Fleet Management

Tools, policy and guidance

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About this guide
About this Guide

This guide provides clear guidance and innovative solutions to help organisations get the most from their fleets.

Fleet lifecycle and examples

This guide provides clear guidance on what you need to consider when managing a public sector fleet. This section will help you to secure a fleet that is fit for purpose. It will also help you to make cost effective decisions in procuring, running and disposing of your fleet. We have included important questions that you should ask at each stage to assess how effectively you are managing your fleet.

Self assessment tool

The tool enables public sector bodies to review the economy, efficiency and effectiveness of their fleet management arrangements. Public sector organisations can use the tools to review their fleet management arrangements where work has not previously been carried out, or to follow up the results of formal external audit reviews.

Directors, members, non-executives and others can use this high level tool to gain an overview of their organisation's fleet management arrangements.

Fleet managers, internal auditors and others can use this tool to carry out a detailed review of their organisation's fleet management arrangements.

It provides clear guidance and innovative solutions to help organisations get the most from their fleets.
Fleet lifecycle
Strategy

An effective fleet management strategy is important as it defines your organisation's approach to fleet management. Your strategy should be a clearly written document that identifies the business need for the fleet, helps secure a fleet that is fit for purpose and sets out how your organisation intends to manage its fleet in the future.

To develop a genuinely effective vision for your fleet, the fleet management strategy must link in with your organisation's other strategic priorities. The strategy must be considered as part of your organisation's overall approach to asset management and should also link in with your environmental aims.

Vehicle drivers, passengers and other users can offer a broad perspective on the strategic direction of fleet management. Consultation with these groups of users will contribute to your strategy being well informed.

The strategy should also look outside your organisation to consider the benefits of working with external bodies to provide the most effective and efficient fleet.

Organisations should aim to reduce the number and length of journeys. This produces financial savings, reduces the impact on the environment and reduces the risk of accidents.

Finally, it is critical to recognise that things change and therefore your strategy must be regularly reviewed to ensure it remains up-to-date and relevant.

User involvement in developing the strategy

Why are the needs of users important?

Vehicle drivers, passengers and other users need to be consulted to ensure your strategy is well informed and captures the key issues for securing a fleet that is fit for purpose. These groups are going to use your vehicles and their operational knowledge and experience is important in ensuring the strategy focuses on the right issues.

What are the dangers of not involving users?

If users are not consulted there may be opposition to using the vehicles that your organisation has procured.

Similarly, if the strategy is developed without user input, your fleet may not meet the needs of users in terms of fleet size, vehicle type, legislative changes and training requirements.
How can users be involved in the development of your fleet management strategy?

User groups and benchmarking with other public sector organisations might allow you to access the information they have collected on users' views. This may be particularly useful if the other organisations have similar vehicles to your organisation.

Efficiencies

How is fleet management performance measured?

Fleet performance should be measured using performance indicators. When deciding what indicators to use, your organisation might consider the examples set out below. This is not a comprehensive list and your organisation may well decide to use other performance measures.

Fleet use

- Vehicle availability - the number of days the fleet is available for use.
- Vehicle downtime - the number of days lost due to maintenance and repairs.
- Vehicle utilisation - how much the fleet is used compared with its availability. It helps to identify whether the fleet size is correct and other problems with availability of vehicles and staff.

Compliance

- Number of accidents - highlights staff training requirements and links to insurance costs.
- Number of vehicle defects - highlights maintenance issues.
- Number of MOT failures or first time passes - measures the performance of the maintenance provider.

Operational

- Fuel usage - miles per gallon (mpg) figures can identify inappropriate fuel use, help with future vehicle type selection and identify training requirements.
- CO\textsubscript{2} emissions - used to monitor compliance with overall environmental policy and reduction targets.
Costs

- Maintenance cost per vehicle - used to investigate whether certain vehicles are costing more, perhaps because of drivers causing excessive wear and tear or maintenance charges not being subject to review and checking.
- Tyre cost per vehicle - used to identify excessive tyre damage or whether new tyres are being fitted when remoulded / retreads or regrooved tyres would suffice.
- Insurance cost per vehicle - helps to identify whether the insurance purchased provides value for money.
- Operating cost per vehicle - this could highlight where significant running costs could be reduced.

How should performance indicators be selected?

You should select performance indicators to provide information that is useful and appropriate. If too many performance indicators are used it will be too time consuming to collect all relevant data or the analysis of performance will be clouded by too much information.

Performance indicators should be reviewed regularly to ensure the information provided is relevant and assists with fleet management decisions. It should not be provided purely on the basis that it has always been provided.

Who should monitor fleet management performance?

The fleet manager should lead the monitoring of fleet management performance and should be given clear responsibilities to report this information to everyone involved in the decision making process at strategic and operational level.

Organisations need to ensure a director (or equivalent) takes responsibility for fleet management issues at the highest level.

Should fleet management be part of a business plan?

Fleet management should be part of a business plan and include service objectives and more detailed targets which link to the organisation's corporate objectives. There should be a clear link to financial budgets and capital programmes as well as staff development and training.
What happens if fleet management is not performance managed?

If your performance is not measured effectively then you will find it difficult to manage your fleet and there will be a risk that fleet management becomes an activity operating in isolation on the rest of the organisation.

If your fleet is not being managed effectively there may be a reduction in service quality or value for money.

How often should vehicles be replaced?

Vehicles should be replaced in line with a formal replacement policy. The policy should take into account the following factors:

- condition;
- mileage;
- age;
- 'whole-life' costings; and
- environmental targets.

Organisations should assess the optimum replacement time for each type of vehicle. An example might be to replace cars after four years or 80,000 miles.

Vehicle rotation should also be considered to even out vehicle mileage and this may involve moving vehicles between locations.

What are the dangers of not planning for the future replacement of your fleet?

Generally, as vehicles become older their maintenance costs increase and reliability can decrease.

Failing to plan ahead could result in replacement vehicles not being included in budgets and therefore not being replaced when they reach the end of their life. A vehicle which exceeds its planned mileage may result in excess mileage charges being made by the leasing company. It may be possible to have an agreement where the mileage costs are on a net mileage basis so there is a refund on vehicles which have not completed the contracted mileage.
Why do you need to reduce travelling?

Organisations should aim to reduce the number and length of journeys. This produces financial savings, reduces the impact on the environment and reduces the risk of accidents.

Partnerships

Who should be involved in procurement?

The fleet manager, finance department, procurement specialist and users should all work together to ensure the right fleet is procured. Their work should be supported by corporate guidance through documents such as the finance strategy and sustainability strategy. Options to be considered may include lease agreements, hire purchase and outright purchase.

Should you use only one method of procurement?

No, as there may be financial and operational reasons to alternate between procurement methods. The organisation should review this on a regular basis and communicate it to users.

What other partnership arrangements should be considered in the strategy?

You should consider outsourcing arrangements as part of the strategy, particularly where internal provision is insufficient to deliver an agreed level of service or if the cost of internal provision is uncompetitive compared with external provision.

Two areas which could be considered are vehicle maintenance and fleet administration.
Sustainability

Why should environmental factors be considered?

Sustainable development is about ensuring a better quality of life for everyone now and for generations to come. Transport faces a tough challenge as it depends essentially on oil as a single energy source. Vehicles emit significant quantities of CO₂ plus other pollutants harmful to the environment and human health such as nitrous oxides, non-methane hydrocarbons and particulate matter. Fuel efficiency is therefore a key environmental consideration. It is also a key financial consideration because not only do efficient vehicles use less fuel, but efficiency is also directly linked to car tax rates.

How can targets be set to reduce CO₂ emissions?

Targets to reduce CO₂ emissions by three per cent per year from 2011 are being considered by the Welsh Government.

It is important to know how much CO₂ your vehicles are emitting. The UK Government publishes this information for cars using the following bands:

- Band A - Less than 100g/km - very green, low emission new cars;
- Band B - 101-120 g/km - green, low emission new cars;
- Band C - 121-150 g/km - low emission new cars;
- Band D - 151-165 g/km - medium emission new cars;
- Band E - 166-185 g/km - medium high emission new cars;
- Band F - 186-225 g/km - high emission new cars; and
- Band G - 226 + g/km - very high emission new cars.

One target could be to replace high CO₂ emitting cars with low emitting cars.

Websites are available which help calculate fuel economy, vehicle excise duty, running costs, company car tax percentage brackets and information on alternative fuel types.

European Union (EU) legislation classifies truck engine emissions and since 2005, vehicles have needed to comply with the Euro 4 emissions standard.

What are the alternatives to petrol and diesel powered vehicles?

Technological advances have resulted in several alternative fuels to petrol and diesel although none of these alternatives can be used in as broad a range of vehicles as diesel/petrol.

One of the main alternative fuels is biodiesel which is blended to a maximum of five per cent with regular diesel without voiding the manufacturer's warranty. It is manufactured from
crops including corn, rapeseed and sugarcane. Several Welsh public sector organisations have run trials with biodiesel and some are now using it as a matter of course.

Hybrid vehicles employ a parallel hybrid system in which a petrol engine provides the main power to the vehicle with an electric motor assisting when necessary. This leads to lower CO\textsubscript{2} emissions. They are more suited to urban travel where there is more start/stop motoring and where high speed is either not possible or not necessary. Hybrid technology is available in a range of commercial vehicles as well as cars.

**What sort of green policies can be adopted?**

A series of common sense ideas can be implemented such as:

- use of electric vehicles or shorter journeys;
- driving fewer journeys reduces mileages and hence CO\textsubscript{2} emissions;
- introducing car sharing schemes, cycling, walking or using the local bus or train service;
- introducing car mileage payments which pay higher rates for lower CO\textsubscript{2} emission vehicles;
- introducing incentives for the driver to select more fuel efficient models when it is time to change; and
- training drivers in more fuel efficient driving techniques such as reducing speed and smooth acceleration and braking.

Other alternatives to travel to be considered are home working, telephone and video conferencing. Organisations also need to ensure they consider the impact of their grey fleet. Finally several organisations in Wales have introduced an environmental management system called Green Dragon which has five levels of stepped awards.
Procurement

Once you have developed your fleet management strategy, the second stage of the lifecycle involves procuring your fleet.

Procurement processes must consider more than just the vehicles. They must also include tyres, fuel, insurance, chassis and parts as well as support services such as maintenance provision, breakdown, recovery and vehicle hire.

Before procuring anything, you should carry out an evaluation of the items you intend to procure to ensure you end up with the appropriate vehicles, parts and services. This evaluation is an ideal opportunity to involve users whose knowledge and views will contribute to more effective procurement.

It is critical to consider all options when financing your fleet. You need to know exactly what the fleet will cost your organisation throughout the vehicle's life and you should look into jointly procuring with other organisations to secure economies of scale and more favourable terms.

User involvement in procurement

Why should vehicle evaluation take place based on the views of drivers and users?

You should evaluate vehicles to ensure that they are fit for purpose. This may include testing demonstrator vehicles or visiting suppliers to see mock ups of vehicle interiors. The views of users can also be used in a cost-benefit analysis which may form part of a business case for new vehicles.

How can the wider views of users be accessed?

Benchmarking against other organisations provides useful information on the types of vehicles being used or particular manufacturers.

The internet is also a useful place to find information on vehicle reviews.

What problems may arise if users are not involved?

If users are not involved and vehicles are selected in isolation, the vehicles may be over specified and cost more to operate. Alternatively the vehicles may be underspecified and not adequate for the service need or laid out incorrectly and require expensive modifications.

Users will be more accepting of new vehicles if they have been consulted and involved in the procurement process.
Staff Development and Engagement

How can you ensure procurement is carried out by the right team?

Procurement should be a team effort between the fleet manager and procurement staff and should include the views of the staff that use the fleet.

Finance staff with specific accountancy skills should also be involved and for significant procurement exercises a project manager should be appointed.

For specialist fleets such as ambulances, the procurement of vehicles and equipment should be managed by a single project team.

Efficiencies

What procurement and financing arrangements should be considered?

You should consider all options when financing your fleet including lease, purchase and hire. There is a danger that some organisations will base their financing on historical arrangements but previous arrangements may no longer be the best option.

It is important that budgets are calculated and challenged rather than just incrementally adjusted each year.

What factors need to be considered in a robust cost calculation?

Whole-life costings should be calculated to ensure you understand the true total cost of a vehicle throughout its operational life. These costs include things like maintenance, fuel and tyres which can vary considerably between different types of vehicles. Up-front discounts from suppliers may look attractive but they do not provide an indication of future vehicle costs.

It is also important to consider what the residual value of the vehicle is likely to be at the end of its life.

What sort of tendering arrangements should be used?

The tendering process should be in line with contract standing orders and EU Regulations. Value Wales contracts comply with EU Regulations and aim to ensure maximum value for money.
Partnerships

Why should central contracts be considered?

Procuring through the use of central contracts can save time and money. This process involves one organisation leading negotiations to procure a certain item or service on behalf of a group of organisations.

Procurement efficiencies may also be obtained by volume negotiated agreements.

What sort of central contracts are in place?

Contracts are in place via the Value Wales framework for leased vehicles, tyres, fuel, chassis and parts.

Other bodies which may be useful are:

- National Police Improvement Agency (NPIA); and
- Blue Light - Emergency Services e-tendering.

How can professional organisations help with partnership working?

Professional organisations may have their own resources such as a website where good practice ideas and case studies can be shared.

Such professional organisations include the Freight Transport Association (FTA), Road Haulage Association (RHA) and Institute of Road Transport Engineers (IRTE).
Maintenance

Once you have procured your fleet, the next stage of the lifecycle is ensuring the fleet is properly maintained. Without a proper system to ensure maintenance takes place in a timely, professional and legal manner there is a risk that service quality may fall below the standard required.

As well as the actual maintenance work carried out on vehicles, there is a wider need to maintain robust administration of the fleet which includes controls over the use of your vehicles. It is also vital to ensure appropriate levels of driver training are maintained.

Users

What should be in place to control the use of the fleet?

It is vital that there are appropriate processes to monitor and control the use of your vehicles. If you do not have these processes in place then there is a risk of your vehicles being used inappropriately.

Drivers should be allocated to specific vehicles and information should be kept and communicated to relevant staff about who is using particular vehicles.

Keys should be provided to staff only when they book out the vehicle. This reduces the risk of vehicles and keys going missing and allows any driving offences committed to be traced back to the driver.

There should be a robust process for deciding which vehicles should be allocated to particular pieces of work. This process allows you to keep the vehicle’s mileage under control and ensure that the most appropriate type of vehicle is used.

What links are there to HR policies?

Your organisation should have an agreed policy for personal use of its vehicles which stipulates the circumstances where a vehicle can be used for personal use. You should ensure staff are made aware of this policy because if they use a vehicle inappropriately they may not be insured.

Revised corporate manslaughter legislation came in during April 2008. This means that all organisations face an unlimited fine or imprisonment of accountable officers if they are found to have caused death by gross failings in the corporate management of their duties of care.
Partnerships

Should maintenance be provided in partnership?

Maintenance provision should be reviewed regularly to see whether an in-house facility is appropriate or whether it would be better outsourced. If the service is provided in-house, the location and types of services should be regularly reviewed and rationalised where appropriate.

Having an in house facility can help provide more control and flexibility, especially if the workshop operating hours are closely linked to the vehicle operating hours so as to maximise vehicle utilisation.

In some cases the relevant skills may be better outside the organisation. This might be because it is too costly to retrain internal staff and refit the workshop in response to technological advancements.

With leased vehicles, maintenance is usually part of the contract and it will be carried out by a main dealer or authorised non-franchised garage with the driver ensuring it is up to date.

How can skills, expertise and facilities be shared?

Sharing maintenance facilities with other organisations should be considered. This may be particularly effective where one organisation has over capacity in their facilities or where specialist skills are underutilised.

During particularly busy times it might be appropriate to use outside contractors to supplement internal provision. Also, contractors may have specialist equipment or skills which may not be available in house.

Fleet managers should also benchmark the maintenance facility and keep up to date with technology by being part of a professional organisation such as the IRTE.
**Staff development and engagement**

**What sort of staff development should take place?**

Staff development should focus on ensuring that drivers and users are appropriately trained to operate the vehicles they are allocated to. This may take the form of manufacturer’s training to familiarise drivers with the vehicle, or in-house driving instructors working to ensure high standards of driving. Training should be reviewed to ensure there are enough qualified drivers to drive the vehicles in the fleet including covering for sickness and other absences.

Within the workshop environment, staff need to be trained to keep pace with technology advancements and with the specialist nature of some vehicles.

Legislative updates should be monitored by fleet managers so that they can update their knowledge and that of their staff. This may be done through fleet newsletters, individual training updates or from external experts in fleet management.

**What information needs to be exchanged between drivers and the organisation?**

Driver licences need to be checked, ideally every 12 months, to ensure staff are still licenced to drive. This can be undertaken via a visual check with a copy being retained or a service can be paid, for where licences are automatically checked and any issues (e.g. penalty points causing licences to be withdrawn) are reported.

There should be a policy in place to deal with staff that have had their driving licences endorsed.

Police checks need to be undertaken for all staff that travel with vulnerable people.

Risk assessments should also be considered for all drivers and training provided to meet any skills gaps.

Driver handbooks which contain details of driver responsibilities should be issued to drivers.
**Technology/ICT**

**How can ICT solutions assist with fleet maintenance?**

Effective ICT systems can help you manage the maintenance of your fleet. Your organisation should maintain a fleet asset register with appropriate controls put in place to ensure the register is complete and accurate. This process could be controlled by the finance department or the fleet manager but coordination between different parties is necessary to ensure everyone has the same, up-to-date information.

Fleet maintenance records and other administration records can be managed on commercial fleet management software and a number of organisations already do this on a variety of systems.

Workshops can make use of diagnostic tools to download information from vehicle engine management systems to identify faults.

**Administration**

**What are the different elements of fleet administration?**

Sound administrative processes are critical to the efficient maintenance of your fleet. These processes include:

- arranging vehicle maintenance;
- obtaining tax discs;
- managing vehicle keys;
- managing driver records;
- managing vehicle fuel cards;
- monitoring vehicle down time;
- matching up vehicle defect reports with proof of defects rectified;
- invoices; and
- recharging fleet costs to other departments where necessary.
Legislation

What is the legal document which allows a fleet to be operated and do all fleets need one?

If your organisation is operating vehicles of more than 3.5 tonnes gross plated weight, it may need to hold an O Licence.

Some vehicles are exempt from this including vehicles used for police, fire or ambulance purposes and those used for snow clearance or the distribution of salt on roads.

If an O Licence is held it is important to keep it up to date with information including a named officer, specific details of vehicles and trailers and details of the maintenance arrangements.

What are the maintenance requirements for operators with an O Licence?

Organisations holding O Licences have their vehicles inspected at agreed intervals by a vehicle inspector. Typically these inspections take place every six weeks.

If maintenance is outsourced there should be a maintenance contract in place with a service level agreement. Maintenance should be at least in line with manufacturers’ service intervals.

Cars usually need to be serviced after a period of time or number of miles agreed with the lease provider. There is a danger that the driver will not adhere to these especially in light of the corporate manslaughter legislation agreements and therefore it is important to have a system in place to prove that cars are being maintained appropriately. This system may include consideration of reports from the leasing company highlighting cars which are not being maintained at the correct intervals.

How are drivers hours recorded?

Tachographs are used in some vehicles, over 3.5 tonnes, which automatically record drivers’ hours, mileage and speed on a paper chart or a driver card. If tachographs are being used there should be a system in place to analyse charts and driver cards and follow up on any infringements.

Failure to follow the drivers' hours laws could lead to a fine and the loss of the O Licence.

Domestic hours laws are different from EU drivers' hours laws and may or may not require written records to be kept.

Analysis of tachographs can be carried out internally but a number of organisations use outside agencies to analyse their charts e.g. FTA.
Running

As well as ensuring the fleet is properly maintained, other aspects of the fleet must be managed to ensure it is running efficiently.

Running the fleet efficiently involves securing value for money on aspects such as fuel, tyres, insurance and vehicle hire. This value for money can be realised through tight controls on expenditure, effective procurement arrangements and close working arrangements with other organisations and suppliers.

Efficiencies

How is tyre usage managed?

Over £2 million per annum is spent on tyres in Welsh public sector organisations so it is important that usage is monitored closely.

Organisations should have a policy for replacement of tyres and processes need to be in place to ensure that the policy is complied with. The current legal limit is 1.6mm but many organisations set their limit at 2 or 3mms to ensure safe operation of their vehicles. The use of green tyres should also be considered which can reduce fuel consumption by up to five per cent.

Records should be kept of the reasons for tyre replacement especially if it is due to damage caused by careless driving. Drivers should check tyres regularly to ensure they are inflated to the correct pressure because if they are under inflated fuel consumption will increase. Stocks of tyres should be well controlled and monitored to ensure the correct ones are kept and in sufficient numbers.

Tyre providers can undertake 'tyre audits' on the fleet from time to time. Suppliers may also manage and store replacement tyres.

Organisations should also consider joint procurement with other bodies as well as considering national framework agreements.

How is fuel managed?

Over £33 million is spent each year on fuel in Welsh public sector organisations. Fuel usage therefore needs to be monitored and tightly controlled. Opportunities for efficiencies through fuel management programmes should be pursued where possible.
Where fuel is issued from on-site tanks a record should be kept per vehicle so that opportunities for undetected pilferage are reduced and accurate mpg figures can be calculated. Stores must also be secure.

Where fuel cards are issued, reports on fuel purchases should be provided by the fuel card company and these reports can be analysed to ensure appropriate fuel usage.

In order to reduce the fuel being used by vehicles, a fuel management programme may be introduced involving drivers training.

Organisations should also consider joint procurement with other bodies as well as considering national framework agreements.

**Are suitable breakdown/recovery arrangements in place?**

Breakdown recovery arrangements for lease cars may be specified in the terms of the lease. In this case drivers are provided with specific telephone numbers to contact in emergencies.

Breakdown and recovery arrangements for other vehicles may be between the organisation and a local recovery firm. In this instance the organisation must ensure that drivers are aware of these arrangements and are able to seek assistance quickly.

Organisations should also consider joint procurement with other bodies as well as considering national framework agreements.

**Is an appropriate level of insurance in place?**

Over £7 million is spent each year on insurance by Welsh public sector organisations.

Insurance should be subject to tender and it is important to ensure that separate departments combine their efforts in joint insurance policies if appropriate. A complete record of accidents should be kept so that discussions with insurers can take place to review claims and future premiums.

Organisations should also consider joint procurement with other bodies as well as considering national framework agreements. Some NHS trusts have insurance cover through Welsh Risk Pool arrangements.

**How do I ensure appropriate use of hire vehicles?**

Organisations may have contracts in place for hire vehicles. The use of hire vehicles should be monitored closely as this information can help determine whether the fleet size is appropriate or whether certain vehicles are unreliable and are having to be maintained more regularly.
Controls should be in place to ensure suitable vehicles are hired. Organisations should consider joint procurement with others and the national framework agreements.

**Sustainability**

**How can tyre life be extended?**

New tyres do not always have to be fitted as it may be suitable to fit retreaded or regrooved tyres. This should be discussed with tyre providers to ensure it is done safely and that appropriate use is made of these techniques. This should be formally documented in the tyre replacement policy.

**Technology/ICT**

**What ICT solutions could be considered?**

Organisations should consider using fleet management software to control vehicle maintenance, and administration. They should also maintain a fleet asset database.

Vehicle tracking systems can be used to track the exact geographical positions of vehicles and to provide information about the vehicle’s journey. Several organisations have fitted tracking devices to gritter vehicles.

Fuel management systems can record fuel issued by vehicle and provide mpg figures.

Organisations should consider the procurement of ICT solutions with other organisations and the national framework agreements.

**Legislation**

**What are the legal implications in relation to fleet management?**

The failure of adequately implementing and monitoring health and safety procedures will have serious implications for organisations including those involved in fleet management.

An organisation will be found guilty of corporate manslaughter if a person's death is caused by a gross breach in the duty of care. Individuals cannot be prosecuted under the Act but, if there is evidence that a fatality has been caused by gross negligence, individuals can be sentenced under common law.
Fleet managers are not responsible for their organisation's overall management of health and safety. However, fleet managers, as individuals can be prosecuted under various other laws including negligence manslaughter/culpable homicide and health and safety offences.

Organisations need to clearly allocate responsibility for ensuring that health and safety issues are managed and monitored adequately. Inappropriate delegation of these responsibilities will not prevent prosecution but will leave organisations vulnerable to the new offence and penalties.

The maximum penalty is an unlimited fine and guidelines suggest that this should be between 2.5 per cent and 10 per cent of annual turnover.

**How should vehicle defects be monitored?**

For O Licence holders, the legislation requires that daily vehicle checks are undertaken. Drivers should be issued with vehicle defect books and there should be an audit trail to confirm that all defects have been rectified. If defects are not reported a vehicle may become unsafe to operate.

**What indicators will demonstrate how well the fleet is being run?**

Vehicle MOT failures give an indication of how well the fleet is being maintained. Performance information such as first time pass rates along with failure rates should be collected and analysed.

If a vehicle is stopped at the roadside to be checked by a Vehicle and Operator Services Agency (VOSA) vehicle inspector and issued with a PG9 it has to be repaired as soon as is reasonably practicable. A PG9 is a serious indication of neglect and can lead to further fleet vehicles being inspected.
Disposal

The last stage of the fleet management lifecycle is vehicle disposal. This process is where an organisation removes from its fleet those vehicles that have come to the end of their contractual or operational life.

The disposal policy provides a framework to guide this process. It is important that you consider disposal arrangements several months in advance to ensure disposal and replacement arrangements are possible in the given timescale. If new vehicles are not ordered in time, the organisation may need to extend its lease which inevitably increases operating costs. Where the organisation owns the vehicle, there are several disposal methods that need to be considered. Finally, good communication between departments is essential to ensure all relevant details about the disposal of the vehicle are captured within the various administration systems.

What are the benefits of developing a robust disposal policy?

Developing a disposal policy can ensure your organisation takes a consistent approach to disposing of vehicles. It is important that staff understand and adhere to the policy. The policy should also ensure that following the disposal of a vehicle, updated information is included in the asset register, fleet database, maintenance records and fuel card details.

What methods of disposal are available?

If a vehicle is leased it will be returned to the leasing company at the end of its contractual life. If the organisation owns the vehicle, options for disposal include sale to neighbouring organisations or at auction. Auctions are used by several organisations and this method provides an opportunity to gain a fair price and save time on advertising, storing vehicles, hosting open days and managing bids. It may also be possible to remove parts and equipment from the vehicle which can be used elsewhere.

Should you consider extending a vehicle’s life?

If a vehicle coming towards its anticipated disposal date is in good condition, you should consider retaining the vehicle, extending the lease or extending its life through a transfer to less demanding work.
Examples of performance indicators
Examples of Performance Indicators

The following is a list of Key Performance Indicators (KPIs) which your organisation should be regularly reporting on. The list is not exhaustive and is for the purpose of demonstrating the types of information that should be collected.

**Fleet use**

**Vehicle downtime** – the number of days’ service lost due to maintenance and repairs. This allows organisations to focus on the reasons for an increased figure such as an increase in vehicle damage or the maintenance provider being under resourced.

**Vehicle availability** – the number of days the fleet was available for use. This can be used to provide information on availability for service demand.

**Vehicle utilisation** – this helps identify whether the fleet is too large or too small. It can also be used to help with decision making on fleet size and also to highlight issues with staff absence.

**Compliance**

**Number of accidents** – this may be used to highlight staff training requirements.

**Number of vehicle defects** – this can highlight maintenance issues or how an ageing fleet is adding to authorities’ cost. It can also be used as information for selecting new vehicles.

**Number of MOT failures or first time MOT passes** – this can be used to measure the performance of the maintenance provider.

**Operational/Environmental**

**Fuel usage – miles per gallon** – this can be used to highlight staff driving training requirements, prompt investigations on fuel pilferage problems and be used in new vehicle selection.

**Total fleet mileage** – this would prompt an investigation on why there had been an increase. Fuel typically accounts for between 20 to 30 per cent of operating costs.

‘Green indicators’ such as CO$_2$ emissions or the percentage of ‘green vehicles’ – this would inform the Fleet Management strategy in order to reduce costs, comply with regulations and support environmental policies.
**Costs**

**Maintenance cost per vehicle** – this can be used to investigate whether certain vehicles are costing more, an external maintenance provider is overcharging, and drivers are abusing vehicles and causing excessive damage.

**Tyre cost per vehicle** – this can help with investigations on whether there is excessive tyre damage or whether the right type of tyres are being fitted i.e. new tyres fitted when remoulds would suffice.

**Insurance cost per vehicle** – this can be reviewed and linked to number of accidents.

**Fuel cost per vehicle** – this can be used as part of the total cost per vehicle calculation.

**Operating or running cost per vehicle** – when split by vehicle type it may highlight vehicle services which would be better contracted out.

**Cost per kilometre or mile** – a useful measurement for vehicles operating fixed amounts of mileage to provide a specific service.
Whole life vehicle costing example
Whole Life Vehicle Costing Example

**Typical mid-range fleet hatchback**

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operated for (months)</td>
<td>48</td>
</tr>
<tr>
<td>Overall mileage (business and private)</td>
<td>80,000</td>
</tr>
<tr>
<td>Business mileage</td>
<td>40,000</td>
</tr>
<tr>
<td>MPG</td>
<td>48.0</td>
</tr>
<tr>
<td>CO₂ (g/km)</td>
<td>127</td>
</tr>
<tr>
<td>Pump price per litre (ppl)</td>
<td>£0.99</td>
</tr>
<tr>
<td>VAT – excl cost/gallon</td>
<td>£3.83</td>
</tr>
</tbody>
</table>

**Item list price**

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item list price</td>
<td>£14,900</td>
</tr>
<tr>
<td>Discount</td>
<td>5%</td>
</tr>
<tr>
<td>Invoice cost</td>
<td>£14,155</td>
</tr>
<tr>
<td>Projected residual value</td>
<td>(£3,700)</td>
</tr>
<tr>
<td>Depreciation in fleet (item 2-item 3)</td>
<td>£10,455</td>
</tr>
<tr>
<td>Funding (composite)</td>
<td>£2,250</td>
</tr>
<tr>
<td>VED/road tax</td>
<td>£400</td>
</tr>
<tr>
<td>Service maintenance and repairs</td>
<td>£2,750</td>
</tr>
<tr>
<td>Insurance</td>
<td>£2,200</td>
</tr>
<tr>
<td>Fuel (VAT excl – business miles only)</td>
<td>£3,192</td>
</tr>
<tr>
<td>Employers’ Class 1A NIC on driver’s benefit in kind charge</td>
<td>£1,008</td>
</tr>
<tr>
<td><strong>Total WLC in fleet (items 4 to 10 inclusive)</strong></td>
<td><strong>£22,475</strong></td>
</tr>
<tr>
<td>Monthly cost to business (item 11/48)</td>
<td>£448</td>
</tr>
<tr>
<td>Contract hire equivalent (items 4 to 7 inclusive/48)</td>
<td>£335</td>
</tr>
</tbody>
</table>
Grey Fleet
Grey Fleet

Introduction
Grey Fleet is the name given to vehicles that are used for business travel ‘owned or leased’ by employees. Grey fleet vehicles need to be managed carefully to ensure they are cost effective, environmentally friendly and safe. Research conducted by independent fleet consultants GFleet found that:

- The average age of grey fleet vehicles was 6.3 years, compared to company vehicles where the average age is 1.5 years.
- The proportion of grey fleet cars running on petrol versus diesel is 71 per cent compared to company cars where the proportion is 54 per cent. In general terms petrol produces more CO$_2$ than the equivalent diesel.

Older vehicles normally have higher fuel consumption, which means higher CO$_2$ emissions compared to modern cars. In addition, as the average age of grey fleet vehicles is higher, they do not always meet the same safety standards as modern company vehicles. Typically, company vehicles will meet Euro NCAP four or five star safety standards with grey fleet lagging behind.

Grey Fleet risks
Grey fleet drivers reclaim their costs for business mileage from a set mileage rate. In the public sector employees may receive an additional casual or essential car allowance. The mileage rate mostly commonly used is the Approved Mileage Allowance Payments (AMAP). This currently provides 40p per mile for the first 10,000 miles claimed and 25p thereafter for all cars.

The rates are designed to account for the cost of fuel and any other costs associated with running a car such as insurance, tax and depreciation. This may result in unnecessary mileage with employees using their cars to supplement salaries. Unnecessary mileage is costly for the employer and to the environment.

Corporate manslaughter legislation came into force in April 2008. Any company permitting employees to drive on company business will become subject to this legislation. It will become easier for companies to be prosecuted for gross negligence leading to death of employees or members of the public. This is concerning for organisations that have a grey fleet; the inherent safety or the condition of the car (e.g. bald tyres, poorly maintained brakes) may prove to be a factor in any prosecution for corporate manslaughter.

Managing the grey fleet
In order to manage grey fleet drivers, it is important to maintain accurate records for documents, including regular driving licence checks, insurance certificate that includes business use, a valid MOT and maintenance records. Also driving licence checks can now be done electronically without the need to see driving licences.

Some organisations stipulate minimum standards that grey fleet vehicles must meet. The standards can include age, emissions standards (CO$_2$ or Euro 1,2,3,4) or safety standards (Euro NCAP). When an employee’s vehicle does not meet these standards, alternatives need to be considered.
Keeping good records for mileage is important to ensure costs are measured. Often this is done through expenses but there are useful software packages available to assist with the management of the grey fleet that enable mileage to be submitted over the phone or online. In addition, document details can be stored against driver profiles assisting in the management of grey fleet drivers.

**Alternatives to grey fleet**

Daily car rental can be a cost effective way of reducing risks surrounding grey fleet. A daily mileage threshold is a good way of limiting grey fleet mileage. The threshold can be between 80 and 100 miles per day and gives a clear level over which drivers must use a daily rental vehicle. This also removes the risk surrounding the safety of drivers, as daily rental cars are generally new and regularly checked. A simple calculation can determine at what point daily rental becomes better value. The graph below shows that a business paying £28 per day for car hire would breakeven at 95 miles per day versus employees using their own car at 40p per mile.

![Graph showing breakeven point for rental cars vs private cars](image)

Pool cars also provide a way of reducing the cost and risk associated with grey fleet although these also require careful management in terms of their maintenance, cleanliness and safety. Vehicles can be selected for their fuel efficiency and exchanged on a regular basis to ensure they meet all the most up to date emission and safety standards. Other options include the use of car clubs where employees can make use of an allocated car on an hourly basis. More details at: www.carplus.org.uk. Public transport provides low CO₂ transportation while reducing the risks associated with grey fleets. To compare travel option and journey times visit the Transport Direct website: www.transportdirect.info
High-level self-assessment tool
Please click the image below to see the high-level self-assessment tool.

Directors, members, non-executives and others can use this high level tool to gain an overview of their organisation's fleet management arrangements.

**High-level self-assessment tool**

*Directors, members, non-executives and others can use this high level tool to gain an overview of their organisation’s fleet management arrangements.*

It covers the following five areas of fleet management:

1. Strategy
2. Procurement
3. Maintenance
4. Running
5. Disposal

<table>
<thead>
<tr>
<th>1. Strategy</th>
<th>Fully achieved (yes/no)</th>
<th>Action required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good practice</td>
<td>Action</td>
<td>By whom</td>
</tr>
<tr>
<td>Your organisation has a clear strategy for fleet management either within a single corporate strategy document or within a number of service plans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The needs of drivers and users are considered in setting the strategy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fleet management performance is managed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All available methods of fleet provision are considered.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a clear replacement policy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The external provision of fleet management has been considered.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental factors are considered.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The ‘grey fleet’ has been considered.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

575A2013
Detailed self-assessment tool
Please click the image below to see the detailed self-assessment tool.

Fleet managers, internal auditors and others can use this tool to carry out a detailed review of their organisation’s fleet management arrangements.

**Detailed self-assessment tool**

*Fleet managers, internal auditors and others can use this tool to carry out a detailed review of their organisation’s fleet management arrangements.*

It covers the following five areas of fleet management:

1. Strategy
2. Procurement
3. Maintenance
4. Running
5. Disposal

<table>
<thead>
<tr>
<th>1. Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue</td>
</tr>
</tbody>
</table>
| Does your organisation have a clear strategy for fleet management either within a single corporate strategy document or within a number of service plans? | The organisation has clearly considered whether it needs a fleet. If a fleet is required, there is an agreed fleet management strategy or policy which:  
• has been considered alongside other areas of asset management (such as buildings);  
• is clearly linked to the organisation’s objectives, service plans and other plans; clearly identifies the business need for the fleet;  
• considers the age and condition of the current fleet;  
• promotes joint working across departments and external bodies; and  
• is clearly linked to available revenue and capital resources; and considers environmental issues and refers to reducing carbon emissions.  
The document is clear, concise and available to all staff. The document is reviewed on an annual basis. | | | | | |

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