

Membership of the CTA is open to individuals, community and other voluntary groups, local authorities and other statutory bodies. Full details are available on the CTA website.

The CTA provides training on many subjects, either as pre-booked training days, or tailor-made to suit your organisation. The CTA organises MiDAS Training, which includes Minibus Driver Awareness Scheme, Passenger Assistant Training, Car & MPV Driver Training and 5 Steps to Safety Training. The CTA has introduced CommunityDriver - the minibus driving test solution for non-professional drivers, i.e. teachers & youth workers, who need to undertake their PCV D1 driving entitlement. A consultancy service is available with expertise in delivering hands-on, sustainable transport solutions.

If you would like any addition information, please contact us at:

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## About the Community Transport Association's Advice Service

The CTA's Advice & Information Service is available to CTA Member organisations and other and is funded by the Department for Transport, the Department for Regional Development (Northern Ireland), the Welsh Assembly Government and the Scottish Government. The Service offers information and support on any aspect of non-profit transport operations.

### CTA Advice & Information Service Contact numbers

UK Advice Line  
Phone: 0845 1306195  
Email: [advice@ctauk.org](mailto:advice@ctauk.org)

[www.ctauk.org](http://www.ctauk.org)

#### Disclaimer

The Community Transport Association has made every effort to ensure the accuracy of the information contained in this leaflet, but it should be noted that this is only a guide, and should be treated as such.

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