



MANAGING THE GREY FLEET

Mitigate the risk of private
vehicles used for business

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LAUREN PAMMA
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DRIVING INTELLIGENCE

WELCOME TO THE FIRST OF OUR DRIVING INTELLIGENCE SERIES OF REPORTS.

These reports are based on the results of our recent driver and fleet decision-maker surveys, and as well as sharing the findings of those surveys, we are discussing what they mean to fleet managers and decision-makers.

Our reports have been put together by our team of experienced consultants who provide guidance on how to respond to any challenges or risks highlighted by the survey. It is part of our commitment to encourage more effective fleet decision-making across the sector.

Over the coming months, we will be delivering further Driving Intelligence reports, covering the themes of:

- Company Cars Today
- Driving Data
- Commercial Vehicles
- Driving the Future
- Fuel Matters
- The Driver's View

THE GREY FLEET – A NEGLECTED RISK

In this first report, we focus on those vehicles used for work purposes which are not owned or leased by the organisation – the Grey Fleet.

There is often a lack of knowledge surrounding the management of the private individual's vehicles used on business, with many fleet decision-makers and drivers unaware of their full legal responsibilities, or the risks, financial costs and environmental impact associated with their use.

The findings of our surveys revealed a number of issues affecting the Grey Fleet which could open an organisation

up to potential prosecution, civil litigation and damage to reputation. Our team of consultants not only discuss these challenges, but highlight ways to address and reduce that risk.

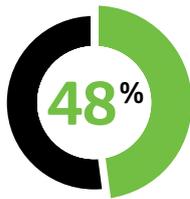
I hope you enjoy reading the first Driving Intelligence report, and if there are any areas you would like to discuss in more detail, please do get in touch with our team.

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THE GREY FLEET EXPLAINED

Put simply, the Grey Fleet refers to any vehicle used for making a work-related journey, which is not owned or leased by the organisation itself.

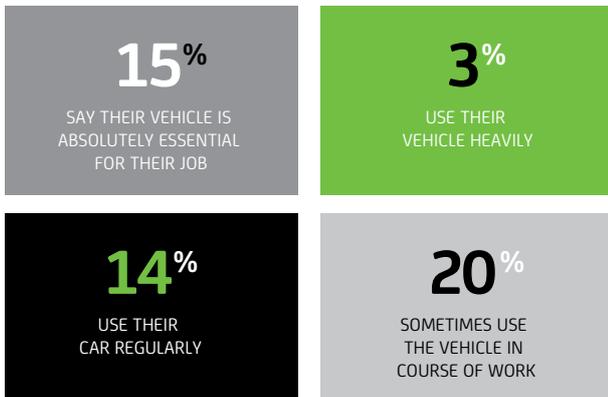
It ranges from vehicles bought or leased by employees using company 'cash-for-car' schemes, right through to occasional ad hoc usage of employees' privately-owned, leased or hired vehicles.



OF CURRENT PRIVATE CAR DRIVERS WOULD TAKE CASH COMPENSATION INSTEAD OF A COMPANY CAR

It is estimated that there are 14 million Grey Fleet vehicles in the UK today¹; compared to just one million company cars. Private sector vehicles make up over 85% of the Grey Fleet; with public sector vehicles accounting for the remainder, according to the British Vehicle Rental and Leasing Association (BVRLA)².

NECESSITY OF CARS AT WORK



Companies or organisations will usually reimburse an employee on a pence per mile basis for using their own vehicle for business journeys.

GREY FLEET CARS V COMPANY CARS



OF THE GREY FLEET IS MADE UP OF PRIVATE SECTOR VEHICLES

'Cash-takers', who buy or lease their car using their employers' cash allowance instead of taking a company car, typically use advisory fuel rates set by HM Revenue & Customs (HMRC) that range from 7p-20p per mile (depending on size of engine and type of fuel used).

For ad hoc users outside of cash-taker schemes, the Approved Mileage Allowance Payment (AMAP), which is set by HMRC, is currently 45p per mile for the first 10,000 miles in each tax year and 25p per mile thereafter. This payment is intended to cover all running costs, including depreciation, maintenance and insurance. Again, this an advisory rate; many public sector employers, for instance, pay more.

MILEAGE REIMBURSEMENT RATES AS OF SEPTEMBER 2016

Scheme	0-10,000 miles	10,001+ miles
Approved Mileage Allowance Payment (AMAP)	Up to 45p per mile	Up to 25p per mile
HMRC Advisory Fuel Rate	7-20p	7-20p

¹ https://www.lexautolease.co.uk/assets/Lex%20Autolease%20Report%20on%20Motoring%202015_Interactive.pdf
² <http://www.bvrla.co.uk/research/article/getting-grips-grey-fleet>

MAKE-UP OF THE GREY FLEET

The general profile of drivers of the Grey Fleet itself – from cash-takers to ad hoc users – can differ markedly.

A cash-taker will typically invest in a new, or nearly-new, car. Mileage can be similar to regular company car drivers, who, according to the Department for Transport, travel on average 18,300 miles a year spread across commuting, private and business use³.

By contrast, ad hoc users may only use their vehicles – which can vary quite substantially in age – for work-related journeys on a couple of occasions each year; often clocking up fewer than 1,000 miles. These are employees who are not eligible to receive a company car or cash allowance.

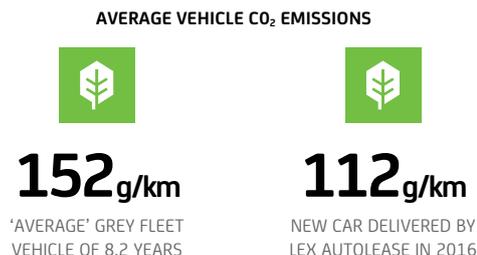
DRIVERS' ANNUAL AVERAGE BUSINESS MILEAGE



The BVLRA also believes the overall UK Grey Fleet is increasing⁴. This is especially true in the public sector, where, in some instances, these vehicles are now being used as a solution to deliver services in local communities.

Compared to the company car fleet, however, where vehicles tend to be on three to four year replacement cycles and are serviced regularly at the organisation's expense, the average Grey Fleet vehicle – taken as a whole – is much older.

According to the BVRLA, private cars used for work purposes tend to be on average 8.2 years old and emit 152g/km of CO₂. This compares to the average 112g/km emission rate of new cars delivered by Lex Autolease between January and July 2016.



As the UK's Grey Fleet covers such a wide spectrum of drivers – from heavy-mileage cash-takers to less frequent ad hoc users, as well a growing band of public sector workers – there can be quite different issues and risks that come to the fore for each; from safety to costs and protecting the environment.

³ Department of Transport Statistics, September 2016

⁴ Getting to Grips with the Grey Fleet, BVRLA, July 2016

EXECUTIVE SUMMARY: A VITAL CALL TO AVERT RISK

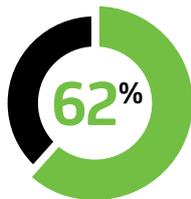
The Grey Fleet plays a crucial role for many businesses and public sector bodies across the country, as revealed in our survey. Employers must develop more robust strategies to manage employee-owned vehicles used for work-related journeys, as the potential risk is often underplayed.

Effective control of a Grey Fleet can help reduce costs and environmental impact, while improving safety. However, poor oversight can very quickly lead to a dereliction of Duty of Care obligations; resulting in fines and even prosecution should an accident occur.

Under current health and safety laws, employers owe the same duty of care to employees driving their own private vehicles as they do for employees who drive an organisation's owned, leased or hired vehicles.

THE RISK OF OVERLOOKING THE GREY FLEET

This report is structured to first define the Grey Fleet and its importance to organisations across the UK – 62% of surveyed organisations allow for the use of private vehicles on their behalf – and to then consider key risks associated with their use and ways to mitigate them.



62% OF SURVEYED ORGANISATIONS ALLOW 'SOME' STAFF TO USE THEIR PRIVATE VEHICLES FOR WORK PURPOSES



20% OF EMPLOYEES ARE ALLOWED TO USE THEIR PRIVATE VEHICLES FOR WORK PURPOSES

Our survey also showed that 25% of organisations regard enforcing relevant legislation associated to employees' own vehicles as 'disproportionately expensive compared to the risk involved'.



25% OF ORGANISATIONS REGARD ENFORCING RELEVANT LEGISLATION AS 'DISPROPORTIONATELY EXPENSIVE COMPARED TO THE RISK'

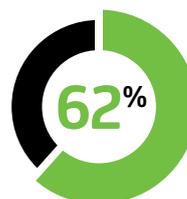
That's a quarter of businesses who are not putting in place policies to manage the Grey Fleet risk, potentially opening themselves up to prosecution under the employer's Duty of Care provisions within Health and Safety At Work (1974) legislation, as well as the Corporate Manslaughter and Corporate Homicide Act (2007)⁵ in extreme cases. Ignoring the Grey Fleet is not an option because the legal and financial risks are too great.

Employers also have a moral obligation to ensure that their drivers and vehicles meet all legal requirements. It is not just a case of ticking boxes; rather employers should care for the health and wellbeing of their employees. In 2015, 1,732 people were killed on UK roads⁶, with earlier reports indicating that between a quarter and a third of these would involve drivers on work journeys⁷.

THE COST OF THE GREY FLEET

Grey Fleet vehicles can be the most cost effective solution for an employee needing to make a short ad-hoc journey. However, for longer and more regular journeys, alternative options could prove to be more cost effective and a lower risk.

Our report shows approximately three-quarters of the 62% of businesses that allow use of the Grey Fleet pay their drivers a mileage allowance for doing so. Strong management of these expenses is essential to ensure mileage claims are accurate and can be audited.



62% OF BUSINESSES ALLOW EMPLOYEES TO USE PRIVATE VEHICLES FOR BUSINESS PURPOSES

⁵ The Corporate Manslaughter and Corporate Homicide Act was given royal assent on 26 July 2007. The offence came into force on 6 April 2008 and is called corporate manslaughter in England, Wales and Northern Ireland, and corporate homicide in Scotland.

⁶ Reported road casualties in Great Britain, Department for Transport, June 2016
⁷ Driving at Work, Health & Safety Executive, April 2014

THE FINANCIAL PERSPECTIVE

The Grey Fleet is a legitimate operational cost if it is used in the right way and managed correctly. But Grey Fleet policies and procedures need to be watertight – and also enforced – otherwise costs can quickly spiral out of control.

The analysis of mileage expenses is one such area where, generally, no one department takes full responsibility, especially in larger businesses and public bodies. Budgets are often delegated and not under central management control, unlike company car fleets

The whole process needs oversight by the business. Otherwise, risks and costs can quickly escalate if management of the Grey Fleet slips between the gaps in departments.

ENVIRONMENTAL FOCUS

New legislation in the form of the Energy Savings Opportunity Scheme is, for the first time, bringing Grey Fleets to account for their environmental impact.

Affecting just larger organisations at present, these businesses must now calculate energy from fuel consumption used by their Grey Fleets. For some, more efficient practices – the use of public transport and greater take-up of low-emission vehicles – need to be introduced. This is proving a challenge for many organisations.



30%

OF BUSINESSES HAVE INTRODUCED A MORE ENVIRONMENTALLY FOCUSED CAR POLICY IN THE PAST TWO YEARS



29%

OF BUSINESSES PLAN TO INTRODUCE A MORE ENVIRONMENTALLY FOCUSED CAR POLICY IN THE NEXT TWO YEARS

MANAGING THE GREY FLEET RISK

To help mitigate risk, this report discusses the use of a defined Grey Fleet policy. This would provide a clear framework of a driver's responsibilities in order for them to use their own vehicle at work. The policy can be split into three key areas:



DRIVERS

DO THEY HAVE A VALID DRIVING LICENCE AND SUITABLE INSURANCE POLICIES?



VEHICLES

DOES DOCUMENTATION AND A PHYSICAL CHECK OF THE VEHICLE CONFIRM IT IS A LEGALLY ROAD-WORTHY CAR



GREY FLEET MILEAGE

ARE JOURNEYS NECESSARY AND COULD AN ALTERNATIVE TRANSPORT SOLUTION BE MORE COST AND ENERGY EFFICIENT?

Strong management of the Grey Fleet can not only mitigate risk, but also highlight cost saving opportunities – a key objective for many organisations.

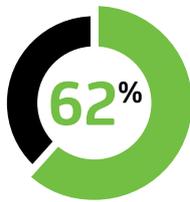
THE IMPORTANCE OF THE GREY FLEET

HOW PREVALENT IS THE USE OF THE GREY FLEET ACROSS THE UK?

A large number of UK organisations make use of the Grey Fleet on either a regular or ad-hoc basis, as our survey revealed.

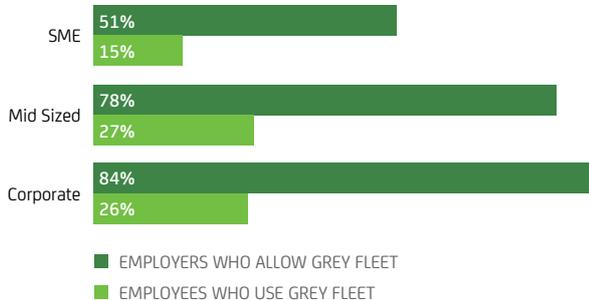
62% of organisations surveyed allowed some employees to use private vehicles for work reasons, highlighting the Grey Fleet's scale and importance.

Though organisations across the business spectrum make use of the Grey Fleet, our survey found that use of private vehicles was significantly higher in larger fleets.



62% OF ORGANISATIONS ALLOW SOME EMPLOYEES TO USE PRIVATE VEHICLES FOR WORK REASONS

PERCENTAGE USING PRIVATE VEHICLES FOR BUSINESS PURPOSES



AD HOC USE OF THE GREY FLEET

The average ad-hoc Grey Fleet driver uses their vehicle for between 15-16 miles per week for work purposes – an indication of how much of their use is casual rather than regular.



AVERAGE ANNUAL BUSINESS MILEAGE USE OF PRIVATE GREY FLEET/CASH TAKER

800 miles



AVERAGE ANNUAL BUSINESS MILEAGE USE OF COMPANY CARS VEHICLE

5,500 miles

“Though they average less annual mileage, the great bulk of Grey Fleet is ad hoc use, particularly in the public sector.”

John Webb, Principal Consultant, Lex Autolease.

It's clear that the Grey Fleet can often play an important role within an organisation, but the risks, costs and management associated with them are often neglected.

EXPERT'S VIEW:

MANAGING THE GREY FLEET

John Webb, Principal Consultant, Lex Autolease

Even large corporate businesses and public bodies – those organisations that have the most experience and greatest use of Grey Fleet vehicles – can find it difficult to manage.

Certainly, supervising employees' private cars for work purposes takes management time and effort.



However, managing the risks associated with the Grey Fleet is vital, and organisations must understand their full responsibilities when private vehicles are being used on their behalf.

As discussed elsewhere in this report, an organisation managing those risks effectively needs to first have a clear idea of the size and shape of their Grey Fleet, while also understanding what exactly the vehicles are being used for.

The effective management of these vehicles will mean having a properly-enforced and auditable policy in place. This must go beyond a box-ticking exercise, with a designated person within the organisation overseeing the use of Grey Fleet vehicles.

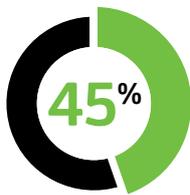
In the event of a serious incident, authorities may seek evidence that robust policies and processes were already in place to manage an organisation's Grey Fleet risks. Failure to provide an audit trail showing that all reasonable steps have been taken could prove that an employer had been negligent in its Duty of Care to its employees; resulting in fines and even prosecution.

Businesses and organisations could also face stiff tax penalties if they keep inadequate mileage reimbursement records as HMRC is currently stepping up its interest in unearthing inaccurate, incomplete or fraudulent record-keeping.

THE GREY FLEET RISKS

While there are several aspects of risk associated with the Grey Fleet, the major concern for an organisation can be summed up in one phrase: lack of control.

While an organisation will effectively monitor the policies, insurance, MOT and routine servicing of its own fleet, these same controls often do not apply to Grey Fleet vehicles.



OF BUSINESSES HAVE NO RESTRICTIONS ON EMPLOYEES USING A PRIVATE VEHICLE

Our survey revealed that most organisations do make some checks on the Grey Fleet – with 56% ‘always’ checking a vehicle’s MOT – but just 28% ‘always’ do a physical check of a Grey Fleet vehicle’s roadworthiness, with a further 27% doing so ‘sometimes’.



64%

OF ORGANISATIONS CHECK DRIVING LICENCES



63%

OF ORGANISATIONS CHECK INSURANCE COVER



56%

OF ORGANISATIONS CHECK MOT COVER

The survey also showed that 33% of organisations believed they faced ‘no significant risk from employees who use their own vehicles for work’, while 25% regarded enforcing the relevant legislation relating to employees’ vehicles as ‘disproportionately expensive compared to the risk involved’.

THERE IS NO SIGNIFICANT RISK TO THE COMPANY FROM EMPLOYEES USING THEIR OWN VEHICLES FOR WORK

33%
AGREE

38%
DISAGREE

COMPLYING WITH THE LETTER OF LEGISLATION IS DISPROPORTIONATELY EXPENSIVE, COMPARED TO THE RISK

25%
AGREE

22%
DISAGREE

Organisations need to be aware that the Grey Fleet can pose a very real risk, with the potential for prosecution and civil litigation if it is not managed effectively. Should a work-related road incident occur, they will need to provide evidence that they have taken steps to ensure their controls are “reasonable and proportionate to the level of risk”.

This may require checks to documentation and physical inspections of Grey Fleet vehicles by someone trained to do so. Of course, this will initially add management time and cost, but it will likely save money in the long run by helping to mitigate an organisation’s risk. An expert third party, such as Lex Autolease, can also help out by carrying out these checks.

Performing the checks will also fulfill any moral obligations an employer may have with regard to their employees’ wellbeing.

EXPERT'S VIEW:

DATA PROTECTION AND LIABILITY

Chris Chandler, Principal Consultant, Lex Autolease

There are a lot of myths surrounding data privacy with some organisations feeling that they can't ask employees about their personal vehicle because of the Data Protection Act.

Some survey respondents, 16%, believed that asking staff to supply details of their vehicles' insurance and MOT – even requesting to see their driving licences – was an invasion of privacy.

ASKING EMPLOYEES FOR DETAILS OF THEIR VEHICLE, DRIVING LICENCE ETC. IS AN INVASION OF THEIR PRIVACY



It is just not true. An organisation has the right to know information about a vehicle, such as its servicing history or MOT status and if it is being used for work purposes. Similarly, the organisation can check information such as an employee's current driving licence eligibility.

Some organisations and businesses choose not to make mileage payments unless a driver meets all of the terms of a policy, which can help acquire this information. Self-certifying systems, such as automated confirmation systems on mileage expenses claims, can also help employees understand which details are needed.

LOSING CONTROL

The lack of control associated with the Grey Fleet can be an issue for many organisations, even when driver and vehicle information has been supplied.

Although most employees are upfront and honest when replying to questions about their vehicle's condition and documentation, the company must take reasonable action to check compliance. The law is very clear about vehicle condition and use under legislation such as The Construction and Use regulation and the Road Traffic Acts.

By law, too, an organisation could be deemed to be "causing or permitting an offence" by not taking adequate steps to ensure vehicle roadworthiness and legal compliance, or worse still ignoring situations where they are aware that vehicles are being operated on business use illegally – for instance, without a valid MOT or business insurance.

INSURANCE INCLUDING BUSINESS USE

If an employee carries out work-related journeys for anything other than a daily commute, they must have appropriate business use insurance added to their motor insurance policy.

Some of the reasons insurers treat business use differently are because people who drive for work might carry extra equipment or samples; drive on unfamiliar roads in heavy traffic; and, generally, use a car on a more regular basis. This is not the case with every employee who uses their own car for work journeys and for those who rarely use their own car the costs of the business use insurance may exceed any benefit. So, it is important to be clear about what an employee's needs are to an insurer.

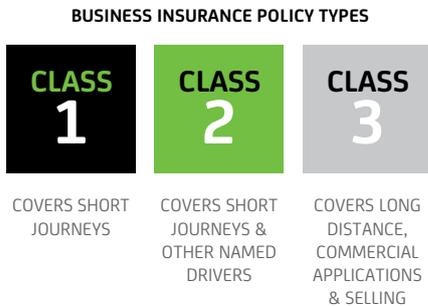
ACCIDENT LIABILITY

If a driver of a Grey Fleet car is at fault for an accident, they would be held responsible and their own insurance would be used for any claims.

The risk for an organisation arises if the driver does not have a vehicle insurance policy allowing for business use – or simply has the wrong category of business insurance. In these cases, the organisation may be regarded as having 'vicarious responsibility' – a situation where someone is held responsible for the actions of another person.

Continued >

It is important to note here that there is no one-size-fits-all business vehicle insurance policy. There are generally three policy types:



Based on an employee's requirements, these definitions can pinpoint which class is required for each driver. Each policy class, though, can vary by insurer so an employee should not just rely on online quotes.

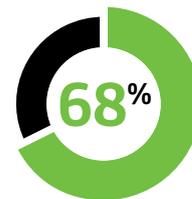
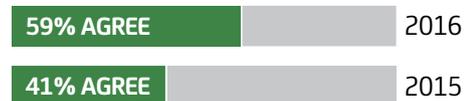
ASKING EMPLOYEES WHO DRIVE THEIR CAR FOR WORK WHICH OF THE FOLLOWING, IF ANY, HAVE THEY DONE WHILE DRIVING IN THE LAST 12 MONTHS?



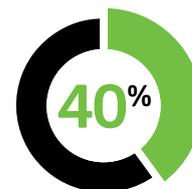
MANAGING OCCUPATIONAL ROAD RISK

Under current health and safety laws, employers owe the same duty of care to employees driving their own private vehicles as they do for employees who drive an organisation's owned, leased or hired vehicles. However, our survey shows that 41% of those questioned are not fully aware of the employer Duty of Care regulations within the Health and Safety at Work Act (1974) and how they impact the Grey Fleet.

I AM FULLY AWARE OF DUTY OF CARE REGULATION AND THE IMPLICATIONS FOR THE 'GREY FLEET'



OF BUSINESSES SAY DUTY OF CARE AND SAFETY OF EMPLOYEES IS A KEY PRIORITY



OF BUSINESSES SAY DUTY OF CARE AND SAFETY OF EMPLOYEES HAS BECOME MUCH MORE IMPORTANT IN THE LAST TWO YEARS

Continued >

In the event of a work-related road accident that is investigated by the Health and Safety Executive, an organisation needs to be able to demonstrate that it has adhered to its Duty of Care obligations – ensuring measures have been put in place that are reasonable and proportionate to the risk.



This involves:

- Having a risk assessment in place covering all employees driving for work purposes
- A risk mitigation plan to address any general or specific issues identified by that risk assessment
- An audit trail to demonstrate that risk assessments are carried out periodically and that management action has been taken where necessary to address risks
- Clear documentation and procedures so that employees are aware of their own and the organisation's responsibilities in minimising work-related road risk



Areas of risk to be taken into account include:

- The levels of mileage driven by individuals and the hours they drive
- The type of vehicle they use (sports or high-performance cars carry a higher risk and so organisations may wish to prohibit their use within a policy)
- The driver's age and experience (drivers under 21 and/or holding a licence for less than two years will be a higher risk, but organisations will need to be aware of the Age Discrimination Act)
- Employees with poor accident or claims histories, which would need to be checked with the individual in advance

EXPERT'S VIEW:

MANAGING THE RISK

Paul Coley, Principal Consultant, Lex Autolease

Every organisation must do its utmost to uphold the Duty of Care obligations of the Health and Safety at Work Act (1974), which includes any work-related driving activities.

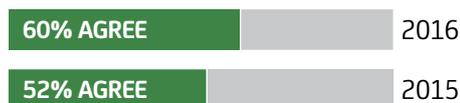
The law is clear. Failure to comply can expose a company to fines and even prosecution. It's why we offer a dedicated Duty of Care service to help businesses enhance the safety of their drivers and fleet.

Corporate manslaughter charges could follow should an accident result in the death of the driver or a third party due to complicit negligence on behalf of the employer.

Complying with the rules can also count in an organisation's favour when any accidents are being investigated by regulatory authorities.

The results of our survey show that 60% of organisations are aware of current Corporate Manslaughter and Corporate Homicide Act (2007) legislation and the implications it has on the Grey Fleet. However, 33% believe there is 'no significant risk to the organisation from an employee using their own vehicle for work'.

I AM FULLY AWARE OF CORPORATE MANSLAUGHTER LEGISLATION AND THE IMPLICATIONS FOR THE 'GREY FLEET'



EXPERT'S VIEW:

HEALTH AND SAFETY AT WORK ACT (1974)

John Webb, Principal Consultant, Lex Autolease

Road traffic legislation may impose specific requirements on employers in respect of vehicle use and maintenance.

Yet, employers also have responsibilities under current legislation contained within the Health and Safety at Work Act (1974), which means they need to ensure the wellbeing of their employees at all times. The Management of Health and Safety at Work Regulations 1999 were also introduced to reinforce the Health and Safety at Work Act 1974. The act places duties on employers and employees including those who are clients, designers, principal contractors or other contractors.

If, say, an employee falls asleep at the wheel on the way back from a long business meeting off-site, which injures a fellow road user, the organisation as well as the driver could be held accountable for that accident.

That is why there is a strong business case for managing work-related road safety. It not only means a reduction in days lost to injury, but also fewer repairs to vehicles and reduced running costs.

It can also reduce stress and improve the morale of workers, as a good employer understands the impact injury and death can cause to its employees and their families. The Health and Safety Executive (HSE) has produced a document, *Driving at work*, that explains the steps an organisation can introduce to help control risk.

The HSE is less likely to prosecute for breaches in health and safety legislation if an accident occurs and the guidance has been followed "so far as is reasonably practicable". It is the Police, through the Crown Prosecution Service, that would investigate in Corporate Manslaughter. For many organisations, though, all that's required is a basic series of practical tasks that will protect their employees from harm.

MANAGING THE GREY FLEET RISK

Successfully managing the Grey Fleet creates a cost in management time, which some organisations may shy away from. However, not only does stronger management cover an organisation from a compliance perspective, it can also deliver a range of cost savings.

To better manage the risks involved with the Grey Fleet, organisations are advised to create a framework of policies and procedures within which they and their employees can successfully operate.

The basis of that structure is to ensure all vehicles being used on behalf of the organisation are properly maintained and conform to road traffic legislation, and that drivers are legally entitled to use that vehicle for work purposes.

From a maintenance perspective, leased vehicles often support the framework closely. They will come from the lessor with a clean bill of mechanical health and tend to be kept that way through regular maintenance, which is usually included within the monthly lease agreement. Complications can arise when private vehicles are used, however.

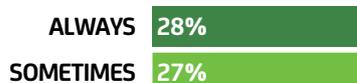
GREY FLEET MANAGEMENT

Organisations can stipulate that any vehicle being used for work purposes is brought in for a physical check from a trained member of staff before it is first used. As most organisations are unlikely to have a trained mechanic on the payroll, an outside agency or other vehicle specialist can be used to perform a check on a vehicles' roadworthiness.

USE OUTSIDE BODY TO CHECK DRIVING LICENCE



PHYSICALLY CHECK ROADWORTHINESS OF VEHICLE



As well as physical inspections, documentation such as the driver's licence, current insurance and MOT and maintenance (such as last service record) documents should also be checked before the vehicle is first used for work purposes.

Additionally, managers can go to the DVLA website and enter a vehicle's registration to check it is licenced and has an up-to-date MOT. Basic checks such as these will highlight that an organisation is doing what it can to supervise those vehicles operating on its behalf.

ANNUAL CHECKS

As well as a series of checks before a vehicle is first used for work purposes, organisations could request Grey Fleet drivers to certify annually that their cars are fit for purpose. Only then would the employee be given authority to drive on behalf of the organisation, and it may be possible to have the self-certification system linked to an expenses or HR system.

It's important that the person overseeing the checks is knowledgeable and qualified to do so – a motoring association or mechanic would provide the best option. These must go beyond just a check of windscreens and minimum tyre treads. It should also cover aspects only apparent when the vehicle is moving, such as brakes.

To support the physical checks of the car, managers can also ask to see an invoice detailing the vehicle's last service – though the person examining the documents should be fully conversant with the information they are analysing for this to be worthwhile.

To encourage employees to share documents and information to support vehicle checks, potential penalties could be incorporated within employee's contracts. This could involve not making mileage payments to that driver until they have declared their vehicle as being up to minimum standards.

INCORPORATING RANDOM CHECKS

Any self-certification of Grey Fleet vehicles can be backed up by random checks either by the business or an assigned third party, such as a motoring association. By increasing these random checks – even by an additional 5% – employees will recognise they are likely to be checked so will need to act accordingly.

The Health and Safety Executive recommends that staff should be fully consulted about the organisation's policy on safe driving – including conditions governing the use of their own vehicles – and that this is reviewed periodically in joint health and safety committee meetings.

The Royal Society for the Prevention of Accidents (RoSPA) suggests all managers should lead by example and follow the organisation's policy concerning the use and maintenance of their own vehicles.

EXPERT'S VIEW:

ESSENTIALS FOR A GREY FLEET POLICY

Paul Coley, Principal Consultant, Lex Autolease

Putting together a Grey Fleet policy need not be complex or time-consuming. A few straightforward rules help to make it clear to colleagues the minimum requirements which could allow them to use their own vehicles for work purposes.

✔ **Emphasise drivers' responsibilities.** When driving on the organisation's behalf, drivers should check vital details such as having the correct insurance in place. One of the ways would be to create a Drivers' Handbook which would set out these rules, as well as explain the vehicle checklist below. Small, separate guides to cover company cars, the Grey Fleet and daily rentals may be a better approach, too, instead of putting all of the information in one large document.

✔ **Age of the vehicle.** Think about setting a maximum age limit. Older vehicles are more likely to have underlying faults due to wear and tear which could lead to a breakdown, as well as needing more maintenance and have higher emissions.

✔ **Set mileage costs.** Beyond a certain limit, insist on a daily rental hire car. For longer trips, you could stipulate public transport where accessible. For frequent longer trips, an organisation should be looking at why that person does not have a company car.

✔ **Set out the checks.** Provide a list of checks that a Grey Fleet driver needs to undertake before setting off on a trip, or set out more extensive checks to be performed at regular intervals.

✔ **Consequences should be made clear.** Of course, it is not about an organisation holding an employee hostage. If a car or driver does not comply with the rules, then an employee simply should not be reimbursed for their journey. However, there is a fine line to tread. Company policies can't be too dictatorial; otherwise employees may not use their cars for essential work journeys any more. Ultimately, an organisation needs to take a judgment call on what is reasonable and proportionate – as well as what they are willing to do.

VEHICLE CHECKLIST

Drivers may feel they know their own vehicle well, but if they are being used for official work purposes it makes sense to provide them with a checklist to ensure the basics of safe operation are covered.

Although these can be as long and comprehensive as the organisation wants, it is recommended to keep it short – anything too lengthy may be ignored or only given a cursory read through by the employee.

A basic but reasonable weekly checklist could include the following:

- ✓ Tyres – are they correctly inflated, undamaged and have sufficient tread?

- ✓ Lights and indicators

- ✓ Washers and wipers

- ✓ Brakes

- ✓ Oil and coolant levels

- ✓ Windscreen and windows - are they free of cracks or damage?

Many employees may not know how to perform these checks. Guidance should be provided to help drivers understand how to do these checks either by a work colleague fully trained in vehicle maintenance or through an expert third party, such as Lex Autolease.

THE COST OF THE GREY FLEET

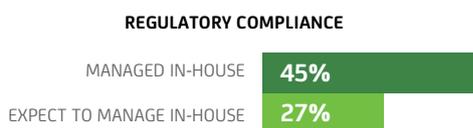
For many organisations, administering the Grey Fleet can be seen as a challenge. For that reason, many fail to manage it properly and this can impact an organisation's bottom line.

Most organisations understand that apart from the direct fleet operating costs, a further indirect cost comes from the management time to administer it. The requirement to formulate and enforce Duty of Care regulations, for example, takes time – especially if the manager concerned lacks specialist knowledge.

MANAGEMENT COSTS

Although the use of management time to monitor employees may not always extend further than undertaking annual DVLA checks on all Grey Fleet drivers, it is good risk management to conduct regular rechecks on those employees with penalty points or previous endorsements. These drivers often carry increased levels of risk – for example, a driver with nine points on a licence is far more likely to lose it over the coming period than one with an unblemished record.

Some organisations believe they can be absolved of their responsibilities – and thus save management time – by bringing in external consultants to take on the task of overseeing driving licence checks or any other risk-related management duties. Whilst external consultants and agencies can assist greatly in managing and providing tools to assist mitigating work related road risks, the law states that the risks remain with the organisation that commissions the journey so outsourcing the work cannot absolve the organisation of their overall responsibility.



MILEAGE COSTS

Although expense and mileage policies remain firmly at the discretion of each individual organisation, our survey showed that among the 62% of organisations that allow employees to use their own vehicles for working purposes, 75% always paid a fixed mileage rate to its drivers. To some drivers, especially on the higher AMAP rate of 45p per mile and those whose vehicles are fuel efficient and driven well, this can represent an opportunity to augment take home pay.

Organisations could set limits on the amount of mileage a Grey Fleet driver can undertake to help manage expenses more effectively.

For a lot of journeys – especially over 50 miles – it can also be more cost effective for an employee to take public transport or even hire a suitable rental car. That way, the actual cost reflects only the rental rate and any fuel being used, which often works out cheaper than the equivalent mileage rate – as well as having a safe new car that is covered by company policy. Of course, public transport is always an option but is often unsuitable to access more remote areas or where confidential information or samples are being carried.

However, if an employee is regularly racking up mileage above 50 miles per day, analysis should be undertaken to see if a company car could become a more feasible option. As an example, the cost of an AMAP employee driving 250 miles a week equates to mileage costs of approximately £400 a month. Leasing a well-maintained company car in its place, allied to much cheaper advisory fuel rates in the region of 7p-20p per mile depending on engine size and fuel type, can instantly create savings for an organisation.

LIMITS TO MILEAGE ALLOWANCE

Monitoring drivers' mileage expenses is imperative—though it is easy for this management to slip between departments.

Continuing to pay an AMAP driver the higher rate of 45p per mile after the first 10,000 miles threshold has been reached, for example, means not only having to pay an extra 20p per mile which could be saved, but means having to pay extra tax which would have to be reported at the time. Penalties for not doing so include a fine, tax on the amount overpaid to employees and interest on any historical fines and overpayments, and the cost can soon mount if drivers' expenses have not been effectively managed in the past.

EXPERT'S VIEW:

ADDRESSING FUEL REIMBURSEMENT

Chris Chandler, Principal Consultant, Lex Autolease

There are numerous risks for organisations operating a 'cash-for-car' scheme. Some staff may use the cash payment to supplement their income instead of buying a newer, 'suitable' car and properly maintaining it.

Instead they may use an older, cheaper car and scrimp on the maintenance. This brings roadworthiness, reliability and emission risks to the organisation.

Alternatively, some may buy a new or newer car but frequently use public transport to limit the wear and tear on their personal car – reclaiming the bus or train fare through expenses. This results in the company effectively paying for business travel twice; and is potentially a very expensive scenario we encounter quite regularly.

If a policy doesn't make it absolutely clear the expectation is to use this cash to purchase a car for work-related journeys then some employees will take advantage of it. Obviously, if an employee is taking cash instead of a company car as they have no actual business travel needs, then the cash allowance can be merely a benefit substitution for a company car.

Monitoring claims and having checks in place – such as cross-referencing mileage claims against an employee's diary – can not only help uncover these situations but also ensure mileage is kept under control.

And, of course, with this increased scrutiny many employees will then think twice about handing in any fraudulent claims.

EXTERNAL AGENCIES AND MOBILITY AUDITS

Where external consultancies such as Lex Autolease can help reduce costs is by lessening the time and effort required to regulate the use of vehicles.

For example, we can show what good practice looks like by providing templates that organisations can use to create checklists, an area where many managers struggle.

We can administer Authority To Drive schemes, to check that driving licences, MoTs and the necessary insurance policies are in place.

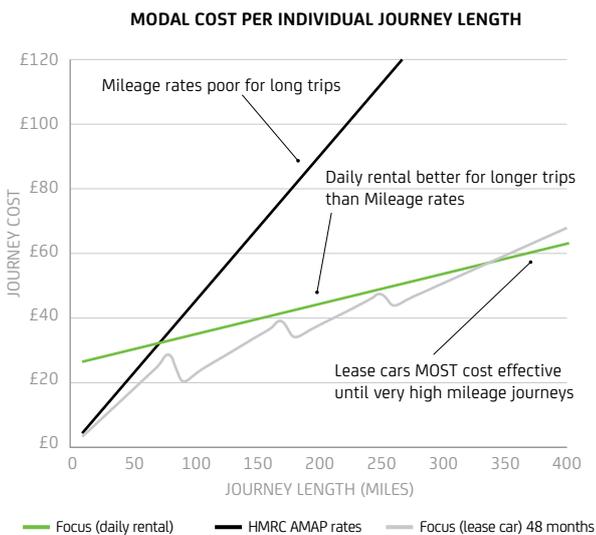
We can also help you review your total mobility costs, which can focus on problem areas and where savings can be made to a fleet. For example, we can compare Grey Fleet costs against rental cars or we can help you design a company car policy that can provide more efficient, cost-effective use of vehicles – see next page.

ANALYSIS TO DETERMINE THE MOST COST EFFECTIVE BUSINESS TRANSPORT METHOD

The below graphs represent typical costs for using a daily rental car, a leased 'company car' or for providing mileage payments for a grey fleet car under HMRC AMAP rates (45p per mile up to 10,000 miles and then 25p per mile thereafter).

INDIVIDUAL JOURNEYS

The below demonstrates the associated costs based on individual journey lengths. It reveals that AMAP rates for longer journeys are very expensive and that a daily rental car proves a very cost effective alternative. There is no increase in costs other than the fuel for covering increasingly long journeys, as the cost of the rental is by time not mileage.



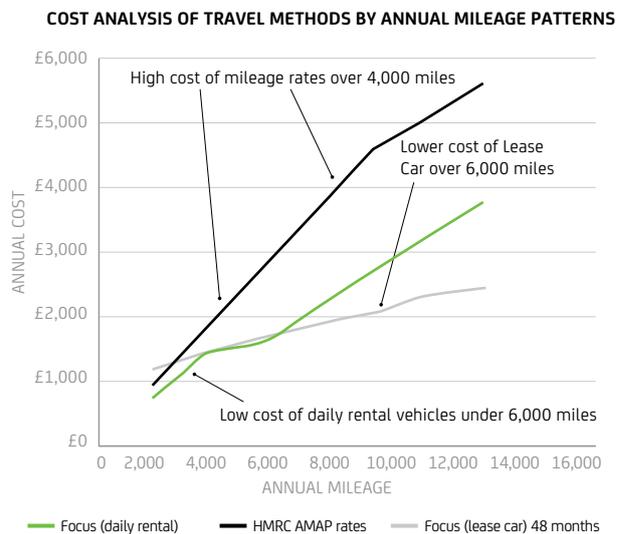
Use of a 'company car' is the most cost-effective for all but the shortest and longest journeys – short one-off journeys will often be cheaper using AMAP mileage, while journeys over 350 miles are cheaper using a daily rental.

At the beginning of the chart, there is an anomaly for the company car. This is because there is an expectation that company cars will be required for a lot more journeys throughout the year, rather than for a one-off trip so the cost per trip is low. This is also true within a pool car scenario.

ANNUAL TRAVEL REQUIREMENTS

The below chart looks at the annual mileage required for an individual's travel requirements, comparing AMAP mileage rates for a personal grey fleet vehicle against a leased company car and daily rental vehicles.

It demonstrates that daily rental cars are cost effective if a fairly low annual mileage is required. This would be for ad hoc use under 6,000 miles per annum. The AMAP rates are again quite expensive for anything other than low annual mileage, again demonstrating their suitability for ad hoc business mileage. For annual mileage figures above 6,000 miles, a leased company car proves the best option.



An optimal travel policy solution should consider both the expected annual mileage and the typical journey type, as highlighted above. If using a company car scheme, the contract terms should be based on the expected annual mileage to ensure cost effective rentals for the journeys required.

The above scenario also demonstrates the high cost of the AMAP rates for the first 10,000 business miles per annum.

THE GREY FLEET IMPACT TO HR

Any framework set out to monitor the Grey Fleet is worthless if it is not enforced. Unfortunately, it is too easy for some policies to slip between departments, with no one person or team having clear management for it.

Fleet managers and HR departments both have a legitimate role to play in monitoring any Grey Fleet policies and procedures. However, responsibility frequently falls into cracks between departments.

An organisation operating a mileage allowance, for example, may have a fleet manager who considers payments and their management as the responsibility of the HR or finance departments. HR departments, on the contrary, may not have the time or resources to investigate staff mileage claims too deeply to spot irregularities.

Larger businesses or public bodies may have additional departments involved in mileage claims, with HR having responsibility for terms and conditions of employment, but expense claims being made by another department.

Most commonly, the department with expertise and responsibility for fleet management may only have a reduced accountability for the Grey Fleet. And that's where the potential for management risks can occur.

ENVIRONMENTAL IMPACT OF THE GREY FLEET

An added administrative responsibility associated with the Grey Fleet is the Energy Savings Opportunity Scheme (ESOS), which requires all large UK businesses to identify energy savings opportunities. Failure to conduct an ESOS audit can make an organisation liable to fines of up to £50,000.

ESOS is the first official environmental reporting scheme that is incorporating the Grey Fleet, which until recently was out of the scope of the various pieces of environmental legislation.

It means organisations need to calculate the energy used for its transportation, which now includes the Grey Fleet. They can then assess the use of its fleet to see if more efficient practices could be brought in.

However, all organisations could benefit from doing a similar review of their full fleet, not just those who are required under the ESOS scheme. This could include making greater use of public transport, if practical and possible, swapping the regular use of Grey Fleet vehicles for a more fuel-efficient company car scheme, pool cars or low emission daily rental cars. Of course, introducing these changes may require some management resource and provide some challenges but the cost savings and reduced Grey Fleet risk can be well worth the effort.



30%

OF BUSINESSES HAVE INTRODUCED MORE ENVIRONMENTAL CAR POLICIES IN THE PAST TWO YEARS



29%

OF BUSINESSES PLAN TO DO SO IN THE NEXT TWO YEARS

Older Grey Fleet vehicles also pose more of a danger to an organisation's responsibility to the environment. Grey Fleet vehicles are typically older and hence have poorer fuel economy and CO₂ emission levels, as well as producing higher tailpipe emissions.

Hence, the Grey Fleet can be a significant issue when considering vehicle emissions and efficiency. There is also the potential to cause reputational damage, too, if private vehicles that are used on business activities are either old, in poor condition, emit high emissions or are simply inappropriate.

So in terms of fulfilling an organisation's corporate social responsibility objectives, Grey Fleet policy now needs to be fully consistent and in line with its overall environmental impact.

SURVEY BACKGROUND

The statistics and insight shared in our Driving Intelligence series of reports are based on the findings of two surveys.

Survey of Decision Makers

A survey of 288 people wholly or jointly responsible for managing the vehicle fleets of their organisation. The survey was conducted online by an independent research company and it took respondents around 15 minutes to complete the survey.

The sample was a mix of those working for large, medium and small companies, with a corresponding mix of fleet sizes – 43% had 1-10 vehicles in their fleet; 9% had more than 250.

Survey of Drivers

A survey of 1,007 employees who either drove a company car (501 people) or had a privately-owned car (506 people).

The survey was conducted online by an independent market research company and took around 15 minutes for respondents to complete.

STATISTICAL DATA

Due to the rounding of figures, not all breakdowns added up to exactly 100%. Figures in corresponding charts within this report were thus adjusted to ensure the totals added up to 100%.

ADDITIONAL RESEARCH

The report also draws on guidance and findings from a number of Government departments and other reputable sources.

LEX AUTOLEASE OVERVIEW



Lex Autolease is the UK's leading fleet funding and management specialist, with the scale and strength to keep British business moving.

All over the country, businesses and public bodies, large and small, trust us to keep them on the road with vehicle leasing and management solutions that are tailor-made and expertly supported.

OUR SERVICES

Our leasing solutions provide customers with different funding options to meet their needs and ambitions, whether for a fleet of just a few vehicles or many thousands.

We also help manage almost 330,000 cars and vans nationwide, as of June 2016, with support ranging from end-to-end fleet management to customised additional support packages including vehicle servicing, maintenance and repair and tyre, glass and breakdown.

As the UK's leading specialist commercial vehicle provider, we are perfectly placed to help meet an organisation's unique commercial vehicle need, no matter how specialist.

OUR EXPERTISE

We bring up-to-date insights and technical expertise to our customers to ensure their fleet runs as efficiently, safely and reliably as possible.

From transport data systems and mobility trends to the latest intelligence on taxation and regulations, our experts are on the cutting edge to help inform vehicle decision making and improve an organisation's fleet performance.

OUR APPROACH

Our approach is based on building a close relationship with our customers, whether they're small firms, large corporations or public sector organisations. We work side by side with our customers to provide a flexible, tailored solution that meets their goals.

At the heart of our approach is Customer First, a set of five principles guiding our relationship with customers and ensuring we put them at the centre of everything we do.

By bringing together expertise, innovative service and a comprehensive range of vehicles, Lex Autolease can keep your organisation moving.

CONTACT

For more information, contact our Consultancy Team

Email: fleetconsultancy@lexautolease.co.uk

WHAT YOU CAN EXPECT FROM LEX AUTOLEASE

- A flexible, tailored solution to suit any fleet size and ambition
- A smooth, customer-centred process from quotation to delivery
- Support options to keep vehicles running efficiently and safely
- Technical expertise and intelligent insight to inform fleet decisions