Part 1 – An introduction to the fleet market

A Fleet Manager's Guide

Introduction

Despite advances in technology and increasing fuel prices most organisations still have a need for business travel. While there are many possible options the majority is still undertaken in cars in the UK.

From an employee's perspective the company car remains one of the most sought after benefits, but for an employer cars can be a financial, legal and administrative trial.

Over the last 40 years the UK fleet market has evolved into a massive and sophisticated industry that can be complex, and daunting to the uninitiated. The fact is there just isn't a simple way to run a fleet: different methods and approaches are likely to yield very different results in different circumstances. The objective of these guides is to help the fleet decision maker to get the best overall result for their business, whilst not forgetting the importance of safety and employee aspirations.

What is fleet?

Not all organisations recognise that by running cars and/or vans, they are actually part of the overall fleet market; this means they often overlook the benefits of 'thinking' fleet and thereby fail to explore the best ways to ensure their fleet remains both legal and cost-effective. In simple terms for any, and all, cars used for business purposes 'think' fleet.

Your fleet is unique

In the UK entitlement to a company car does not always reflect the duties of the employee. And every business is different in – size, geographical spread, age and nature of the employees, products and services offered. Some employers are cost conscious and see cars as assets to be used as a tool of the trade, whereas, others view cars as a genuine means of attracting, recruiting and rewarding the very best employees.

Many of the issues addressed in this guide will relate to cars that are owned by the employee and used for their business journeys. These cars may be acquired via a complex, structured arrangement set up by the employer or a simple cash allowance paid to the employee; they may be used for just one short journey or be high mileage motorway cruisers. However, the need for sound cost management and a clear understanding of the employer's legal obligations, regardless of who ultimately owns the vehicle, is essential.

Duty of Care

It is now absolutely clear that an employer has to include 'driving at work' within its overall Health & Safety policy. There are many aspects to this but the aim is to produce an effective risk assessment/risk management policy that provides a framework for ensuring that a safe working culture is in place and that it is regularly reinforced.

This duty of care is not restricted to drivers of company vehicles; employers have an obligation to protect every employee, including those who use their own vehicle for business purposes, as well as third parties, such as other drivers and pedestrians.

Managing costs

When procuring vehicles business users are faced with a highly complex range of options. Fleets can choose to let a leasing company manage the whole package, ask a management company to take over some certain limited tasks such as accident management, or run the whole fleet 'in-house'.

The type of funding the business adopts will depend upon many factors, not least its attitude to financial risk, as well as its tax and cash flow position. Then other factors need to be added to the mix, such as fuel reimbursement, National Insurance and bolt on services such as accident management.

One thing is certain though; list price or vehicle rentals often have very little bearing on the total cost of running a fleet.

Understanding the language

Like any complex area, understanding the language and terminology can be difficult. In an effort to overcome this difficulty a glossary of the most commonly used fleet terms is included in Part 10 of this series of Fleet Manager's Guides.

Getting the best advice

Volkswagen Fleet, via these guides intends to provide a general background to the options available to fleets, with pointers to best practice and clear highlighting of some of the major pitfalls. While some of these pitfalls may involve considerable cost, others will concern your drivers' and general public safety. In case of doubt professional advice should always be sought.

Part 2 – Fleet operational methods

A Fleet Manager's Guide

Although many fleets are broadly managed in a similar fashion, and encounter the same day-to-day issues, each fleet manager will no doubt appreciate that their fleet is unique in some way. Some organisations manage everything in-house, while others outsource almost every aspect of the fleet operation to external contractors or service providers.

Although not all fleet managers are directly involved in deciding which operational methods to adopt, it is of course vital that they have an understanding of the underlying principles involved.

The basics of fleet operations

Firstly, it is necessary to understand what the fleet is for. For a small number of organisations the fleet is the core of the business, for example couriers, chauffeur services, or daily rentals companies. For others, the fleet exists almost purely to enhance remuneration, a way to provide a form of non-cash payment, with virtually no business requirement to use the car at all.

However, for the majority of businesses the fleet is used to meet both these needs. Essentially it is an easy way to provide mobility for day-to-day business travel, conveniently packaged to meet the private motoring needs of the employee, and members of their household.

Knowing why an organisation has decided to run a fleet helps the fleet manager to focus on the best way to manage the fleet. But whatever the reasons, these should include areas such as:

- Acquisitions;
- Disposals;
- Service and maintenance;
- Fuel; and
- Insurance.

Doing it yourself

Many fleets still do almost everything in-house, working to a prescribed fleet policy and processes agreed with management and HR, for which the fleet manager should have overall responsibility. Within the scope of their responsibility the fleet manager may have to liaise regularly with other department heads, such as purchasing, finance or HR to ensure the smooth operation of the fleet, which should work broadly as follows:

- the fleet manager ensures employees have a clearly defined transport policy and that it is fully understood and complied with;
- the fleet manager or purchasing manager identifies the vehicles required, arranges the acquisition and ensures the cash or finance is available to pay for them;
- the business insures the vehicles;
- the employer or employee makes the necessary arrangements to have the vehicles maintained;
- the business ensures the necessary maintenance is carried out on each vehicle;
- the business keeps the Vehicle Excise Duty up to date.

A process is agreed for the return or exchange of a car by the employee at the end of the agreed period and its disposal by the employer, who would also ensure processes are in place to deal with unforeseen circumstances such as illness or accident.

Most of these actions require little more than a reasonable amount of common sense and basic business acumen to deal with. Experience soon builds, but it is important that the necessary tasks are completed as agreed. Establishing and subsequently following the correct systems and processes when initially taking responsibility for the running of a fleet, should ensure the smooth management of a fleet.

If an employer does not meet its obligation to provide a duty of care, by for instance not ensuring a vehicle has the agreed regular maintenance, it may be held liable if that vehicle is involved in a road traffic accident. Or if the lead time for the replacement of a car is not built into the process it may cause complications for both the company and the driver.

Where large numbers of vehicles are involved, it will almost certainly be economically viable to employ someone with appropriate skills as a 'fleet manager'. For an owned fleet some technical/ mechanical knowledge is useful, though not essential. Good project management skills, people skills, organisational, numeracy and IT skills are essential for a good fleet manager with responsibility for running a fleet in-house.

The fleet manager should consider that they may be tasked with communicating with a board of directors, a group of employees, manufacturer/main dealer representatives and the finance director in any one day. They may for example hold regular meetings with other department heads to ensure that opportunities to perhaps move towards a more fuel-efficient fleet. Whilst on everyone's agenda information regarding drivers' who consistently fail to reach reasonable fuel consumption levels should be shared. These may not be matters that the fleet manager can influence or change but an awareness at least provides the opportunity to be proactive.

Bodies like ACFO (the Association of Car Fleet Operators: www.acfo.org) offer networking opportunities so that groups of people performing a similar task, such as fleet managers can come together and share experience and techniques in a non-competitive setting. Many dealers also offer the occasional get-together for groups of customers (often at the launch of a new model) and these offer similar networking opportunities.

Outsourcing

Outsourcing leapt to prominence in the fleet market in the early 90s, but, in reality, the term 'outsourcing' refers to a philosophy which has been used by fleet managers for many different parts of the fleet operation, for a long time.

The concept is simple. The company/ fleet operator, passes most or all responsibility for the running of the fleet to an external supplier which has the expertise and resource to deal with it. In return the party who provides the outsourcing will charge a set fee which reflects all the probable costs, or a management-only service where the charges are based on the actual costs incurred by the specialist supplier, plus their fee.

Maintenance can be handled by external service providers, who are generally specialist businesses, employing technically qualified maintenance engineers. Economies of scale and the exercise of purchasing power can help to bring down the costs of maintenance including replacement tyres, roadside breakdown services and other functions that are less frequently required, and which may therefore be outside the scope of the in-house manager of a smaller fleet. Generally work is controlled by purchase orders, and invoices.

Accident repairs can similarly be outsourced to specialist operators who focus on just this function – and have the time and resources to act efficiently.

Management packages

Although there are many variations to suit individual needs, management packages can generally be broken down into major product groups:

- **Fleet Management:** This is the concentration of a range of vehicle-based skills into various packages of 'expertise and assistance'. Specialist fleet management companies offer comprehensive services to fleet operators, ranging from facilitating the acquisition to facilitating the disposal of vehicles. Fleet management companies do not offer finance directly, nor do they accept any of the risks, such as the projected residual value; this would still rest with the company/fleet operator as would any major decisions regarding the fleet. The fleet management company would however offer their advice and expertise as and when required.

- **Contract Hire:** This is a comprehensive finance package via which most of the operational aspects and risks are outsourced to an external specialist provider. The process is based on an operating lease, but with many additional facilities.
  Under Contract Hire the supplier will normally provide a complete management service, including the acquisition, service and disposal of all vehicles for a fixed rental.
  Contract terms are usually for fixed periods and agreed mileages. As long as the vehicle is operated 'reasonably' by the company and its employees within the contracted terms; and the rentals are paid on time, the costs to the company are fixed, and all the risks rest with the supplier.
  If the contract terms are breached additional costs may become due. For instance, if the mileage limit is exceeded, an excess mileage charge (usually in pence-per-mile) may be applied, or if the vehicle is returned before the end of the contract period an early termination charge may be imposed.
  A clear understanding of these potential costs is an essential pre-requisite of entering into a contract hire (or any funding) agreement.

The major difference in these packages is in the flexibility versus fixed costs, and where the risks lie.

Fleet Management and Contract Hire should both include comprehensive administration, processes which should also include the regular supply of data to the fleet operator. Outsourcing using either of these methods may save costs as these outside organisations will already have the systems and experience in place to run and maintain a fleet smoothly and efficiently.

An essential part of any good outsourcing arrangement is a set of clear service level agreements. These should detail the contractual obligations of the fleet manager and should also provide for some form of financial penalty should the fleet manager fail to meet them, under reasonable circumstances. There should also be a clear intention by the service provider to seek 'continuous improvement'.

The fleet operator though cannot assume that signing any level of outsourcing agreement negates of all their fleet responsibility. It may transfer the operational running of the fleet but the overall responsibility always comes back to the fleet operator.

Costs

Before making a decision about the placement of fleet management or any service provision, detailed cost analysis should be carried out for each option. It is essential that all costs for each option are included in any comparison, and that costs are measured and projected as accurately as possible to avoid making the wrong decision and incurring potentially excessive costs.

- **In-house:** It is vital to include all the relevant and potential costs related to managing a fleet in-house. Among other costs a realistic assessment of the labour costs for the administration involved is crucial, as this could be significant.

- **Outsourcing**: For calculating the total cost of outsourcing the management of a fleet the fleet operator must ensure all costs are included, and be fully aware of any potential hidden costs. A true comparison of the options available must include any 'small print' costs, and should also take into account any financial penalties for which the fleet manager should be liable in the event of the terms or conditions of the contract or service level agreement being breached.

At first glance, outsourcing may seem the more expensive option, but this may not be the case and it is important for the fleet operator to include all potential in-house costs in order to reach the right decision. It should also be taken into account that the right decision may be that the cheaper option is not the best option for the business.

Part 3 – Fleet funding and taxation
A Fleet Manager's Guide

Introduction
Fleet funding and taxation are two areas that should be considered in unison simply because different tax treatments apply to different funding methods. The cost of funding can only therefore be accurately predicted if the relevant tax treatment is considered for each form of funding.

Purchase or lease is usually the first question a fleet manager should consider. There are fleets that elect to buy their cars and vans outright, but the business buyer should generally have plenty of other uses for its capital. Therefore, over many years the UK fleet market has developed a range of general purpose and specialist funding options to help businesses manage their vehicle acquisitions.

More than one funding method may be adopted by a fleet. Overall funding strategy would usually be a matter for the Finance Director, but it is important for the fleet manager to understand the potentially serious implications of getting it right, and getting it wrong.

This Fleet Manager's Guide presents an introduction to the issues involved, but relevant senior management within the business, and external professional advisers, should be consulted about any proposed changes. Furthermore, there should also be an in depth evaluation of any sales proposal made by a potential supplier to ensure that the implications relating to each particular fleet are fully understood and suitable for your business needs.

Funding options
All that said, there are in fact only three basic approaches:

- Purchase;
- Lease; and
- Driver funded.

Purchase
- Outright purchase: Some businesses simply pay for cars as they need them, and buy outright. A car is treated as an ordinary business asset, and when sold, all proceeds go into the company's general funding pool.
- Hire purchase: For those who want to own their vehicles, but choose not to pay outright, a hire purchase arrangement is often used. The fleet operator pays a deposit followed by regular fixed payments over an agreed period. The regular payments can be reduced by incorporating a larger final or balloon payment, which would be typically set to equal the projected residual value of the car at the end of the agreement.
  If all conditions are met, full title and ownership passes to the client usually once the final instalment is paid. This way each car or van is paid for over its working life, and as with outright purchase, when sold all proceeds go into to the company's general funding pool.

Leasing
Vehicle leasing is very popular in the UK as many businesses are attracted by the advantageous VAT treatment and the ability to offset residual value risk.

- Contract hire: As the predominant form of leasing in the UK, this allows specialist leasing companies to offer competitive rentals by:
  – negotiating manufacturer discounts;
  – utilising specialist funding arrangements; and
  – assuming residual value risk.

Part 4 – Fleet allocation policies
A Fleet Manager's Guide

Introduction
Potentially nothing is as emotive as company car policy.

Cars are, for most people, exciting and, for some, they are a major part of their lives. Drivers want the vehicle to meet their business and private needs but without costing the earth. So, if an employer wants happy and motivated employees, a fleet manager who pays scant regard to vehicle allocation could have a devastating impact on the business.

The employer's view
In an ideal world, drivers choose whatever car they want and cost is not an issue. In the real world, this translates to company car drivers want as much as possible at minimum cost.

So how does the fleet manager meet these disparate needs whilst still ensuring that the business needs are met?

- Understanding the needs of the business is a critical step towards a great fleet. If the goal is to use cars to recruit, retain and reward the best employees it will certainly result in a very different looking fleet to one where drivers need cars to do their job. Before embarking on a car selection process it is sensible that the fleet manager canvasses opinion from stakeholders representing other parts of the business to ensure that a comprehensive set of requirements is agreed and understood.

- Understanding the market is crucial, especially factors such as;
– who is offering what and for how much?
– how long will a model remain available?
– what's the likely resale value? and
– is the fuel economy reasonable?

These are all questions that need to be addressed before a choice list can even begin to be built. Manufacturers, such as Volkswagen invest heavily in the fleet market and have a vested interest in helping businesses make the right decisions. Manufacturers and other suppliers, including dealers, want to build long-term relationships, so helping businesses to design a fleet that is fit for purpose and meets the client's needs is in their best interests.

- Whether to implement a solus or dual badge policy can be a challenge for fleet managers. While efficiencies can certainly be realised from increased purchasing power and reduced points of contact, consideration should be given to whether one manufacturer has a model range that meets all the needs and aspirations of the business and drivers.

- Using list price or lease rental can seem like the logical way to choose vehicles but, in reality, the fleet manager should be concerned by the vehicle's whole life costs while it's part of the fleet. Depreciation (or rentals), fuel costs, maintenance, repairs, motor insurance, tax relief, National Insurance, and interest are just some of the items that make up a vehicle's whole life cost. Taking as many of these into consideration as possible will enable the fleet manager to make a more informed decision. But one thing is certain – buying based only on list price, or leasing based solely on the rental – can prove to be a very expensive mistake.

The driver's view

Why can't I have the 4x4 that's on special offer at my local dealership? Most people responsible for fleet policy will have heard similar questions at some point in their careers. While it may seem logical to chase good deals, the question remains is it practical to let drivers control the decision process?

- Fair and sustainable are words that should pay dividends when setting fleet policy. The normal indicators of list price and rental will mean little to a top salesman who feels aggrieved that they can no longer have the car they've always chosen, especially if a colleague is driving one because the rules have changed.
- How much does it cost? To many people cars are fun, but tax isn't! Therefore it's essential that employees are helped to understand how income tax is charged and whether they wish to pay the price. Likewise, a car must be fit for purpose, so even though a driver may want a smaller car with incredibly low tax, will it be fit for purpose if they regularly drive more than 1,000 miles per week.
- Many fleets will select a benchmark model and allow drivers to pay more to get their preferred car, or receive some cash back for choosing a car of a lesser value or lower cost. Although this may seem a great solution to the question of driver choice such a policy must be carefully controlled. For example, a driver offered a mid–range, premium car may opt for a 4x4 or SUV which has a lower lease rental and thereby appear cheaper, but which might actually have a significantly greater whole life cost.

Choosing the right car policy

Designing the right car policy can feel like a daunting task. Matching the needs of the business to the aspirations of its drivers is not always easy.

But, with a good understanding of the market, a set of well thought out requirements and plenty of focused communication, a good fleet manager can deliver cost efficient vehicles that are appealing to drivers.

Together with a maintenance package, Vehicle Excise Duty (VED) and administration, the total projected costs are recovered in the form of fixed, regular rentals from the fleet operator.

- Finance lease: Although rarely used nowadays, finance leasing is very similar to a basic hire purchase agreement, with two common options being:
  - Full pay-out: At the end of the agreed term, the fleet operator must sell the car, normally via a sales agency agreement, to a third party in return for an agreed proportion of the sales proceeds. Alternatively, the fleet operator may extend the term of the lease, paying only a peppercorn rental.
  - Balloon lease: Payment of a proportion of the car's cost is deferred until the end of the lease, giving lower rentals across the period. At the end of the lease the car is sold t o a third party, with the fleet operator retaining any proceeds in excess of the balloon. If there is any shortfall however, the fleet operator is responsible and must pay the lessor by way of a balancing rental.

Although the appearance is similar to hire purchase there is one important difference: under a finance lease the customer never actually owns the vehicle, they simply pay the owner for its use. This means that it should not strictly be regarded as capital expenditure, although in most cases the finance lease should be reflected on the balance sheet, and as a supply of services the regular rentals attract VAT.

Driver funded

For the majority of the 4 million employee owned car users in the nation's grey fleet, the funding arrangements are simply not of specific interest to the employer. But some employers have transformed their company car fleets in to a structured employee purchase scheme.

- Personal Contract Purchase (PCP): Under such a scheme the employee enters in to a finance agreement and makes regular payments over an agreed term. Ownership would be transferred at the end of the contract provided a final, or balloon, payment is made, but as the employee usually has the option to return the car without making the final payment the residual value risk to the employee is minimised.
- Employee Car Ownership Scheme (ECOS): Unlike a PCP scheme, under an ECOS ownership of the car is transferred to the employee when the contract, which must be a credit sale (loan) agreement, is signed. This ensures that the car is not taxed as a company car whilst having all the benefits of a company car.
  Because the funding and tax implications of ECOS can be complex they should not be undertaken lightly or without expert advice and the approval of HMRC.

Common issues

There are two fundamental issues that need to be considered before any firm decision on funding is made.

- Projected residual value: The matter of a projected residual value and who bears the risk of depreciation needs to be understood very clearly. It may be attractive to have low rental payments with a high residual value built into the calculations, but if this figure is not realised when the vehicle is finally sold consideration should be made on how that will affect the operators bottom line.
- Effective interest rate: The effective interest rate charged in a deferred purchase or lease agreement is the difference between the estimated depreciation (original cost less residual value) and the total instalments or rentals. Of course the total cost is what really matters, but the calculation of the effective interest rate will give some measure of the actual competitiveness of the whole deal, and should therefore be useful when comparing suppliers.

Which option should you choose?

Each option has a place in the fleet market, but as all come with a range of features, advantages and disadvantages the following issues should be carefully considered before choosing a funding option for your business:

- Overall cost of the option, using a full whole life cost computation;
- Cash flow implications;
- Balance sheet effects;
- Taxation of the employer;
  – Business tax;
  – VAT;
  – National Insurance Contributions (NIC);
- Taxation of the employee, that is the income tax on the company car benefit charge;
- Flexibility, implications for the business;
- HR/Personnel implications;
- Risk profile; and
- Internal administration and resource costs and implications.

These represent the broad issues, and highlight the fact that fleet policy must meet the needs of the business. Given the financial implications the Finance Director or similar should be involved in any decision making, but it is important that the fleet manager has an understanding of these issues, to enable them to provide the optimum evaluation of the business issues.

Evaluation of the funding issues

The key aspects of each of the issues can be summarised as follows:

- Overall cost: A whole life cost figure for each option should allow the fleet manager to find the lowest cost funding option, even if business considerations, such as cash flow restrictions, mean the final decision may not be the optimum method shown.
- Cash flow implications: In many organisations cash flow is considered to be more important than actual cost. Therefore the overall cash flow within the fleet may be crucial, and a comparison should be made between purchasing and selling cars, and paying regular rentals/instalments.
- Balance sheet implications: Some businesses will pay particular regard to certain performance measures such as Return On Capital Employed, which can be affected if company vehicles are included as assets on the balance sheet. This is a complex area and the fleet manager should always seek professional guidance.
- Taxation of the employer:

– Business tax: Business taxes may differ depending on whether the business is a company that t is liable for corporation tax, a partnership that is liable for income tax, or is a public sector organisation

or charity. The tax relief available for cars is though the same for all, as set out in Example 1 on pages 10 and 11.

– VAT on purchased cars: If there is no private use, such as with pool cars, then in most cases VAT registered fleet operators can recover the VAT on the purchase of a new car, but they must also include VAT within the disposal price, when it is sold.
– VAT on leased cars: All forms of leasing attract VAT on the rentals. If there is no private use then all of the VAT is recoverable on the rental, but where a car is available for private use then only 50% of the VAT may be recoverable by the fleet operator. If a fleet operator is not VAT registered they will be unable to take advantage of this saving.
– NIC: Often overlooked, NIC is a significant component of whole life cost as it is due on every company car that is made available for private use and on which the driver is liable to income tax on the car benefit charge.

- Taxation of the employee: Where an employee has the benefit of the private use of a company car 'by virtue of employment', that benefit is taxable. Please see Example 2 on page 11 for more information.

- Flexibility, implications for the business: Regardless of the way in which a business funds its fleet there are likely to be inherent restraints associated with the funding method chosen. Accordingly, the degree of flexibility available and how the business may be affected should be investigated thoroughly before a decision is reached. For instance, where a company has a high turnover of drivers, if the remuneration package offers every new driver a new car and the business is forced to return vehicles before the end of the contract when employees leave the early termination penalties for the company may be significant.

- **HR/Personnel implications:** The remuneration package offered should reflect the type of employee the business wishes to attract and retain. The fleet policy should reflect the needs of the business, so the fleet should contain appropriate makes and models. The reasonable and realistic expectations of drivers and an understanding of the competitive environment, is necessary to get the right balance between cost and driver satisfaction.

- **Financial risk management:** Both new car prices and residual values may vary significantly over a short period of time; that risk must be assessed as should any risk associated with interest rates. These are in addition to the basic risks of running a fleet such as insurance, road traffic accidents and maintenance for higher mileage vehicles.

- **Internal administration factors:** Running a fleet is a serious undertaking. If a business elects to do everything in-house it should not underestimate the time and management resource that may be required. Adopting a funding arrangement such as contract hire should provide the majority of the fleet administration required, leaving the fleet manager to concentrate on higher-level management issues.

Funding and taxation are an important part of running a successful fleet and should be considered alongside the business' requirements of its fleet. The fleet manager should be a key member of the management team making the decisions and recommendations about funding options; how feasible they are and how beneficial.

Example 1 – Business tax relief

Although detailed information regarding taxation falls outside the scope of this guide, it could have a significant impact on the choice a company makes. The whole life costs of a car should take taxation and tax relief into account which may show significant differences in the cost of a typical mainstream fleet car depending on the CO_2 value and whether it is purchased or leased.

- **Purchase:** Capital allowances are a business tax relief available for purchased cars. Capital allowances enable business taxpayers to claim tax relief for the reduction in the value of cars purchased and owned by the business and used in its trade. By writing off the capital cost against the taxable income of the business, capital allowances effectively take the place of depreciation charged in the accounts, which is not normally deductible for tax purposes.

  How much relief available and when, depends entirely on the CO_2 emissions of the car; the lower the CO_2 emissions the quicker the relief is available. On the subsequent sale of the car any excess relief must be paid back over a number of years.

- **Leasing:** Tax relief may be claimed on the effective rental, that is the rental plus irrecoverable VAT, if the car's CO_2 emissions are 130g/km or below. Cars with emissions above that level will be restricted to relief on only 85% of the effective rental.

As set out in the fourth Fleet Manager's Guide in this series, employers should consider their allocation policies carefully to ensure they are fully aware of all the costs they must consider before deciding on their fleet choice.

Example 2 – Income tax on the car benefit charge

To calculate the car benefit charge, that is the benefit in kind (BIK) on which the driver will pay income tax, the official list price of the car must be multiplied by the 'appropriate percentage' which depends of the CO_2 emissions of the car, as fixed in the car's V5 registration document.

In 2013/14 the appropriate percentage ranges from 0% for electric cars to a maximum of 35%. If a car runs solely by diesel, there is a 3% surcharge applied to the scale, although the maximum is still capped at 35%.

These figures will change over the next four tax years in accordance with announcements made in recent Budget statements made by the Chancellor of the Exchequer. When calculating the car benefit charge the current table should be reviewed to ensure the correct percentage is being used, especially as:

- in April 2015 the concession available for electric cars will be withdrawn and the maximum percentage will rise to 37%; and
- the 3% diesel supplement will be abolished in April 2016.

Although the table will change, the government has promised to publish rates for three years in advance to aid the motor industry in the UK. This helps the fleet industry to make an appropriate selection with a degree of certainty about the tax liability for most of the car's life.

The latest Volkswagen Company Car and Van Tax Guide 2013/4 can be downloaded from **www.volkswagen.co.uk/fleet/cars/tax-calculator**

Fuel for private use

The government has made it clear that it wants to discourage the provision of fuel for private use. Where an employee is provided with this benefit, a separate tax charge is due. This is calculated by multiplying the fuel benefit charge, which in 2013/14 is £21,100 for all cars, by the car's 'appropriate percentage', as shown in the following example for an employee who has private use of a Volkswagen Golf S 1.6-litre TDI 105PS 5 door:

Income tax on the car benefit charge for private use:

List price	£22,090.00 (includes VAT, delivery and number plates)
CO_2	89g/km
Appropriate percentage	16% (13% for CO_2 of 89g/km + 3% diesel supplement)
Car benefit charge	£3,534.40 ('Cash equivalent' of benefit)
Income Driver tax @ 20%	£706.88
Income Driver tax @ 40%	£1,413.76

Income tax on fuel for private use:

Fuel scale charge	£22,100.00
Appropriate percentage	16% (13% for CO_2 of 89g/km + 3% diesel supplement)
Fuel benefit charge	£3,536.00 ('Cash equivalent' of benefit)
Income Driver tax @ 20%	£717.20
Income Driver tax @ 40%	£1,414.40

Vans

Where private use is restricted to commuting to and from work sites and otherwise is only incidental to the overall business use no taxable benefit applies.

Where the van can be, and is in fact used extensively for private use this is considered as non-incidental. If this is the case, in 2013/14 a flat-rate tax charge of £3,000.00 is applied. If fuel for private use is also provided, a further tax charge of £564.00 is applied. From April 2014 these charges will increase at the rate of RPI but future charges will be announced one year in advance.

To ensure that income tax is not paid unnecessarily the fleet operator should establish a policy-level commitment to restrict private use. Journey-logging and mileage records, clear policy statements acknowledged by the drivers' signatures, or even withdrawing insurance cover for everything except business and commuting can all be used to ensure that no income tax liability arises.

Class 1A NIC

The driver's employer must pay Class 1A NIC on the driver's car benefit charge that is taxable benefit-in-kind. In 2013/14 the rate of Class 1A NIC is 13.8%.

Company car and van drivers do not pay employee NIC on their company vehicle, as employee benefits in kind are only liable to income tax.

Part 5 – Service, maintenance and repairs
A Fleet Manager's Guide

Introduction
Modern cars are extremely complex but they are also far more mechanically reliable than those produced even a decade ago. Service intervals have increased, and apart from routine inspections the driver needs to have very little input to ensure their vehicle's continued safe operation.

Despite these advances every fleet manager must remember that vehicles are potentially dangerous, and should always be kept in good working order as there are very important safety, as well as cost and commercial issues at stake.

Duty of Care
The duty of care owed by employers to employees, and the general public, should form the cornerstone of any fleet policy.

This means that the person responsible for the business' vehicle fleet must ensure that maintenance is undertaken regularly and in accordance with the manufacturer's service schedule. In addition, drivers must be made fully aware that they are directly responsible for understanding the maintenance requirements of the vehicle they drive, and ensuring that service schedules are properly observed.

What do we mean by maintenance?
Maintenance for fleet vehicles should not only be a safety consideration but should be viewed as more than simply keeping cars and vans fit for purpose. A properly maintained car will be more fuel-efficient, achieve a higher resale value, cost less in repairs and ultimately make your drivers more productive.

It is important that the rules drivers need to follow concerning maintenance are clearly laid out in the employer's procedures. So what does maintenance cover?

- Routine inspections: Regardless of how technology and engineering advances, cars and vans need to be inspected for damage and to ensure issues such as tyre pressure and fluid levels are correct. Making sure your drivers understand these obligations and carry them out is very important.
- Servicing: This is the routine work scheduled by the vehicle manufacturer in line with the service booklet which comes with every vehicle. Many new cars have automated servicing intervals. An on-board computer monitors the car's condition and will indicate through a dashboard message when the driver should book a service. Other vehicles are set so that work is required on some form of time/ mileage combination.
- Repairs: These can result from accidents, general wear and tear or driver abuse, and range from a small windscreen chip or a blown bulb, to a failed engine or broken gearbox. Most minor problems will not incapacitate the vehicle, but major issues could either bring it to an immediate halt, or make it obvious that urgent attention is needed.
- **Tyres:** Clear tread-depth and inflation pressure regulations exist to ensure that, as the only contact between the vehicle and the road, tyres are kept in good condition. Keeping robust records of tyre replacements is an integral part of demonstrating that an employer is meeting its duty of care.

Understanding the cost of maintenance
Despite longer service intervals and more efficient vehicles, maintenance is still a significant component of fleet cost and possibly the area where money can most easily be misspent.

- Suppliers: As fleet customers account for around a half of all new vehicle sales in the UK many companies invest heavily in making sure your servicing and repair needs are met. Choosing the right supplier is a balance between price, safety and efficiency.

- Records: Understanding each car's operating costs is a vital part of a fleet decision maker's role. Good record keeping allows an accurate record to be built, showing the performance of the vehicle and the driver. For example, it could show persistently high costs for one model, against another. Or it might highlight driver abuse, or that a vehicle has not been serviced according to requirements. Storing information in one location will help identify many important factors – for instance, have all cars been serviced – and enable more effective cost control. Quite significant financial savings might arise from negotiations with manufacturers and suppliers simply because the fleet manager has maintained robust records.

- Authorisation: A fleet manager has to make many decisions that involve balancing the safety and efficiency of fleet vehicles. Knowledge of vehicles and suppliers should allow the fleet manager to make informed decisions but what happens when the fleet manager is away, or cars are maintained by drivers and unauthorised costs are incurred? An authorisation procedure must be in place to prevent costs escalating. Authorising maintenance expenditure and clearly defining the drivers' obligations must form part of the employer's fleet policy.

- Downtime: The fleet manager should monitor any days when a vehicle is off the road for mechanical failure and record the costs, especially when a relief vehicle is provided at an extra charge.

- **Warranties:** Another important issue is the warranty available on fleet cars. Many different limits and thresholds are applied to warranties so details should be checked in case there are any onerous conditions. A characteristic of fleet cars is that they may be based – and therefore need to be serviced – in a different part of the country from where they were acquired. To take full advantage of the warranty, the repairing dealer must be told that the warranty does (or at least might) apply to the vehicle. Otherwise, the company may pay for work which is actually covered by the warranty. Where vehicles are looked after by a third party supplier, they will normally ensure terms are fully understood by the garage before work begins.

Outsourcing maintenance

For a small fleet looking after vehicle maintenance and building a strong working relationship with a local dealer can be a great idea. But as fleet sizes increase the need for specialist knowledge becomes apparent.

While many fleets successfully handle their maintenance issues internally, many turn to one of the growing number of service providers offering to take over some or all fleet activities. Before making this decision it is worth considering:

- Your fleet is unique: A fleet manager should ask if a third party would be able to understand their needs and whether they could introduce new ideas to reduce cost and vehicle downtime. Most third party suppliers should be able to demonstrate the delivery of quantifiable benefits to other fleets of a similar size, and discuss the various service level agreements available.

- Price: Asking whether a third party supplier might bring economies of scale to purchasing seems fairly obvious, but could they also offer systems and processes that enhance efficiency and reduce costs? The fleet manager must fully understand exactly what services are offered by the outsourced supplier and whether each of the components included in the overall package are really essential.

- Services: The range of outsourced services needed by fleets will differ widely but must they all be acquired from the same source? Services such mileage tracking and driver training are increasingly becoming part of the package offered by many suppliers, but should these be purchased from, say, an accident management specialist? A fleet manager should not be afraid to shop around, not only to compare costs but to ensure that services are provided by the supplier best equipped to complete the job safely and efficiently.

- **Communication:** Who, talks to whom, about what, and when? Outsourcing often means drivers will be speaking directly to third parties. While this might seem great in theory, is the supplier able to respond in line with the fleet manager's required service levels. Ensuring lines of communication are agreed, documented and understood are vital before any contract is finalised.

Part 6 – Fuelling fleet vehicles

A Fleet Manager's Guide

Introduction

For several years increased global demand and political instability has led to rapidly increasing crude oil prices. When taken together with increased direct and indirect taxation fleets have faced significant increases in fuel costs. Unfortunately, despite the abatement of fuel duty rises, this trend looks set to continue.

As fuel is one of the most significant fleet costs careful attention should be given to the how fuel is bought and used. However, by implementing some basic data collection, analysis and planning, fleet managers can dramatically mitigate these increases.

Being green

The taxation of company cars according to their CO_2 emissions has encouraged many manufacturers to develop more environmentally friendly engines, which, in turn, aim to be more fuel-efficient.

Progressive businesses are also addressing their own response to the threat of climate change by replacing physical meetings with new technology such as web conferences in an effort to reduce business mileage. Where business journeys are, however necessary, fleet managers should consider how they can be made as environmentally friendly as possible by choosing more economical vehicles and advising on how driving styles and duration of journeys impact on fuel efficiency.

Each business' approach might differ, but the trend is clear – it makes great sense for fleets to control their fuel budget. Government led initiatives, such as those run by the Energy Savings Trust, can be incorporated in to fleet management to encourage more responsible and environmentally friendly fleet vehicle use.

Capturing fuel cost data

There are just a few basic elements to good fuel management. Most of these are directly related to the fuel use itself; the volume purchased, the distance covered and the cost. In a perfect system all of these would be recorded and everything needed to manage fuel could be calculated.

Additionally, whilst knowing the total cost to the business is an obvious advantage, checking fuel consumption on an individual vehicle basis would help to identify areas of poor performance and possible mechanical problems with a vehicle.

Unfortunately in many cases fuel management is often seen as a "nuisance" or as "unnecessary". Part of the problem is that there are so many "minor" transactions. For example, a typical fleet car could generate one or two forecourt bills every week and, for many fleets monitoring numerous, low value costs is simply too onerous. But as fuel costs rise monitoring fuel expenses becomes increasingly necessary but could prove extremely cost-effective.

The key to managing fuel costs is collecting the right data. By capturing all three data items every time the tank is filled a fleet manager will have a complete picture of the fuel performance of the individual vehicle. Using a fuel card is the easiest way to achieve this. It provides the quickest, cleanest, cheapest and most accurate method to capture, manipulate and report on fuel performance. A good fuel card system is one which is widely accepted, needs both forecourt and driver input of relevant data on each visit, and provides periodic reports on the performance of the fleet by individual vehicle, cost centre or other grouped levels.

Understanding and using fuel data

Regardless of whether a fleet manager runs a fuel data recording system in-house or uses a third party supplier the incentive is that, armed with the right data, they can start making efficiency savings; without the data, cost control is lost.

Research suggests that more than a quarter of drivers do not think that inflating their business mileage to disguise private mileage, or simply exaggerating their expenses, is wrong. Drivers also make mistakes and often don't care about buying fuel at the best prices, especially if they have a fully expensed fuel card.

Good data capture can help to reduce fraud and can be used to educate drivers and encourage them to seek out garages selling cheaper fuel.

Finally, the data collected may be useful elsewhere in the business; for instance, it could assist the finance department to deal with an HMRC enquiry, or it could be used by the HR department to encourage drivers to opt out of heavily taxed free fuel schemes.

Potential alternatives

As all parties try to reduce the impact of transport on the environment alternatives to petrol and diesel have been developed. These can offer a range of advantages, but like any new technology an understanding of the potential pitfalls is essential:

- Bio-fuels and LPG: These technologies have not been as widely adopted in the UK as in some parts of Europe. A combination of lack of experience and uncertainty about infrastructure has made many fleets wary of adopting these alternative fuels, despite the advertised benefits in cost reduction.
- Hydrogen: Potentially the primary fuel of the future, without a refuelling infrastructure it is hard to predict when hydrogen will become a mainstream option.
- Electric: Supported by government grants and tax incentives arguments in favour of electric cars can look quite compelling but, until range can be extended and the cost of production addressed, electric vehicles are only really suited to a few special applications.
- Hybrids: These cars use a combination of a smaller, high-efficiency combustion engine and a battery-powered electric motor. The on-board batteries are charged when the engine is idling and when the brakes are applied, and smart electronics balance the use of each power-source to suit roads and conditions. Performance is good in urban motoring but can be less attractive if the car is used mostly on faster open roads.
- Other technologies: As manufacturers try to stay ahead of the market other technologies and blended solutions have started to appear, ranging from simple changes in production techniques that reduce weight and air resistance to plug-in hybrids and range extenders, where charging points are used to provide an external energy source for an electric battery that works in tandem with a conventional engine to overcome the range anxiety typically associated with pure electric vehicles.

Reimbursing the cost of business fuel

In practice, employers use many different ways to reimburse the cost of business fuel used by their drivers in company cars. While it is possible to repay the exact cost this can be both time consuming and complex for a fleet operator.

Since 2002 it has been possible to use HM Revenue & Customs' (HMRC) Advisory Fuel Rates (AFRs). These rates are intended to reflect actual average car fuel costs at the time they are set and are revised on a quarterly basis by HMRC to reflect fuel price movements. AFRs may also be used by employers to calculate the amount that employees should reimburse to cover the cost of private fuel used in a company car.

Where an employer allows employees to use their own cars for business use AFRs cannot be used. In this case HMRC allows employers to pay a set mileage rate that reflects both the cost of fuel and the running costs of the car. These tax-exempt payments are known as Approved Mileage Allowance Payments (AMAPs).

Employers who pay mileage rates of any kind must ensure that drivers do not see them as a way of increasing their income by driving unnecessary miles. Over the last few years many employers and HMRC have started to focus more on business journeys and expenses and employers who have introduced robust controls are reporting a significant reduction in total mileage which considering the overall price of fuel has a significant impact on the bottom line.

For further information on mileage rates including the rates currently available please refer to HMRC's website at www.hmrc.gov.uk/incometax/relief-mileage.html

Part 7 – Running a green fleet

A Fleet Manager's Guide

Introduction

Within just the last decade, the choice of low emission cars has increased dramatically. There are more options across all segments; from MPVs to superminis and engine type; petrol, diesel, hybrid and all-electric.

As a general rule smaller cars should always be greener, but can the aspiration to run a green fleet reconcile with the practicalities of the business needs? A fleet manager should use their skills and expertise to make a difference to the environment whilst reducing the overall emissions of their fleet.

Saving fuel costs

Choosing the most fuel-efficient car in its sector could save the cost of up to four months' fuel each year.

New car fuel economy and emissions data is published in many places. However, if your drivers are based in central London or spend all day on the motorway vehicle performance figures will alter dramatically:

- Record keeping: Good records should identify poorly performing vehicles and more aggressive drivers, which alone has enabled many fleets to generate significant savings.
- Education: Driver training is a pre-requisite, especially as a tank of fuel can now cost as much as £100. By demonstrating to drivers how a green approach to driving can reduce their private motoring costs the business could also reap the reward.

Choice of fuel

With a greater choice of fuel types and technology available, it would be prudent to consider the environment in which the cars operate and examine the cost/benefit ratio of each option:

- Diesel: These cars are generally more fuel-efficient than a petrol equivalent, but both the car and the fuel are more expensive to buy.
- Petrol: Technology has improved significantly in recent years and now some very fuel-efficient models are appearing on fleet lists.
- Hybrids: Combining a battery with a conventional engine, hybrids are more expensive to buy than petrol or diesel models and perform at their best in urban environments.
- **All-electric:** At the moment models available are small, expensive and have a limited range. However, new technology is continuing to bring them closer to the fleet market.

Tax savings

Government taxation policy has two key objectives; to generate revenue and influence behaviour.

This has been well demonstrated since the introduction of the CO_2 emissions basis of driver taxation in 2002, and its extension to capital allowances in 2009. According to the Society of Motor Manufacturers and Traders (SMMT), since the turn of the century the CO_2 emissions of the average new car have fallen from 181g/km in mostly petrol cars, to around 133g/km in mostly diesel cars, and the UK is well positioned to meet the 2015 EU target of 130g/km.

A full summary of the ways in which taxation can influence fleet managers' thinking is contained in part 3 of the Fleet Manager's Guide, Fleet Funding and Taxation. However, it's worth emphasizing that small cars are generally greener, and therefore potentially more tax efficient.

Reducing business miles

The apparently obvious way to become more environmentally friendly and so reduce fuel costs would be to scale back car use, but how can a fleet manager realistically prise the wheel from the drivers' hands?

- Journey planning: Advance preparation can make a huge difference to employee productivity and fuel costs. Fleet managers should help drivers to plan properly by making them aware of route planning websites, and ensuring that satellite navigation is used wherever possible.
- Working from home: Home working can save many unnecessary miles and lost time, but the employer must ensure that adequate work facilities are provided to the employee.
- Car sharing: This can often be overlooked. At the very least employees travelling to the same destination on a regular basis should be expected to organise something informally.
- Cycling, walking and public transport: This can have many great advantages, and making employees aware that other options exist can result in many positive changes. Use of tax incentives, such as the Bike2Work scheme, can help to promote awareness and enhance any employer's flexible benefit scheme.
- **Technology:** Advances in technology probably present the greatest opportunity to reduce business miles. Web conferences, conference calling, instant messaging are all possibilities that may persuade a driver not to make a 400 mile round trip.

Part 8 – Managing on road risk

A Fleet Manager's Guide

Introduction

One of the worst things that can happen to any fleet manager is to hear that one their vehicles has been involved in a serious accident, and that a colleague has been killed or seriously injured as a result. Forget blame and costs: it is suffering and loss that must be considered.

Although the road network in the UK is among the very safest in the world, fatal accidents still account for too many deaths each year, and inevitably some of these cases involve fleet vehicles in the course of their normal everyday activities. Employee deaths arising from business travel outnumber all other causes of at-work death.

This Guide considers how a fleet manager should set fleet policy, and implement support systems, to minimise the possibility of his vehicles or colleagues becoming part of these chilling statistics.

The law

Dealing with road safety is not like most other aspects of fleet management on two main grounds.

Firstly, there is a strong legal and regulatory background to road safety that fleets simply cannot ignore.

Secondly, this is an area where the main focus is not on cutting costs. There are of course very significant cost implications around any road traffic accident but the primary concern must be to avoid injury or death to employees and other road users. Road risk has been widely recognised as one of the major long-term issues facing fleet operators.

A wide range of businesses have been set up to help fleets manage occupational road risk and many existing suppliers have added new services to address the issues. This has been driven, substantially by new legislation; in particular the introduction of the Corporate Manslaughter and Corporate Homicide Act, which permits the prosecution of businesses, not just individuals, that have failed to adopt and follow reasonable standards of safety and risk management.

There are a range of other regulations as well, with the typical list cited by many in this field including the:

- Road Traffic Acts;
- Construction & Use Regulations;
- Health & Safety at Work Act;
- Provision & Use of Work Equipment Regulations (PUWER); and
- many more including the advice given in the Highway Code.

Then there are the impacts of the ACPO (Association of Chief Police Officers) publication 'Road Deaths Investigation Manual'. This standardises the approach all police forces should adopt when a major accident, particularly one involving fatalities, occurs. Such incidents are now recognised as potential scenes of crime and the approach recommended is to investigate and resource to the same level as a reported homicide.

Building a sound policy

The key to a successful policy is to understand that on-road risk must be appropriately managed. The business needs to understand, from director level down, its obligations and its risk profile.

A robust Health & Safety policy will be invaluable, since 'driving at work' is now fully recognised within the duty of care obligations employers must show to employees and other road users. As a minimum though an employer should be able to demonstrate that:

- an appropriate risk assessment has been conducted;
- written procedures to deal with any material risks identified;
- regular reviews and further risk assessments are carried out at reasonable intervals; and
- there is an audit trail reflecting the actions taken by the employer.

This approach must, together with all related activities, be fully documented and be seen to be an integral component of the business's management review processes.

The policy must, of course, apply to all business driving, whether in a company car, or any other vehicle, such as a van, rental or pool car, bought using a cash alternative.

A useful starting point

The government provides guidelines for the starting process. The basics are set out in clear terms, with case studies and examples, in the publication 'Driving at work – managing work-related road safety', which is downloadable from the website of the Health & Safety Executive at **www.hse.gov.uk/pubns/indg382.htm**

Since this is the primary government backed guidance for this area, it must be considered essential reading for anyone involved in the fleet policy.

Drivers' responsibilities

Anyone driving on business should be made aware that they retain absolute responsibility under general road traffic laws and that they must observe the law, whether it be driving within speed limits or simply checking tyre pressures.

The law recognises that the employer cannot constantly look over the shoulder of every driver. So it is vital that employees are regularly communicated with reminding them that they are the drivers first, and employees second, when they are on the road.

Points to consider

While the following list is far from exhaustive it demonstrates some of the key areas that should be addressed when establishing a robust road risk management policy:

- appoint a director to be responsible for occupational road risk;
- make sure every driver receives a copy of the HSE booklet 'Driving at work – managing work-related road safety' and 'The Highway Code';
- ensure the policy is set out in writing, is readily accessible and clearly states who is entitled to use company controlled cars or vans and the need for employees to submit whatever travel returns the employer requires, especially mileage returns to identify, potentially, high-risk cases;
- ensure that anyone driving on the employers' business is properly licensed for the types of vehicle to be used, for instance cars, vans of different weights, towed trailers and mini buses etc;
- ensure all employees are fit to drive, providing advice where appropriate such as eyesight tests;
- confirm that employees using their own cars for business must maintain the correct insurance;
- confirm the policy on the use of mobile phones, including hands-free kits, while driving;
- confirm the policy on drinks and drugs while driving;
- ensure there are rules to limit the maximum driving time and that drivers are encouraged to take regular breaks or arrange overnight accommodation if appropriate;

- ensure all vehicles, including employees' own cars, are serviced, as a minimum, in line with manufacturers' recommendations, and are roadworthy by requiring MOT certificates to be provided every year;
- study and record all accident reports (in conjunction with underwriters/brokers/accident management service providers) to identify any patterns indicating particular problems.

Most of these issues should also be included within the driver handbook, as an immediately available reference. A requirement for drivers to sign for receipt of the handbook, and to confirm that they have read and understood it, is certainly best practice.

Summary

Ignoring or paying too little attention to occupational road risk could considerably increase the potential for financial and reputational disaster.

The trick to getting it right is to implement sound and understandable policies and procedures ensuring they are communicated clearly to stakeholders, keep accurate records, think ahead and take proper advice when in doubt.

Being on top of occupational road risk need not be difficult nor expensive, but it does take a serious management resource and genuine on-going attention.

Part 9 – Grey fleet issues
A Fleet Manager's Guide

Introduction
The term 'grey fleet' usually refers to vehicles owned by employees and used for business travel on behalf of their employer. This may arise as part of a formal business arrangement, because an employer only offers a cash allowance or as simple as asking a colleague to pop to the bank at lunchtime using his own car. There are no really accurate definitions.

In the UK, the long-term dominant position of the company car as a valuable benefit has tended to overshadow the size and importance of the grey fleet. HMRC have suggested that around 4 million employees use their own cars and make formal mileage claims for business journeys, compared to HMRC's estimate of around 1 million company cars. On top of this we have many people who simply use their own cars on an informal ad hoc basis that is never recorded.

Unlike the company car, whose age, mileage and general condition is determined by, and is the responsibility of the employer, how would a fleet manager know if an employee is using a non-company owned vehicle that may, conceivably, be uninsured or has failed its MOT? The grey fleet is too important not to be addressed properly.

Duty of care
Employers must consider all journeys made for business purposes as a potential at-work road risk, irrespective of who owns the vehicle.

Some employers regard the risks of employees using their own cars to be so high that such use is forbidden and all business journeys must be made in a company controlled or rental car.

Other employers, including very many public sector bodies and government departments, rely heavily on employees' using their own cars for business travel. Provided there is an appropriate risk assessment carried out, there is no reason why this could not be an effective solution.

As an absolute minimum an employer needs to ensure that all cars used for business are roadworthy and well maintained, have full and appropriate insurance cover, including cover for business use, and are 'fit for purpose'. This may well mean that employees who anticipate that they may use their own cars on business purposes must have the vehicle, its documents and condition approved before any journey can be carried out, and that checks such as these should be carried out every year by the employer.

Cost
It may seem like an obvious solution to simply allow infrequent business travellers to use their own cars. Cost may not seem an issue if an employee only uses his car for one seemingly short trip, but lower cost alternatives could be easily overlooked, such as a pool car, daily rental car or public transport.

Many companies that allow employees to use their own cars for business reimburse the driver by paying the statutory Approved Mileage Allowance Payments (AMAPs). These rates are set by HM Revenue & Customs (HMRC) to represent both the cost of fuel and an element of running costs , but for many they are often seen as generous and encourage unnecessary miles.

Using the rates in force in 2013/14, if an employee undertook a 200 mile round trip in their car they could be paid £90.00; if they completed a 10 mile detour that would cost the employer a further £4.50. Taking in to account research regarding the number of employees who are prepared to be creative for financial gain, it's easy to see why many drivers have been caught treating AMAPs as a blank cheque book, but just as importantly what is the incremental cost to the employer, compared to other options, such as a daily rental or pool car?

Reputation

Image can be important, but this may pail in to insignificance in the event of a serious injury or driving fatality. A good fleet manager must always have safety and the avoidance of risk at the forefront of their thoughts. Although it may seem draconian, a strong policy simply forbidding anything that cannot be controlled, managed or enforced may be the safest option.

The fleet manager's priority must be employee mobility and safety, but they must also be aware of reputational risk. If the fleet manager is unable to guarantee the reliability and suitability of the driver's vehicle what are the potential implications for the business, especially if the driver cannot carry out their duties, and for example misses an important meeting because the car has broken down? Or, a vulnerable driver's car breaks down on an isolated road late at night?

Potential solutions

To address concerns related to the grey fleet, many businesses have taken advantage of new innovations such as salary sacrifice, which when allied to a new reduced carbon dioxide emitting car could potentially deliver financial savings to employees, while mitigating the obvious risk of allowing employees to use older, less reliable, less efficient and more highly polluting cars.

Part 10 – Jargon explained
A Fleet Manager's Guide

Introduction
This guide briefly explains the meaning behind some commonly used jargon and phrases within the fleet industry and is by no means exhaustive. The explanations relate to their most commonly understood meanings.

This is only a guide: many suppliers use the terms in different ways.

Accessories – Equipment added to a car also known as 'extras' or 'factory fitted options', for example, a sunroof. Certain types of equipment are excluded from the definition, including mobile phones and security enhancements.

Accident management – The proactive management of all aspects of vehicle accidents, from minimising the time a vehicle takes to be repaired and returned to service, to ensuring the driver has continued mobility. It also involves managing repair and insurance costs, and any medical/injury aspects, as well as legal services such as recovery of uninsured losses. Third party specialist suppliers can be appointed to manage this area, normally for a fixed monthly fee.

Acquisition – The actual process of acquiring the vehicle in the first instance. This may involve physically identifying and purchasing the appropriate vehicle, or utilising a third party to acquire/supply the vehicle, for example, leasing or contract hire.

Administration – All organisational tasks involved in running a fleet of cars and vans. This includes the inventories of vehicle and driver listings, acquisition and disposal details etc. Some organisations can offer services that relieve the fleet operator of most of this administration.

Advisory Fuel Rates (AFRs) – HMRC guidelines on fuel only mileage rates for company cars, to be used where employers reimburse employees for business travel or where employees are required to repay the cost of fuel used for private travel to avoid the fuel benefit charge.

Approved Mileage Allowance Payment (AMAPs) – The maximum Mileage Allowance Payment that is exempt from income tax.

Annual contribution – The amount an employee may be required to pay by his employer as a condition of a car being available for private use. The contribution will be deducted from the taxable benefit for the tax year in which the payment is made, and is often referred to as a contribution for private use.

These contributions are not capital contributions which are treated differently for income tax purposes.

Allocation policy – Defines the company hierarchy, and outlines the vehicle type and specification that may be chosen by employees at certain grades/sectors. Using the whole life cost of vehicles as opposed to rentals or capital value more exactly defines the overall cost of the car to the business.

Balloon payment – This is the final payment due under some finance agreements, to satisfy the whole debt. Usually set to match the expected residual value, so rentals reflect actual depreciation. If a balloon payment is set too high it may result in a low rental, but will usually leave a financial shortfall, if the car doesn't realise sufficient proceeds on disposal.

Benefit in Kind (BIK) tax – The term used in the fleet industry to describe the income tax paid by an employee on a company car, company van or free private fuel provided by their employer by virtue of their employment.

Blocked car – A car regarded as being available for private use and on which input VAT recovery is blocked, in whole or part.

Budgeting – The forward planning of operational costs over a future period, usually the financial year.

Capital allowances – When a business purchases vehicles and other plant and machinery, business tax relief is calculated by a system known as capital allowances. The amount of the allowance and the timing of its receipt depend on the type of asset.

Capital contribution – A capital sum an employee contributes towards the cost of a car or any qualifying accessory. When calculating the income tax due on the BIK , a contribution, up to a maximum of £5,000, can be deducted from the list price for the year in which the capital sum is contributed and each subsequent year that the employee is assessed on the BIK for that car.

Car benefit charge – The amount on which an employee will be chargeable to income tax for the private use of a company car.

In the fleet industry this income tax is more commonly referred to as Benefit in Kind (BIK) tax.

Cash flow – The movement of money into or out of a business. Large capital expenditure can have an adverse effect on cash flow therefore finance arrangements can ease pressure on cash allowing more resources to be invested in core activities.

CO_2 – Carbon dioxide – The level of CO_2 emitted is used in the calculation of the car and fuel benefit charges.

Contract – A legally binding document relating to a third party. In fleet these normally relate to the supply of vehicles and services. Read them carefully before signing, and always check the small print. Consider situations such as early termination, excess mileage and dilapidation penalties when considering any financial contracts.

Contract hire – One of the most common types of lease, via which the lessor accepts responsibility for virtually all 'normal' costs associated with providing the cars, including depreciation, maintenance, funding, VED, administration, at their own risk in return for a fixed rental paid by the fleet operator.

Contract hire is a service and therefore fleet operators do not own the vehicles, which are leased for a fixed period for a fixed rental, to which the lessor must apply VAT.

Depreciation – Loss of value of an asset or vehicle as it is used and ages. Different professions have different definitions. For example, accounting definitions of depreciation may be different as they use accounting conventions, and therefore their figures may not reflect the vehicle's actual loss in value.

The true depreciation of a vehicle is its purchase price less its current market value or sale price.

Disposal – The final sale or de-fleeting of a vehicle at the end of its life on the fleet. This will be undertaken by the supplier under a contract hire or leasing agreement, but is the user's responsibility for other funding methods.

Dilapidations – Often an area of dispute in leasing scenarios, dilapidation can be defined as the repairs and refurbishment needed to bring the car back to a 'reasonable' condition for age and mileage at end of lease.

It is unrealistic for lessors to expect a fleet car to be returned in showroom condition, and hence the industry term of 'fair wear and tear'. The British Vehicle Rental and Leasing Association (BVRLA) publish clear guidelines outlining what should be regarded as fair.

Duty of care – A term which is often used in respect of occupational health and safety.

Employers owe a duty of care to their employees and to other road users for all situations where the employer requires employees to 'use the roads', including driving, walking and cycling. The duty of care extends to all aspects of the working environment and includes issues like the time employees have to spend driving in addition to other duties, providing vehicles which are suitable for the (business) purpose, specialist training if indicated and many more areas.

Early termination – If a fleet operator terminates a finance agreement before its agreed contract term, then the lessor will usually impose an early termination charge. This may be a penal charge, but many leasing and finance companies base the charge on the actual losses they incur due to the premature ending of the lease, using an open-book calculation.

Effective rental – The rental payable for a car provided under an operating lease plus any blocked VAT.

Excepted car – A car which is not subject to the input VAT blockage because it:-

- will be used exclusively for the purposes of the business and is not available for any private use;
- is a stock-in-trade car held for sale within 1 year by a motor manufacturer or dealer; or
- is intended to be used primarily as a taxi, driving instruction car or self-drive (that is daily rental) car.

Excess mileage – Most fixed-cost leasing contracts assume a 'contract mileage'. Any mileage undertaken in excess of this will incur additional depreciation and maintenance, which the lessor will seek to recover via an excess mileage charge. The use of pooling arrangements, which aggregate and average the actual mileage of all vehicles returned in a period, is a common means of mitigating the cost of excess mileage.

First year allowance – Accelerated capital allowances available to businesses that purchase certain qualifying assets such as low emission cars.

Finance lease – A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee.

In its simplest form, a finance lease involves writing off the whole value of the vehicle over the primary period of the contract, normally 2 to 5 years. As a finance lease represents the provision of a service, rentals attract VAT, and disposal proceeds are paid to the lessor, who is legally the owner but a proportion will usually be paid to the lessee as a 'rebate of rentals'.

Although the lessee will never own the vehicle, as it carries the actual risks and rewards of ownership for accounting purposes a finance leased vehicle will be capitalised as an asset on the balance sheet.

Fleet management services – A range of technical support functions available from a specialist supplier, including purchasing, disposal, maintenance, funding, fuel monitoring and reporting etc.

A fleet management company will charge an agreed fee, usually per vehicle per month, to cover their administration and profit.

Fleet management software – There are many suppliers of specialist software packages that, once primed with a fleet's vehicle data, can be used proactively to monitor and manage the fleet and its costs.

Many smaller fleets may merely use a standard spreadsheet application, which in many instances is perfectly adequate. Specialist software systems are especially beneficial when dealing with a high level of small transactions from different drivers/cars, such as fuel and maintenance costs.

Before acquiring any software it is important to determine the features of the package and the benefits it should deliver as these will help determine the input data that will need to be collated.

Fuel benefit charge – The taxable benefit chargeable on a company car or company van driver who is provided with free or subsidised fuel for private use.

Fuel cards – Fundamentally a corporate credit card that is used specifically for buying fuel. Its main advantages are the provision of a simplified central billing system, and management reports which can provide comprehensive information on fuel purchase and use such as a vehicle's fuel economy or fuel pricing.

Fuel cards can be restricted to cover only certain forecourt purchases, for instance diesel OR petrol, oil, screen wash, and exclude any other purchases.

Fuel scale charge – The rates used for taxing the private use of road fuel for businesses that recover input VAT on the cost of fuel used for private motoring.

Funding – Anything to do with providing the money to acquire fleet cars, this can include bank overdraft, hire purchase, conditional sale, block discounts, lease or contract hire.

The choice of method or even mixture of methods depends on the needs of the user, including overall cost, cash flow, taxation, balance sheet and risk elements are all factors to be considered.

Hire purchase – Effectively a form of credit used to support the purchase of a vehicle, via which the lender provides a fixed cost, fixed period loan to the fleet operator, who is effectively the owner but will usually not have legal title to the vehicle until the loan is paid off. If a residual value is built into the contract, the arrangement is usually called Contract or Lease Purchase.

As the supply for VAT purposes is regarded as a supply of goods which occurs when the contract is agreed, the supplier should issue a VAT invoice at the start of the contract to account for output tax on the cost of the vehicle and should not charge VAT on the finance element of the repayments.

Hybrid – A car capable of being propelled by two or more power sources, usually comprising an engine and a battery powered electric motor.

Lease – A contract providing the use of a vehicle for an agreed, usually monthly, rental.

Lease rental restriction – For cars with CO_2 emissions exceeding 130g/km, 15% of the finance rental cannot be treated as a tax deductible business expense of the lessee.

Lessor – The owner of the goods in a lease agreement that is the person who grants a lease.

Lessee – The customer in a lease agreement that is the person to whom a lease is granted.

List price – The inclusive price published by the manufacturer, importer or distributor of a car if sold singly in a retail sale in the open market in the UK on the day before the date of the car's first registration.

It includes standard accessories, relevant taxes, customs and excise duties and delivery charges, but excludes the new car registration fee.

Mileage Allowance Payment (MAP) – An employee who undertakes business mileage in their own car may be paid a MAP by their employer.

The payment is designed to cover all the costs of owning and running the car, including depreciation and any interest paid on a loan to buy the car.

Mileage Allowance Relief – The income tax relief available to an employee who uses their own vehicle for business purposes but is paid less than the AMAP rate.

Mileage pooling – Used to avoid potentially punitive excess mileage costs, mileage pooling allows the mileage from a pool of vehicles to be aggregated instead of being considered on an individual basis.

Operating lease – Strictly defined as any lease other than a finance lease, under an operating lease most of the risks and rewards of ownership are retained by the lessor.

Although there are proposals to change the accounting treatment, under current generally accepted accounting practice assets hired under an operating lease should not be shown on the lessee's balance sheet. For accounting purposes fixed-cost contract hire, with or without maintenance, is an operating lease and assets should not be capitalised on the lessee's balance sheet.

As an operating lease represents the provision of a service, rentals, which are usually paid monthly, attract VAT.

Outright purchase – The simplest form of vehicle acquisition where the fleet operator buys them from cash reserves or via a business overdraft facility.

P11D – The statutory form used each year by employers to report the provision of taxable benefits to directors and higher paid employees; that is employees earning at the rate of £8,500 per annum or more.

Form P11D must be submitted to HMRC and provided to employees, by 6 July following the end of the tax year to which it relates.

Passenger payments – Payments paid to employees travelling on a business journey because they carry other employees for whom the journey is also business travel.

Pool car – For income tax purposes, a car used by a business and in respect of which all the following conditions are satisfied:

- it is available to, and actually used by, more than one employee;
- it is made available, in the case of each of those employees, by reason of their employment;
- it is not ordinarily used by one of them to the exclusion of the others;
- any private use by an employee is merely incidental to its business use; and

- it is not normally kept overnight on or near the residence of any of the employees unless it is kept on premises occupied by the provider of the car.

Qualifying car – A car acquired exclusively for business purposes and which has not therefore been subject to the input tax blockage; that is, the business has recovered, in full, the input VAT on purchase.

Relevant Motoring Expenses (RMEs) – Payments that may be paid by an employer to an employee who uses their own car for business purposes, and which may include one or more of the following:

- Mileage Allowance Payments;
- regular lump sum payments;
- one-off lump sum payments;
- an employee's use of a company credit or fuel card; or
- an employer meeting an employee's pecuniary liability.

RMEs that do not exceed 45p per mile may be paid NIC free.

Rentals – Periodic payments, usually monthly, made by a lessee to a lessor to cover all costs included within the lease agreement. Usually they are fixed for the contract period and always attract VAT.

Relief cars – Most contract hire agreements, which include maintenance, also provide use of a relief or temporary replacement car if the car is off the road beyond a specified period, for example 24 or 48 hours. Many such provisions are made through rental companies appointed by the lessor.

Replacement cycles – The period of time a vehicle will remain on a fleet before being replaced with a new or newer vehicle. Decisions should be based on valid criteria whether under ownership or leasing, and usually defined as a combination of annual time and mileage such as 3 years and/or 60,000 miles. The length of the replacement cycle is usually based on vehicle type, reliability, costs and employee status.

Residual value – The final value of the vehicle when it reaches the end of its life on the fleet, reflecting the second-hand worth of the vehicle.

Risk management – Minimising the business' exposure to risk, typically from an accident/health and safety viewpoint should always begin with a comprehensive risk assessment of the actual 'at work driving activities' found in the business. Management options may include driver training programmes or reviewing company procedures regarding the length of a working day and hours spent behind the wheel. Again, within the fleet market there are specialist suppliers of these services.

Sale and leaseback – Sale and leaseback is available from most fleet leasing companies and involves them buying an existing car fleet at an agreed value, with each vehicle being allocated a 'remaining life' to end of 'normal' replacement cycle, with rentals calculated accordingly. When vehicles are finally de-fleeted new leased vehicles are introduced. This system provides rapid, easily managed transition into leasing/contract hire and usually provides a cash injection into the business

Service, Maintenance and Repair (SMR) – Blanket term for all the mechanical and technical attention needed by any fleet car. Includes routine servicing, unexpected repairs and replacement tyres etc.

Showroom tax – The colloquial term used to describe the Vehicle Excise Duty due when a new car is first registered, which can be higher than the standard VED.

Van benefit charge – The amount on which an employee will be charged income tax in a tax year for the private use of a company van.

Vehicle Excise Duty (VED) – More commonly known as road tax, VED is an excise duty paid to enable motor vehicles to be legally used on UK roads.

Since 2001 the VED due for a car has been based on its official C O_2 emissions.

Wear and tear – This is an important part of the agreement within fixed-cost leases and guaranteed buybacks. The standard expected condition of a vehicle on return to a lessor must be agreed between the parties at the outset. To avoid disputes industry bodies such as the British Vehicle Rental and Leasing Association (BVRLA) and RAC provide fair wear and tear guidelines.

Whole Life Cost (WLC) – These take into consideration the actual costs associated with operating the vehicle, including depreciation, interest, SMR, insurance, fuel, taxes, and insurance. Whole Life Costs can be shown as a cost per annum, month, or pence per mile and provide an accurate way of benchmarking vehicles for purposes such as allocation lists.

Writing down allowance (WDA) – The annual rate at which capital allowances can be claimed. This rate is reduced or extended if the chargeable period is shorter or longer than one year.

The writing down allowance is the rate which applies in the absence of any initial or first year allowance. For plant and machinery, such as cars and vans a reducing balance basis is used to calculate the capital allowances available each year.

Total writing down allowances may not exceed the balance of expenditure after deducting any initial or first year allowance.

Part 11 – Salary sacrifice

A Fleet Manager's Guide

Introduction

Salary sacrifice is an arrangement whereby an employee agrees to a reduction in gross pay, in exchange for the provision of a more tax efficient benefit, such as a company car. The sacrifice is usually set up to benefit both parties; the employee's liability to income tax and NIC is reduced, and the employer saves NIC on the salary sacrificed.

Given the current rates of income tax and NIC, company cars emitting lower levels of carbon dioxide could represent a tax efficient way for employers to remunerate staff, and can be particularly cost-effective when potential corporate discounts available to fleet operators are taken in to account.

How does salary sacrifice work?

- The company offers its employees the option of a company car.
- The employee selects a vehicle, decides how many miles they will drive per annum, and how long they would like to keep the car.
- The company advises the employee how much salary they will have to sacrifice and outlines other terms and conditions of the agreement, which typically includes maintenance, insurance and Road Fund Licence.
- The employer arranges for the car to be delivered and the employee enjoys the use of a brand new car.
- The employee's salary is reduced by the agreed amount and their tax code adjusted following notification to HM Revenue & Customs (HMRC).

The benefits of salary sacrifice

Salary sacrifice has been used for many years in connection with pension contributions, childcare vouchers, home computer schemes and Bike2Work. Salary sacrifice for cars is a more recent addition to the employee reward package that offers the following benefits.

- Employer benefits: Schemes are usually designed to be cost-neutral, the employer benefitting by being able to offer a very attractive option to employees that adds real value to their reward package, at no extra cost to the employer. But some employers may retain some of the savings available to offset unforeseeable charges.

  Employers:-

  - that offer a well run scheme can promote themselves to 'employer of choice' status and thereby enhance employee recruitment;
  - can maximise the 'total reward value' of their benefit package, thereby increasing employee motivation and enhancing staff retention rates;
  - can enhance their 'green' credentials as salary sacrifice works best for low CO2 emitting cars; and
  - should, as participation grows, mitigate health and safety concerns, as employees will no longer use private vehicles for business but will instead drive newer, well maintained company cars.

- Employee benefits: The primary incentive for employees to participate is the tax efficiency of salary sacrifice which should deliver improved income tax and NIC savings.

  Employees will also:-

  - have access to a brand new, fully maintained car (as salary sacrifice works best for cars emitting low carbon dioxide, fuel costs may also be reduced);
  - not have to pay a large deposit, borrow money or enter into a regulated, formal finance agreement; and
  - **enjoy the additional savings on offer from the corporate discounts available to their employer.**

Dealing with the risks

Salary sacrifice offers considerable savings but employers should ensure they weigh the potential benefits against the potential risks and any additional costs. They should also understand the needs and motivations of their employees to ensure it is the right solution for them.

If the employer adopts a considered approach that involves consultation with all the stakeholders and detailed consideration of the following issues, the risks should be minimised and an efficient, effective and rewarding scheme developed.

Issues for employers to consider include:-

- what are we hoping to achieve by offering salary sacrifice for cars?
- who we will be offering salary sacrifice to?
- do we completely understand all of the risks and potential costs and, can we adequately plan to mitigate them?
- can we talk to an employer who is already successfully operating a salary sacrifice scheme?
- what are we looking for in a provider?

HMRC's view of salary sacrifice

On the whole, provided the income tax and NIC is properly accounted for, HMRC is comfortable with salary sacrifice schemes and provides detailed guidance for employers on its website. HMRC will review documents and confirm whether a scheme is valid for PAYE and NIC purposes.

However, if HMRC decide to undertake a review and feels that the arrangements are not correctly established and/or documented it could seek back-tax, interest and penalties.

Employers wishing to set up a scheme should also remember that HMRC could decide to amend the rules at any time, as it did with home computing schemes in 2006 when the income tax and NIC relief was withdrawn, and with the introduction of specific legislation relating to workplace canteen arrangements in 2011.

Employers should also be aware of Revenue & Customs Briefs 28/11 and 36/11 which relate to the application of output VAT to some salary sacrifice schemes; HMRC has confirmed that output VAT should not be applied to most salary sacrifice for car schemes because the recovery of input tax by employers will be blocked.

Part 12 – Employee Car Ownership Schemes

A Fleet Manager's Guide

Introduction

These schemes, often referred to as 'structured employee car schemes' or 'Employee Car Ownership' (ECO) schemes, aim to avoid the tax charge on the company car benefit whilst still enabling the employer to continue to prescribe fleet policy.

An ECO scheme is designed to provide the employee with many of the benefits of having a company car, such as the provision of insurance and servicing and a new car on a regular basis, but in a way that does not incur the car benefit charge. Typically an ECO scheme is structured using a leasing company, enabling the employer to facilitate the provision of a car, and a package of services, to the employee at corporate rates. To ensure the car will not be taxed as a company car, ownership must pass to the employee from the inception of the contract, using a credit sale agreement.

To generate savings for the employer, ECO schemes are structured around the payment of tax efficient Approved Mileage Allowance Payments (AMAPs), supported by an additional, taxable, top-up payment to those employees whose annual business mileage means they cannot meet the full cost of acquiring and running the car from AMAPs alone.

The suitability of an ECO scheme

Typically, ECO schemes are introduced as a cost saving measure. Therefore, before deciding whether to implement a scheme, a range of issues should be considered, including:

- is the scheme suitable for all employees?
- how should the scheme be structured?
- what are the employer's legal responsibilities and obligations?
- the employees' marginal rate of income tax;
- cars' list prices and their CO_2 emissions;
- the employer's NIC rate and VAT recovery position;
- the business mileage, which governs the total AMAPs that may be paid; and
- the cost of fuel, which must be offset against the tax free AMAPs.

Operational issues

- Car benefit charge: Broadly, the car benefit charge applies when a car is made available for an employee's private use *"by reason of the employment"* and *"without any transfer of the property in it"*.

  As the employer's involvement in the establishment and operation of an ECO scheme means the first of those conditions should always apply to an ECO car, to generate the tax savings that ECO schemes rely upon ownership of the car must be transferred to the employee at the outset of the contract.

Normally, to fulfil this requirement ECO cars should be funded by a loan or credit sale agreement because hire purchase or personal contract purchase arrangements only transfer ownership at the end of the contract and the employee may not wish to buy the car outright.

- Administration: To generate savings, employers must optimise the payment of AMAPs, so there is an underlying requirement for detailed business mileage records to be maintained. However, because most employees' business mileage is likely to vary month by month, the AMAPs payments and taxable top-ups should also vary, making ECO schemes administratively complex. Thus, employers that operate ECO schemes often find it useful to outsource some of its operations to specialist service providers.
- Tax relief: As the title to the car belongs to the employee, the business is unable to recover any VAT and may only claim tax relief available in relation to the payment of AMAPs or any taxable cash payments.

HMRC's view of ECO schemes

Companies wishing to operate ECO schemes should seek clearance from HMRC to ensure the scheme is structured correctly and the cars will not be regarded as company cars.

Any overpayment of AMAPs must be reported on form P11D and is chargeable to tax as employment income, as is any overpayment of Relevant Motor Expenses which is chargeable to Class 1 NIC in the earnings period to which it relates.

When structured correctly the car benefit charge should not apply, but HMRC has identified several key issues that need to be addressed to their satisfaction to ensure this. Employers must consider:-

- the price at which the car is transferred to the employee;
- the guaranteed residual value at which the employee may sell the car back to the employer;
- costs met by the employer, such as insurance, service and maintenance or Vehicle Excise Duty (VED); and
- payments made in connection with the car, and whether these qualify as Mileage Allowance Payments.

The future of ECO schemes

Over time, ECO schemes have lost much of their initial popularity with many employers replacing them with traditional company car schemes, either because they were too complex to administer or because the savings available have fallen significantly as the average CO_2 emissions of cars has fallen.

Although some employers still successfully manage ECO schemes, nowadays they are more likely to form part of a blended car scheme, being operated alongside a traditional company car, cash allowance and salary sacrifice schemes.

Visit: www.volkswagen.co.uk/fleet/managers to view our full set of comprehensive Fleet Manager's Guides.