CONQUERING THE GREY FLEET CHALLENGE

A guide to managing your hidden fleet

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FOREWORD

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> "We need to shape the 21st century economy in ways that are clean, green, healthy, safe and more resilient"

Long-term changes to working practices are widely anticipated in the wake of the coronavirus pandemic.

An increase in flexible and home working is leading to more employees using their own vehicles for work-related travel than ever before. This is set to be accompanied by a growing band of employees who are reluctant to use public transport also joining the ranks of UK grey fleets.

The number of grey fleet vehicles on our roads – privately-owned vehicles driven for work purposes, which are not owned, leased or rented by employers – already dwarfs the number of company cars.

There are around 14 million-plus privately-owned vehicles driven on work-related journeys, compared to around 870,000 company cars on the UK's roads[1]. Yet, in spite of this, they have remained a hidden, and habitually unmanaged element of UK businesses.

This must change.

An unmanaged grey fleet will typically mean an unchecked cost burden, operational inefficiencies, health and safety compromises and environmental failings.

Businesses have much to contend with, but the United Nations has called on us all to help "shape the 21st century economy in ways that are clean, green, healthy, safe and more resilient".

Effective grey fleet management is an important piece in this jigsaw and a key component of the employee mobility revolution.

Businesses should look to review the policies and procedures they have in place to ensure they can take control of the financial, environmental, safety and legal risks that their grey fleets pose – and plot a course to a more secure and stable future.

The following guide examines why the management of grey fleets is so important and outlines the best practice approaches for doing so.

THE IMPORTANCE OF GREY FLEET MANAGEMENT

The business blind spot

Grey fleet management is important but often neglected or overlooked due to a lack of responsibility or ownership.

Managing a grey fleet can have different time and cost implications than operating a regular fleet, with companies not commanding the same levels of control over procurement, services, maintenance, fuel management, tax, insurance and compliance.

However, without appropriate management, grey fleets can end up costing more than company cars.

The management of grey fleet drivers plays a vital role in supporting driver safety, compliance, environmental sustainability and financial efficiency.

Grey fleets can pose problems which don't exist with business vehicles, from poor maintenance resulting in increased vehicle downtime to poor mileage monitoring resulting in higher reimbursement costs.

THE IMPORTANCE OF GREY FLEET MANAGEMENT

Invariably, the responsibility for grey fleets is left unassigned. In other cases, it falls upon whoever has capacity, or to a member of the senior management team. This can be a false economy, with senior management spending less time on driving business growth and more time on dealing with a variety of fleet policy and personnel issues.

Handing responsibility over to a dedicated fleet manager, or outsourced fleet management service provider, ensures appropriate focus due to their specialist knowledge of the industry and understanding of this risk area. It also provides clearer accountability for cost control, helping companies save time and money, manages risk and can also help identify opportunities for fleet efficiency gains, with companies better placed to measure the use and effectiveness of all vehicles used for business purposes.

Your duty of care: what the law says

Employers must consider their duty of care obligations, which are not limited to company car drivers.

In fact, it is even more imperative that duty of care responsibilities are upheld and enforced for grey fleet drivers, given the relative lack of oversight of important areas such as driving standards, roadworthiness and insurance cover, which would be managed as a matter of course with company cars.

An employer's duty of care, underlined in the Health and Safety at Work Act 1974, extends to any vehicle driven for business purposes, including private vehicles. Furthermore, the UK Corporate Manslaughter Act specifies that **all employers have a duty of care to ensure the safety of their 'at work' drivers.**

Should an 'at work' road accident occur, employers need to be able to provide evidence that they have taken 'reasonably practicable' steps to manage their duty of care responsibilities to their employees, including grey fleet drivers. The penalties for not doing so include significant fines and even custodial sentences for management failures.

THE IMPORTANCE OF GREY FLEET MANAGEMENT

Cost saving opportunities and the drive to mobility management

An analysis of how vehicles are used must be carried out if companies are to determine what the most cost-effective mode of transport is for their operations. In order to do this, effective mileage management must be in place.

By analysing annual mileage, typical journey types and the associated costs incurred, companies can get an overview of total mobility costs and ascertain what the most appropriate and cost-effective options for the business are, be it car sharing, public transport, pool vehicles, daily rentals, company cars or grey fleet.

Mileage limits, technologies to monitor mileage and checks to deter fraudulent or inflated reimbursement claims can also help in managing grey fleet costs.

See p15, 'Keeping a lid on grey fleet costs', for more information.

Going green: a spotlight on the environment

The government's commitment to slashing emissions, the implementation of emissions-based vehicle taxation regimes and climate-focused Corporate Social Responsibility has accelerated companies' drive to reduce their carbon footprint and 'green' their fleet.

To achieve this, companies need a complete overview of the environmental impact of their vehicles.

The majority of grey fleet vehicles are older than company car vehicles, for example, and therefore emit higher levels of harmful exhaust emissions.

The move to mobility management can help companies achieve their green objectives by transferring a proportion of journeys to cleaner modes of transport. Though progressive, this can add another layer of complexity to business travel administration, making efficient management all the more crucial.

IDENTIFYING AND BENCHMARKING YOUR GREY FLEET

The health and safety risks, along with the financial and environmental costs, of a grey fleet can only be effectively managed if they are fully understood.

The precursor to establishing or updating a grey fleet policy and implementing or improving control measures, including risk management programmes, is the grey fleet audit. This should establish a comprehensive picture of the fleet's composition and how it operates.

Grey fleet audits should cover the vehicles that are driven, the journeys made, the costs incurred, information on the drivers and the existing management structure and systems that are in place.

The audit process, along with the intelligence gathered, should help ensure that all future grey fleet record-keeping and data management is systematic and robust.

Resource demands may necessitate the outsourcing of this task.

IDENTIFYING AND BENCHMARKING YOUR GREY FLEET

The following details should be ascertained:

- **Responsibility for your grey fleet:** This information should include the departments or individuals that authorise travel and mileage claims.
- **The size of your grey fleet:** How many of your employees drive their own car on company business – whether self-funded or privately-leased vehicles, or vehicles procured via a cash allowance scheme? This baseline information should include employees who may only make occasional work-related journeys, but for whom the business still has a legal responsibility.
- **Fitness and eligibility to drive:** Are all drivers qualified? If a non-UK licence, is it still valid for UK driving? Driving licence checks can be made directly with the DVLA and organisations should have a clear view of employees' driving history and endorsements. Do they hold the requisite insurance that covers them for business use? Do they have any medical conditions that may hinder their ability to drive safely?
- **The vehicles that comprise your grey fleet:** This information is also integral to corporate risk management. How old are the vehicles, how are they maintained, what safety ratings, safety features and technologies do they have (these tend to be more advanced in newer vehicles) and, where required, do they have a valid MOT certificate? MOT documents should be checked on all non-company cars at the point of renewal.

  What are the vehicles' safety standards and CO2 emissions? Research by the BVRLA suggests private cars used for business purposes are around eight years old, on average, with cash allowance vehicles around 5 years old[2]. In both cases, these are likely to have higher emissions and lower safety standards than the latest available models.

  Finally, are restrictions imposed on the types of vehicles that can be used for business journeys?
- **The journeys made in grey fleet vehicles:** This will include where, why, how long and how far journeys are made. This information should be detailed in a company's mileage claims records and will help steer future mobility management strategies.
- **Grey fleet mileage costs:** What AMAP rates are being paid? What is the total annual mileage cost and how do these costs compare to your wider fleet?

ESTABLISHING A ROBUST GREY FLEET POLICY

Without a clear grey fleet policy in place, the responsibility for driver safety and wellbeing risks falling between employee and employer.

While it is the employee's responsibility to check their suitability and that of their vehicle when driving for business purposes, critically, it is the employer who must ensure that employees are meeting these responsibilities.

A formal policy can detail everything from high-level corporate green fleet goals to an employee's code of conduct and should include the following sections as a minimum.

Laying the groundwork

Policy development is best undertaken with support and input from all relevant business stakeholders, including senior managers and representatives from human resources, health and safety, finance and sales.

This is important to ensure everyone supports the strategy, that all possible policy implications are considered and that barriers to implementation are overcome at the outset. Furthermore, it can aid communication and execution.

ESTABLISHING A ROBUST GREY FLEET POLICY

The move to mobility

To save both costs and the environment, firstly the policy should outline ways to reduce travel (for example, by considering video calls instead of face-to-face meetings) and secondly, give employees options to swap their car to more sustainable modes of transport.

The policy should formally stipulate the requirement of relevant line managers to question and challenge whether travel by grey fleet is the best option or not.

See p15, 'Keeping a lid on grey fleet costs' for more information.

Vehicle safety standards

As privately-owned vehicles can be old and poorly maintained, a policy should be used to set out safety standards in black and white, considerations for which include maximum vehicle age, CO2 and mileage limits and that vehicles should be regularly maintained in line with manufacturers' recommendations and any legal requirements (e.g. MOT) to ensure vehicles are fit for purpose. It might also stipulate minimum Euro NCAP rating and safety systems, such as Electronic Stability Control (ESC) and Antilock Braking Systems (ABS).

Procedures should be clearly detailed for drivers in respect of vehicle maintenance. Every policy should also include a thorough vehicle safety checklist of items which should be checked by the driver before the start of each business-related journey. These include tyre tread and pressures, brakes, lights and indicators, mirrors, windscreen damage, oil, windscreen washer fluid and wipers.

See p13, 'Safety first: Managing grey fleet road risk' for more information.

ESTABLISHING A ROBUST GREY FLEET POLICY

Communication is key

Rather than simply emailing out a policy PDF, destined to be carefully saved but subsequently ignored, it is critical that drivers are encouraged to read it cover-to-cover. A signed declaration can offer reassurance that employees have read and understood a policy and adds credence to its importance. Key learning points should also be communicated with regular reminders throughout the year, a true or false quiz or even an annual road safety workshop.

If possible, policies and procedures should also be included in employment contracts and annual appraisals, again to underline their importance and allow them to be more effectively enforced.

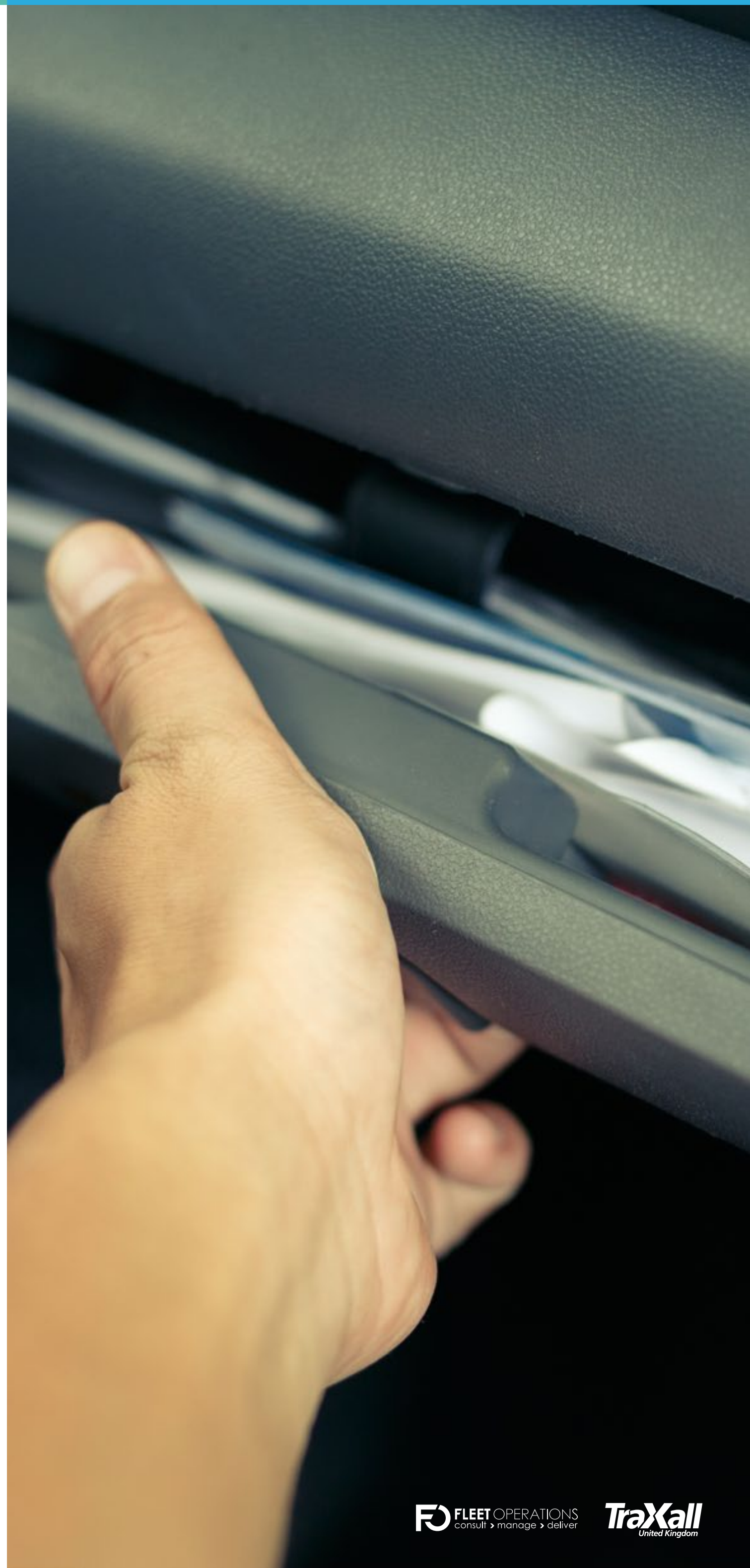
Driving documentation

Your policy should specify grey fleet drivers' responsibilities for ensuring their vehicles comply with all relevant roadworthiness legislation, including the requirement to hold the following documentation:

- a current driving licence, valid in the UK, with up to date information on endorsements, restrictions or DVLA notifiable medical conditions
- appropriate vehicle tax
- motor insurance which covers them for 'business use'
- a valid MOT certificate for vehicles of an age where it is legally required
- breakdown assistance policy

The procedures for checks carried out by the employer should be detailed. These could be incorporated with staff appraisals.

You should consider more frequent driving licence checks with increased licence endorsement points to assist in combating an increasing driver risk profile.



ESTABLISHING A ROBUST GREY FLEET POLICY

Fitness to drive

Every grey fleet policy should remind drivers that they have to satisfy the eyesight and other health requirements of the Highway Code and the DVLA.

They should be encouraged to report any ongoing health concerns and reminded of the conditions that must legally be reported to the DVLA[3]. The risks of driving tired or under the influence of any medicines that might impair their judgement should also be highlighted.

Driving time limits

A grey fleet policy can be used to stipulate company rules for maximum driving hours within a certain period, and to remind employees of The Highway Code[4] recommendation that drivers should take a 15-minute break every two hours.

Mileage claim processes

AMAP mileage reimbursement rates and processes should be clearly outlined. If telematics platforms and mobile phone apps are used to automatically capture company mileage data, inform on journey patterns and simplify fuel cost claims for employees, clarity should be brought to how they are used and who is responsible for them.

See p15, 'Keeping a lid on grey fleet costs' for more information.

Accident reporting

Finally, a grey fleet policy should detail the reporting procedures to record (and notify the company of) accidents that occur while an employee is driving their own vehicle for business.

SAFETY FIRST:
MANAGING GREY FLEET ROAD RISK

Assessing and managing the risks

Many companies have traditionally taken a 'hands-off' approach to grey fleets, focusing their resources on the risk management of company cars.

But the fact that drivers are in privately-owned vehicles does not diminish the risks. In fact, it can heighten them.

Grey fleet drivers should be subject to the same level of scrutiny, held to the same standard and benefit from the same levels of support and care as their company car colleagues.

Critically, they should also be included in any corporate risk assessment.

The driver

The duty of care to manage occupational road risk is the same for both company car drivers and grey fleet drivers. Employers should aim for equal visibility of both, starting with their health, eligibility, credentials and risk profile.

Regular driver licence checks are essential, as is the communication of driver policies and driver safety handbooks.

SAFETY FIRST:
MANAGING GREY FLEET ROAD RISK

An automated licence check service helps mitigate the risk of drivers having invalid licences.

Health checks should be made available to all drivers to ensure they are fit for the journeys they undertake, and any communications relating to health and wellbeing should also be shared with all.

At the same time, driver profiling, assessments and training regimes should be in place for grey fleet and company car drivers alike.

The vehicle

After speeding, some of the most common endorsements on the licences of grey fleet drivers are for construction and use offences, such as bald tyres, defective brakes or carrying unsafe loads and, for insurance offences, typically vehicles uninsured against third party risks.

With grey fleet vehicles typically older than company cars, they are more likely to encounter age-related issues. Companies should consider introducing minimum standards on grey fleet vehicles, based on the standard of company cars, including age, mileage and emissions limit.

Regular vehicle checks should be undertaken, including the status of servicing, MOT and Vehicle Excise Duty. Keeping a record of vehicle maintenance checks, and operating timely reminders based on mileage, can help ensure this area is tightly monitored and downtime is more efficiently controlled.

Having the appropriate business insurance cover in place is also essential.

If a grey fleet driver is involved in an accident and is found to have incorrect insurance, or the vehicle has not been kept in a roadworthy condition, a company could be held liable for failing in their duties.

The journey

According to the BVLRA[5], grey fleet mileage in the private sector is estimated to be up to 11 billion miles per annum, costing up to £5 billion.

More prudent companies will collect and analyse data to reduce business mileage, not only as a cost-saving exercise, but also as a means of promoting safer and more efficient driving performance.

Telematics data will help companies gain valuable insights to better manage the routing and scheduling of journeys, as well helping improve driver behaviour by, for example, identifying drivers who tend to brake harshly or speed.

Having this intelligence at their fingertips can also help fleet managers minimise unnecessary or fraudulent mileage claims.

By having robust measures and policies in place, employers are not only protecting their drivers but the reputation and financial viability of their business.

Put simply, the potential cost savings from effective grey fleet management significantly outweighs the administrative burden.

KEEPING A LID ON GREY FLEET COSTS

The impact of grey fleet costs on the business bottom line can be considerable – and all the more so when businesses fail to manage these costs effectively.

The AMAP mileage reimbursement rate for employees – which covers the costs of fuel, oil, servicing, tyres, insurance and depreciation – can prove a considerable business expense.

In the wake of the coronavirus pandemic, the number of business trips may rise as more employees make the transition to 'home-based' working. For these employees, trips to their office will no longer be a classified as a commute, but rather as a business journey.

In some cases, organisations may have long since committed to paying mileage rates higher than AMAP, which adds a further layer of cost and complexity. As well as the additional rate payment, employers will also have to pay Class 1A NI contributions on the excess net mileage.

Moreover, generous fuel expense rates can lead to the inadvertent incentivising of unnecessary journeys.

KEEPING A LID ON GREY FLEET COSTS

Transparency and control

The use of grey fleet vehicles may not always be the most cost-effective means of transport available to employees.

Mobility management, along with the digital solutions that are emerging to support it, is gaining increasing traction, enabling organisations to challenge the preferred modes of transport and optimise business journey costs while reducing their environmental impact.

Mobility-as-a-Service (MaaS) systems are having an increasing role to play in helping mobility managers better plan journeys using real time information – from road traffic congestion to transport prices and availability. Automated mileage administration platforms will also reduce administration costs, aid compliance and help signpost the most appropriate transport options.

At the outset, organisations should consider limiting the mileage that grey fleet drivers can undertake as part of their corporate mobility policies.

Public transport will often be cheaper for long journeys, over 100 miles for example, than paying the 45ppm AMAP rate. At the same time, public transport eliminates car parking charges, reduces road risk and carbon emissions, and offers opportunities for increased levels of productivity.

Where efficient public transport routes aren't available, spot hired vehicles may also provide a cheaper alternative.

With AMAP payments seen by some employees as a means of supplementing take home pay, it should also be remembered that drivers can often be guilty of inflating their claims. Small marginal increases on the mileage of every journey across a workforce can end up costing businesses thousands of pounds extra in unnecessary reimbursements.

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KEEPING A LID ON GREY FLEET COSTS

The true scale of over-claiming mileage can often go unnoticed, making mileage verification auditing an important element of claims administration.

Furthermore, close attention should be payed to the mileage reimbursement rate that is paid beyond 10,000 annual miles. The AMAP rate drops from 45p to 25p per mile when drivers reach this threshold, meaning that if the AMAP rate continues to be paid, a 20p per mile additional cost burden is incurred, alongside an increased tax liability.

Cash allowances in the spotlight

The cash allowance alternative to the company car has long been regarded as a convenient and popular option for employers. But the business case has diminished in the wake of the zero percentage BIK rate for fully electric vehicles for the 2020/21 financial year.

Where employees are racking up high grey fleet miles on a regular basis, a cost benefit analysis makes for an even stronger case for switching to company cars – and their accompanying lower advisory fuel rate. The transition also enables improved fleet risk management and greater control over a company's corporate image.

If cash allowances are retained for grey fleet drivers accruing more than 10,000 miles annually, employers should consider reducing their pence per mile rates to below AMAP.

Independent outsourced fleet management specialists can offer valuable consultancy advice in these areas and benchmark organisations' grey fleet costs to help determine the most cost-effective fleet and mobility options.

GREY FLEET MANAGEMENT AT-A-GLANCE

A top 10 check list of key policy and procedural steps

- **Measure before you monitor:** conduct a thorough audit of your grey fleet to find out about the vehicles, drivers, journeys and costs before setting a baseline for improvement and establishing a clear process for grey fleet record-keeping
- **Get board level buy-in:** develop your grey fleet policy in consultation with all relevant business stakeholders, including human resources, health and safety, finance, and sales
- **Move to mobility:** encourage and empower employees to reduce business travel and choose more sustainable, safer, more productive and cheaper modes of transport
- **Communication is key:** don't rely on a one-off policy - send regular updates and reminders on what your drivers should and shouldn't be doing
- **Raise the bar:** stipulate clear minimum standards on vehicle age, mileage limits, safety features and emission levels to ensure vehicles are fit-for-purpose
- **Make it legal:** mandate employees to read your grey fleet policy thoroughly and include their responsibilities in their employment contract
- **At your drivers' service:** send your employees timely, mileage-based reminders of when they should be booking in for a service or MOT and renewing their insurance
- **Keep a lid on mileage:** digitally monitor mileage to minimise fraudulent reimbursement claims and reduce business mileage
- **Covered for Covid:** remind your employees to check they have insurance cover for business, as well commuter journeys during and after the pandemic
- **Cash vs car:** identify your high mileage employees and offer them transport alternatives such as an electric company car or public transport options rather than a cash allowance to reduce road risk and improve your green standing

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About us

Fleet Operations is the UK's largest independent outsourced fleet management company, consulting, managing and delivering bespoke solutions to some of the country's leading blue chip fleet operators.

Services range from grey fleet risk management, strategic consultancy and policy creation to multi-bid leasing, data consolidation and supply chain management.

Whether you're an HR director looking to take control of your grey fleet, a finance manager looking to make bottom line savings, or a fleet manager looking for strategic and resource support, we have a solution that's right for you.

Call our team on **0844 567 8000**

or email **info@fleetoperations.co.uk**

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