



Association of Fleet Professionals

Grey Fleet Vehicle Management Guide

Grey Fleet Vehicle Definition, facts and myths

Vehicles which are owned and driven by an employee and used for business purposes are called Grey Fleet. Employees therefore that use their own vehicles for work-related journeys are called grey fleet drivers and are still subject to the same duty of care requirements as any other employee with a company provided vehicle.

Grey fleet vehicles/drivers typically fall into two distinct categories

1. Cash Allowance Drivers, those drivers who get a car allowance in lieu of a company car. The government has structured the benefit in kind taxation for company car drivers to encourage them to choose low emission vehicles which is admirable. This has meant that benefit in kind tax on traditional internal combustion engine cars has been extremely penal over recent years (and only since April 2020 have those electing to take electric vehicle drivers have extremely low tax).

This policy over the last five to ten years (pre 2020) has driven a high number of drivers towards having a cash allowance instead of a company car.

Obviously, as these employees receive cash from an employer in lieu of a company car, then it is necessary to have more stringent policies and practices to what type of vehicle these drivers use on company business.

Also, Cash Allowance drivers are typically paid using the government's advisory fuel rates or the actual cost of the fuel as the

depreciation and running costs of having a car are already included within the cash allowance payment. Therefore, the employee is only reimbursed for the fuel cost associated with their business trips. <https://www.gov.uk/guidance/advisory-fuel-rates>

2. Occasional Business Travel, those drivers who use their own vehicle for occasional work-related journeys but don't receive a cash allowance. Non-cash allowance drivers typically receive a higher mileage reimbursement rate than Cash Allowance drivers to accommodate the depreciation and wear & tear to their own personal vehicle. Some Occasional Business Travel drivers don't make claim for their journey but the same rules still need to apply.

<https://www.gov.uk/government/publications/rates-and-allowances-travel-mileage-andfuel-allowances/travel-mileage-and-fuel-rates-and-allowances>.

Grey fleet vehicles are a concern to many organisations as they can be challenging from a visibility perspective and manage in terms of meeting basic duty of care responsibilities, not to mention corporate social responsibilities (CSR) in terms of the environment. Grey fleet drivers are also a concern as often they can be 'missed' from any driver compliance or driver risk processes that their employer has in place for formal Company Car Drivers.

The common misconception for many employers is that giving drivers' cash instead of a company car means that they can wash their hands of any associated liability and responsibility which is completely untrue. Employers have a legal obligation to ensure that grey fleet vehicles, and the employees that drive them are safe, fit for purpose and lawfully allowed on the road.

Companies are exposed to prosecution or third party claims if an employee driving on company business is involved in an incident and their vehicle is not in a roadworthy condition or not adequately insured with business insurance use cover. Many companies fall into the trap of letting their HR department deal with Cash Allowances, however, they typically lack the knowledge and experience of the Fleet Department in ensuring that grey fleet vehicles are safe and legal which can leave them seriously exposed.

The good news is that there is an increasing amount of ultra-low CO2 emissions vehicles becoming available that have very attractive Benefit In Kind rates which is now turning the tide on getting grey fleet drivers back into Company Cars. Many responsible organisations are proactively taking steps to encourage cash takers back into company cars and also introducing very attractive car salary sacrifice schemes.

Grey Fleet Hints

Keep your approach to managing driver risk and compliance consistent i.e. grey fleet drivers still need to have their licences checked at the same intervals as all other employees that drive for work. If you have a policy where someone can't drive a company vehicle when their endorsement points are above a certain threshold then why would you want them to drive their own vehicle on Company Business?

Keep your approach for acceptable grey fleet vehicles consistent with your company car policy which is important from a company image, environmental and safety perspective. For example;

- 5 Star Euro NCAP Rating (Adult Protection Score)
- Emit less than 130 g/km CO2 (WLTP or converted NEDC equivalent)
- Capable of seating 4 adults with 4 or 5 doors
- Vehicle age vehicle limit
- Euro 6 engine or above
- The vehicle must be appropriate for the type of use, for example an engineer who is rarely called out using a car to carry heavy kit or a salesman with large parcels.

Make sure that new starters immediately comply with your policy where possible, however, if you do have Grey Fleet drivers using vehicles on business that fall outside of your approved policy then formally agree a timescale for them to obtain a vehicle that

will comply i.e. when their existing personal contract hire vehicle is returned.

Think about what you want to achieve in terms of keeping drivers in Company Cars, you are more likely to lose visibility and potentially control of your fleet if you make it more attractive for Drivers to take Cash Allowances over a company car i.e. the Cash Allowance shouldn't give employees access to makes and models better than those to which they would be entitled as Company Car drivers. Work with HR to ensure that Cash Allowances are not being used to provide a back door to pay rises at a time of salary freezes as this will drive people out of taking a Company Car for the wrong reasons.

Create an easy path for Cash Allowance to return to your company car scheme, for example enable eligible Grey Fleet drivers to join/re-join the Company Car scheme without penalty or unnecessary bureaucracy.

Enabling drivers without a Cash Allowance to use their own vehicle for Occasional Business Travel should be a last resort as its more difficult policing compliance for their personal vehicles. Options to use a pool car, a company car, a hire car or take reasonable alternative methods of transport should be exhausted before authorisation to use a private vehicle is permitted.

It is good practice to put an annual upper mileage limit on Occasional Business Travel drivers. Typically, most companies set up an upper limit for acceptable occasional business travel at no more than 1,000 miles per year. More than that, and the employee should be considered for the Company Car or Cash Allowance schemes. Personal vehicle usage should be a last resort and not the norm.

It is good practice to cap the mileage reimbursement rates against the advisory fuel rates for cash allowance vehicles, for example it's the drivers' choice whether they choose to have a vehicle engine size greater than 2000cc but it shouldn't be at the expense of your company not to mention the environment.

Add Grey Fleet vehicles' insurance, MoT, RFL, safety recalls and service schedules to any software you use to capture and manage your Grey Fleet. This can allow notifications and alerts when renewals are due and to serve as a prompt to check that the driver has undertaken the required action.

Investigate in more detail vehicles that fail their MoT at the first attempt - are they really business roadworthy /appropriate even after the rectification work?

Some fleets have considered extending their corporate fleet insurance policy to cover

cash allowance vehicles, guaranteeing full business cover. This will be a benefit in kind for Grey Fleet drivers, but it gives employers full confidence that all employees who drive for business have appropriate cover.

If you have tracking fitted to your company vehicles then consider the objectives that you are trying to achieve which will certainly include safety factors. Typically you lose this control and visibility with Grey Fleet or rental vehicles.

Encourage drivers to having tracking on their vehicles from an insurance cost reduction perspective. There are many driver/ vehicle monitoring phone apps available on the market today that give similar functionality and data to traditional black box hardware. These are likely to be more attractive and easier to adopt within your cash allowance and grey fleet driver populations.

The full cost of running a vehicle, including insurance, tyres, maintenance, scheduled servicing and VED quickly escalates for higher mileage vehicles. This increases the risk of non-roadworthy vehicles being driven as employees may look to avoid necessary SMR expenditure. Consider adding a business mileage threshold for Cash Allowance drivers between 8,000 – 12,000 miles per annum to mitigate this risk.

Some Fleets are introducing initiatives such as having a Green Travel/ Mobility Allowance which can be taken in place of a cash allowance or company car where one of the following applies:

- An employee always uses public transport or a bicycle for their journey to work, or walks to work
- An employee doesn't hold a valid driving licence
- An employee doesn't own a vehicle, but uses a short-term hire Smart Car / City Car scheme that meets your definition of a green car
- Travel costs associated with travel to a location other than their normal place of work that would have been allowable had the employee been in receipt of a company car/car allowance (i.e. train / plane / tube / taxi where applicable) may be claimed. Business travel on public transport must be by the most economical means available, subject to operational requirements.

Having a Green Travel / Mobility Allowance normally excludes:

- Driving to work, with a private car apart

from Smart Car/ City Car Scheme

- Claiming mileage / expenses for a private car
- Receipt of another existing travel allowance (with the exception of the London & South East Travel Allowance).

Policy considerations

Employees who receive a car allowance and/or use their personal vehicle for any business travel must provide the following evidence to the Fleet Manager prior to using their vehicle. The provision of this evidence should also be the trigger for the employee to become eligible for receiving a car allowance and mileage reimbursements. Evidence is typically provided at least on an annual basis and/or when there is a change in circumstance, i.e. when the employee has a new vehicle

- Certificate of motor insurance, valid for business use.
- Valid MOT certificate, if applicable
- Road Fund Licence (RFL)
- Original driver's licence
- Any other documentation reasonably required.

The DVSA provides a useful vehicle look-up tool, linked directly to their database, which can be used to provide evidence of an employee's vehicle MOT and RFL status. This can be used in lieu of a physical MOT test certificate and/or RFL tax confirmation.

Online driving licence checks are the most robust way to validate driving licences and if a non-UK licence then DVLA paper based checks to see if any convictions exist. Also viewing of non-UK cards is essential to ensure the licence if EU was not exchanged for a country that we do not recognise for automatic full licence. For example, Pass test in Brazil, move to Portugal and exchange for EU licence which won't be recognised as a full licence in the UK.

Carry out random monthly audits to check insurance policies have not changed and still include business cover, and if you do not check licences electronically via an automated process to encourage drivers to report any points on their licences.

It is the responsibility of the employee to ensure that their private car is fully compliant with the law, is operated safely and is appropriately maintained in line with the manufacturer's guidelines and this is irrespective of the method of funding for the

vehicle. Ensure your employees are aware of their own responsibilities in relation to the vehicle they use for work purposes.

It is also the employer's responsibility to a lesser extent as they cause or permit the person to drive the vehicle for business. So, it is imperative that the drivers are aware that they should be undertaking and confirming vehicle checks as well as random spot checks by the company.

If you haven't got up to date information from a Grey Fleet driver then they should not be able to drive their personal vehicle for business purposes and their Cash Allowance and/or Mileage Reimbursement payments should be suspended.

Claims for business mileage should ONLY be reimbursed once the employee has submitted a valid VAT receipt covering the mileage subject to the claim. This must be dated on, or before (near to) the date of travel. This will enable your business to claim the VAT back on the fuel portion of the mileage expense.

Typically, Employees taking the cash allowance should not be eligible to use pool cars or hire cars unless they are in a different country for example and must generally make their own travel arrangements if their private car is not available.

Driver communications and engagement

Be clear and transparent regarding the importance of having robust fleet policies and why they need to be in place. It's a lot easier getting compliance from drivers when they understand and are bought into what you are trying to achieve. Ensure all your business drivers agree to and sign the company fleet policy - this should be held on file.

Educate your drivers on what constitutes a Grey Fleet vehicle and what constitutes a business journey.

Understanding will greatly help compliance and engagement.

Make your obligations clear regarding duty of care and corporate social responsibilities (CSR), in terms of the environment.

Share statistics, such as your company's carbon footprint and your objectives for reducing this.

Make sure that they understand that it's the employees' responsibility to ensure that their private car is fully compliant with the law, is operated safely and is appropriately maintained in line with the manufacturer's guidelines and this irrespective of the method of funding the vehicle.

Car allowances are typically paid as part of an employees' salary via payroll and is subject to normal statutory deductions, however, it should be made clear to the driver that Car Allowances do not count for pension calculation purposes.

Make it clear that Car Allowance payments are contingent on the Employees complying with your policy and non-compliance will result in suspension of payments and mileage reimbursements.

Employees may be able to claim Mileage Tax Relief on their business mileage claims where the mileage rates claimed are less than the Approved Mileage Allowance Payments (AMAP) published by HMRC (<https://www.gov.uk/guidance/advisory-fuel-rates>). This can be done via a P87 claim form from HMRC or on the employees' self-assessment tax return, if they complete one. Employees should make their own arrangements with HMRC to claim Mileage Tax Relief and the Company has no liability or responsibility whatsoever in this regard.

Carefully explain to employees the full cost of ensuring that their vehicle is roadworthy, including insurance, tyres, servicing, repairs and VED. Higher mileage drivers (25,000+ business and private) will soon find that SMR costs escalate, increasing the risk of un-roadworthiness, due to employees avoiding necessary SMR expenditure.



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