

Best Practice Guide

Reviewing your car policy.



Company car benefits.

Company car benefits, or structured schemes that resemble them (such as employee car ownership schemes), are a very popular element of reward in the UK.

Over 3 million company cars exist and the backdrop against which employers provide them is constantly changing. Over the next few years we will see more change in terms of political, economic, social, technological, environmental and legal (collectively known as PESTEL) developments that will impact company car benefits and related areas.

Latest developments and forecast future changes mean that, unless you have recently reviewed your car policy, you should consider reviewing your current scheme, for instance:

- How is your policy aligned to employee reward objectives?
- How is it supporting risk management?
- How does it align to environmental strategy?
- Is it operating at the lowest achievable cost?

The stakes are high if you don't conduct such a review. Car benefit costs are major (up there with pensions if viewed through an employee benefits prism), and the car benefit itself is very emotive and represents a valued part of the reward package. Additionally, company cars can play a major role in helping to manage risks to employees driving on business. Finally, policy is important, but only if it is adhered to. It ensures consistency, fairness and best practice to be deployed in your organisation. In an area as tangible and visible as company cars, this is especially important.

There are seven steps to policy review:

Step 1. Clarify the purpose of car benefits and the right set of stakeholders to shape policy.

Step 2. Examine the external marketplace.

Step 3. Develop a set of clear overarching principles and a set of objectives for the car policy.

Step 4. Assess your current policy against your car policy objectives – the gap analysis.

Step 5. Treat the gaps/issues and document the new policy.

Step 6. Understand any implementation/process issues.

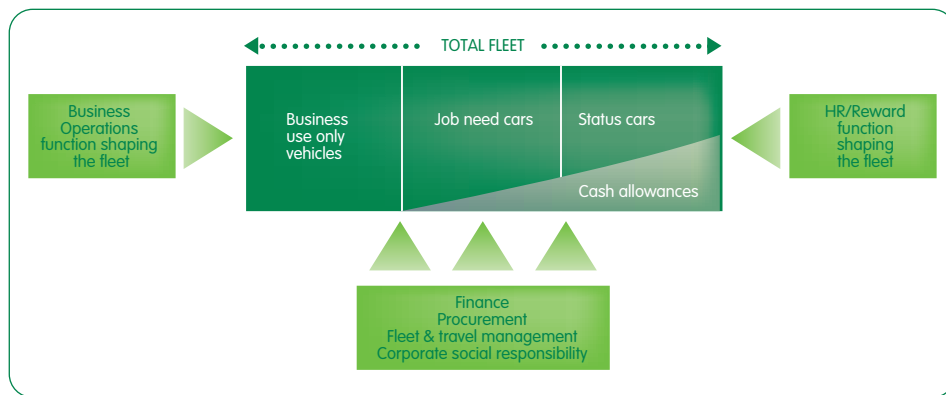
Step 7. Implement and measure value delivered.

Step 1. Clarify the purpose of car benefits and the right set of stakeholders to shape policy.

- Are company cars or cash allowances provided as a perk, for job need or for both?
- Are there some categories of employee where such distinction is blurred? Perhaps they receive a car or cash for both reasons?

The diagram below may help you think about the current car eligible employee base and therefore who the key influencers over policy should be within your company.

In practice, this set of stakeholders may not be getting involved – maybe due to other commitments, lack of interest in cars or historical ownership of the car scheme. Maybe now is the time to try and engage the stakeholders in a discussion – their role in the organisation means they should have some type of input to the policy.



Step 2. Examine the external marketplace.

- What key trends are emerging? Either company trends (blue chip employers or direct labour market competitors) or PESTEL related.
- What do you need to take account of?
- How do you turn these trends to your company's advantage?
- What feedback are new starters or leavers giving you over car benefits? Also consider candidates who have turned down offers.
- What aspects of a car policy would differentiate your employment proposition versus your competitors?

All too often we see companies looking to copy other companies' practices as opposed to trying to make their scheme different and better.

Step 3. Develop a set of clear overarching principles and a set of objectives for the car policy.

Overarching principles.

These should reinforce your company objectives, needs and corporate values. By defining and agreeing such principles, the key stakeholders are creating a solid base on which policy can be designed.

They are likely to be statements such as “We will ensure that our policy minimises the risk to our employees and others when colleagues drive on business” or “We will embrace all of the latest technological and fuel developments that are available that will assist XYZ plc in minimising CO₂ emissions”.

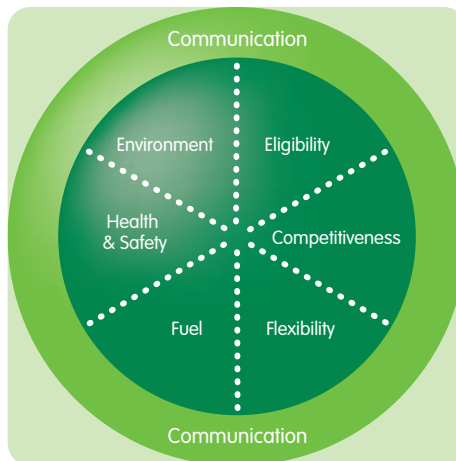
Keep the statements at a high level; they are there to provide a steer to your future policy. Get buy-in from the Board on these principles.

In the future, you can use the existence of such principles to make decisions and test whether the car scheme is heading in the right direction. You may be able to reduce decision-making processes in some areas of fleet as you will already have a clear direction provided from the leaders in your business.

Objectives.

Developing short-term to medium-term objectives is about asking what your company specifically needs over the next 12 or 18 months from the car policy. These objectives should flow from the principles but be more practical and could embrace such areas as:

- CO₂ emission targets.
- Duty of care measures that can be incorporated into the policy.
- Cost targets (e.g. maintain current costs over the next 18 months or maybe reduce them).
- Fuel management (e.g. removal of free fuel benefits, fuel management/ monitoring)
- Feedback from employees (e.g. from any employee surveys conducted).
- External stance versus key labour market competitors (e.g. more generous or innovative scheme versus the top four labour market competitors).
- Manufacturers (e.g. move to different badges or different number of badges).



Try and ensure your policy objectives cover the key elements of policy – as shown in the diagram above. The dark green segments show the ‘content’, with the light green ring indicating that you need to ensure that the policy is well communicated (many good policies are poorly communicated thus losing much of the value they could deliver – employees may view the car policy as unexciting and may not fully realise the value of this employee benefit. How does your company communicate pensions, healthcare or flexible benefits? The car scheme communication should take account of this).

At this stage it would be worth checking whether there are any aspects of car policy that maybe cannot be changed due to past agreements formed with employees (e.g. as a result of company acquisitions or employment contracts).

Step 4. Assess your current policy against your car policy objectives – the gap analysis.

- What objectives can you place a tick by? Be tough here – too many policies simply roll over from years ago and if the current policy does not directly do what it should, take note.
- Are some relatively minor tweaks needed? Or does it feel like the policy needs to radically change? The latter could have fairly major cost and manufacturer implications so ensure that your stakeholder group (e.g. finance director and procurement) are fully on board and supportive.

If you feel there are no gaps, then no change is needed – you have proved that your car policy is aligned to business needs.

Step 5. Treat the gaps/ issues and document the new policy.

Some issues you identify will have obvious answers. However, others may be harder to resolve. You are in the midst of policy re-design here and need to evaluate the impact of any possible changes – costs, employee impact, environmental implication, duty of care implication. This may require specialist knowledge or skills, especially if there are tax or finance considerations. Therefore, external help may be needed.

If you feel there are many issues and you're unable to make wholesale change, rectify those with the greatest return or those with low return but that require little effort to change.

Get sign-off on the changes from your stakeholder – remember that this of course could include unions.

Step 6. Understand any implementation/process issues.

- Who is involved in managing the policy or related areas? These parties need to be involved prior to the new policy being launched. This could include payroll, your leasing company, expenses/finance, HR/recruitment.
- Are there any process or technology issues that need to be examined?

Step 7. Implement and measure value delivered.

Once you are happy that everything will run smoothly, you will need to communicate the changes to employees and management. If major change is being announced you may need to give employees some advance notice.

Your new policy is now live.

Whilst your new car policy should now meet your business needs, you will need to be aware of any internal or external changes and developments that impact it. Changes to fiscal policy (via the Budget) can create major opportunities (and risks) to car benefits.

In addition, the employment market evolves; your competitors may change their employment propositions and this type of development needs to be kept close to. Lastly, any change made by your organisation to objectives in the area of reward, costs, Health and Safety and the environment could also have ramifications for the value the car scheme is delivering.

A review every 12 to 18 months is best practice.

About our consultancy service.

The Lex Autolease Strategic Fleet Consultancy team works with board directors and senior managers to identify how the provision of fleet can better support key business objectives.

Our consultancy covers cost reduction, policy, tax, the environment, duty of care and fleet delivery strategy. In addition to core fleet issues, we consult on related areas such as fuel and cash schemes.

Our consultants have depth and breadth of knowledge in a range of technical areas and have prior experience in major advisory firms or industry. We combine leading edge thinking with the operational experiences that come from being part of Lex Autolease, the UK's leading fleet provider.

To find out more,
contact our dedicated Strategic
Fleet Consultancy team

Visit:

lexautolease.co.uk

Call:

0844 824 0270

Email:

fleetconsultancy@lexautolease.co.uk