

# CBS perspective

## Meet the Team

The Senior Management Team at CBS - (L to R) Martin Maguire, Neil Davies, Paul Taylor, and Gerry O'Neill.



**CBS continue to strengthen their team in response to the service requirements of a growing client base. In this issue, we introduce our senior management team.**

**Dennis Studholme, Chairman.**

Until recently, Dennis was the Managing Director of First National Vehicle Holdings (part of Abbey National plc). As a prominent figure in the automotive workplace finance market, Dennis brings the accumulation of his substantial experience to this, his latest commercial venture.

**Martin Maguire, Managing Director.**

Martin originally trained at KPMG and is widely recognised as a leading UK authority on structured car schemes. Martin has worked with some of the UK's largest fleets, including high profile organisations within the technology, pharmaceutical, banking, utility, manufacturing, construction and insurance sectors.

**Gerry O'Neill, Commercial Director.**

Gerry is responsible for the development of CBS's growth strategy and the management of the supporting infrastructure. Gerry has performed in a number of senior management positions within the fleet sector and his responsibilities encompass both sales and support functions.

**Neil Davies, Technical Director.**

Neil is an accountant and has extensive experience of working within large corporates and professional environments. Neil has been working in a consultancy role for the past seven years during which time he was pivotal in the implementation of a number of structured Car Ownership Schemes for blue-chip corporates. Neil's experience

includes project management, systems development, financial control, tax and legal compliance and solution design.

**Paul Taylor, Principal Consultant.**

Paul qualified as an accountant whilst working for a leading tax and audit practice. Paul's role involves the development and implementation of bespoke innovative solutions. ■■■

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**CBS's new website is launched in July, celebrating their first year of trading.**

Visit us at [www.carbenefitsolutions.co.uk](http://www.carbenefitsolutions.co.uk) to find out more about CBS, their people, solutions and services.

News Alert...News Alert...News Alert

### Managing Directors Viewpoint



"Vehicle provision in the workplace continues to offer considerable human resource and financial challenges to employers in the UK labour market. With changing legislation and an evolving tax climate, it is clear that complacency in this environment can only lead to escalating costs and the potential for employee dissatisfaction. CBS is an organisation devoted to the development

of cost effective strategies to maximise the perceived value of car benefit for employees whilst minimising the provision cost to the employer. To this end, our approach continues to be solution led with the development of bespoke arrangements designed to address client specific needs."

Martin Maguire, Managing Director

# Topical Issues



## Payment Methods

CBS have developed arrangements to reduce the number of payroll transactions to an absolute minimum. If required, the vast majority of payroll transactions can be removed through the introduction of collections by Direct Debit from employees and direct business-to-business settlement of vehicle related transactions - a service that CBS can offer and manage.

## Flexible Loans

CBS have developed loan structures that incorporate the whole car benefit package including maintenance, motor insurance, early termination insurance and even the provision of cash allowances to those employees making their own arrangements. This further reduces the number of documents required to operate this type of structured scheme.

## Contract Extensions

An additional area of historic frustration for CBS's clients arises at the end of the Credit Sale Agreement term when the replacement vehicle is not available for delivery. Historically, this required the existing car to be refinanced for a further period if P11D implications were to be avoided. CBS have recently developed loan structures whereby the term can be easily extended if required with the minimum of administration.

## Health Checks

Car Ownership Schemes have been in operation in the UK since 1993. Since then, there have been many changes in the environment in which such schemes operate including changes to the basis of company car and private fuel Scale Charges, the introduction of AMAP into statute and the balance sheet reporting status of Credit Sale Agreements within finance companies.

CBS have developed a Health Check programme for Schemes that examines compliance status in respect of with the relevant tax, consumer, employee, employer and insurance legislation and makes recommendations as to how further financial and administration efficiencies could be realised.

For companies in today's economic environment, a Health Check can offer both the peace of mind of legislative compliance and the ability to refresh your schemes design to realise additional economies.

**To find out how CBS can add value to your organisation call us on: 0870 751 9872 to see how we can help.**

**In the current economic climate, a number of important issues face employers concerning structured car schemes. At CBS, we have highlighted some of these concerns in the next section. Should you require further information on any of these please contact Sinéad Sopala on 0161 447 8998.**

## Balance Sheet Reporting

In the current audit environment, it is becoming commonplace for auditors to question the normal accounting treatment applied to Credit Sale Agreements that feature a Guaranteed Residual Value.

This is an issue particularly relevant to employers who fund and manage their own scheme internally via a dedicated finance company.

Historically, Credit Sale Agreements have been accounted for as Finance Leases and not Operating Leases. As a consequence, they are treated as a loan and not a fixed asset on the balance sheet of the provider/employer.

The crux of the issue is that under Statement of Standard Accounting Practice (SSAP) 21, Credit Sale Agreements do not meet the definition of a Finance Lease. With this in mind, the current audit trend is to require the restatement of all Credit Sale Agreements as Operating Leases. This can be undesirable for both administrative and financial reporting reasons.

CBS have recently developed a solution to this contemporary issue and are currently in the process of implementing it in one of the UK's largest schemes. The solution also dovetails into a mechanism that mitigates end of contract secondary tax costs arising from supported Early Termination and/or Excess Mileage charges.

## Interest Free Loans (IFLs)

The inclusion of Interest Free Loans (IFLs) as a refundable deposit in the architecture of a Car Ownership Scheme can provide employers with tax efficiencies within full compliance of UK legislation. However, there has traditionally been a

conflict between an externally funded Car Ownership Scheme and the balance sheet status of these loans.

CBS have developed an alternative funding mechanism which reduces the finance costs suffered by the employer in providing these loans. The enhanced architecture also ensures compliance with Financial Reporting Standard (FRS) 5. There is no balance sheet presence in respect of the IFLs under the CBS methodology.

In addition, the employer also experiences a beneficial cash-flow surrounding the payment of finance charges.

## Administrative Alternatives

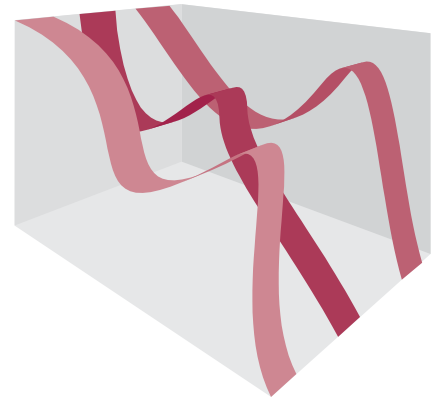
A criticism often levied against structured Car Ownership Schemes is the amount of administration required to operate the scheme on behalf of the employer. It is CBS's opinion that the amount of administration required should be no more than that required to operate an equivalent company car scheme. In reality, this could even be less since the introduction of the CO<sub>2</sub> emissions based Scale Charge climate.

In recognition of the fact that many organisations desire to remove this burden, CBS have developed a number of solutions targeted at reducing administration to an absolute minimum.

## Business Mileage Collection

An essential component of Car Ownership Scheme efficiencies is the collection of business mileage information for Approved Mileage Allowance Payments (AMAP) reporting purposes. CBS have developed methods of collecting business mileage information which significantly reduce administration including the use of email, the internet and SMS text messaging.

# CBS Poll



In each issue of the CBS Perspective we will be posing a topical question and asking for your opinion. This issues question.....

Which of the following is of primary concern in designing a car policy :-

- Provision Cost
- Cost of change
- Employee Satisfaction
- Administration
- Quality of Supplier

Register your opinion by contacting [mail@carbenefitsolutions.co.uk](mailto:mail@carbenefitsolutions.co.uk). and put your answer in the subject line. The results of this poll will feature in the next edition of CBS Perspective. Remember, your opinion counts!

## ask the expert

If you have a question you would like to ask our experts, please send your questions to [mail@carbenefitsolutions.co.uk](mailto:mail@carbenefitsolutions.co.uk).

This issues questions include;

**Q** *I've got private fuel benefit and travel an average of 10,000 private miles a year. My non-Euro 4 compliant diesel company car has a CO<sub>2</sub> emission of 155g/km and I am a 40% tax-payer. Should I retain this benefit for 2003/04 or hand back my fuel card?*

**A** From 6th April 2003, the basis of calculating your personal tax liability for receiving private fuel changed (these changes only apply if you drive a company car).

Previously, your taxable benefit was linked to the engine size and fuel type of your company car, whereas currently the charge will be calculated as £14,400 x the appropriate CO<sub>2</sub> Scale Charge percentage of your company car.

The workings below should help you decide whether you would want to retain your benefit or not:

Annual amount of tax paid (2003/04)  
**£14,400 x 18% x 40% = £1036.80**

Annual cost of fuel drawn for private use (assuming fuel cost of £3.64 per gallon / £0.80 per litre and a consumption figure of 45 mpg)

**(£3.64/45) x 10,000 = £808.88**

On financial grounds, the tax cost you will suffer will be higher than the cost of the fuel you draw.

In this example, if you had travelled 12,818 private miles per year, the cost of the private fuel would equal that of the tax liability. This is therefore the effective 'break-even' private mileage.

What this means for your circumstances, private fuel benefit is actually a cost equivalent to:-

**£1,036.80 - £808.88 = £227.92 PA**

Surrendering the benefit would effectively save you this amount. (2003/04 is the first year you can do this on a pro-rata basis.)

Should you decide against retaining the benefit, it may be feasible to do without the need to surrender your fuel card.

**Q** *We already have a COS scheme but feel it could be operated more efficiently. Can you suggest how we can create improvements to our current scheme?*

**A** Since CBS was formed in July 2002, we have invested considerable time and effort in developing new solutions which now generate increased efficiencies in this arena, both in terms of financial and administrative savings.

These solutions concentrate on the following area's of scheme architecture:

- Early Termination
- Interest Free Loan Funding
- Agreement Extensions
- Tailored Loan Structures
- Flexible Repayments
- Balance Sheet Reporting

CBS consultants are experienced in assessing existing schemes, then developing and implementing enhanced solutions to improve current arrangements.

CBS have recently conducted 'Health Checks' on the UK's two largest self-funded Car Ownership Schemes. The

resultant recommendations are now in the design and implementation stage.

**Q** *My company has recently undergone a merger. We have increased our car fleet from 180 vehicles to 750 vehicles overnight. How can I cope?*

**A** Merging two existing operational car fleets is indeed challenging and can be fraught with complexity if policies differ. Firstly, it is critical not to rush things and only make carefully considered decisions otherwise the results could be expensive and employee morale could be adversely affected (don't forget that the majority of employees regard a car benefit as the most important element of their benefits package after salary!).

The primary objective in this circumstance should be to establish control of the current situation. It is recommended that you document the operation of the current fleets and their respective policies. In addition, you could use this opportunity to harmonise or even improve commercial terms across the combined fleets. Project Management is a key discipline that should be deployed throughout the process.

CBS would recommend that you recruit external assistance to facilitate the change process. It is important that you use this opportunity to lever your enhanced procurement potential and ensure that your selected supplier's support your preferences and do not manipulate you in to accepting their standard products.

Depending on how much you wish to outsource your arrangements, you are likely to want to merge the management of your policy onto a single IT platform. This again needs to be properly planned and executed carefully if a new fleet management system is to cope with the additional volumes. ■■■

# Car Ownership Bulletin Board

This year's budget was full of important issues concerning you and your fleet. CBS have highlighted a few pertinent considerations for our Bulletin Board.



## Company car CO<sub>2</sub> taxation

It was announced that a new lower level of emissions for the minimum company car tax charge in 2005/06 is to be put in place. The level of CO<sub>2</sub> emissions qualifying for the minimum charge in 2005/06 will be reduced by 5g/km to 140g/km. There was no indication given for the level beyond this tax year.

## Fuel Scale Charge benefit charges confirmed

Like car benefit, the private fuel Scale Charge will be based on the level of CO<sub>2</sub> emissions of the car, with the same 3% surcharge for diesels not meeting Euro IV standards and reductions for alternatively fuelled and hybrid cars. Also, like car benefit, the percentages for petrol and diesel range from a minimum of 15% to a maximum of 35%.

## Vehicle Excise Duty (VED)

The most environmentally friendly cars - with carbon dioxide emissions below 100g/km will now pay as little

as £55 per annum for road tax and be put in a new 'AAA' band.

## Fuel duty

Due to the recent volatility in oil prices, the Chancellor announced that the Government is deferring the annual rise in road fuel duties until October 1st 2003.

## NIC tax increase hits Economic Family

The increase in NIC has affected both employers and employees and could force companies to rethink their fleet policies to cope with the changes. For employers it means an increase of 1% (11.8% to 12.8% Class 1A NIC). In relative terms, this translates to the equivalent of an 8.5% uplift in the tax burden, all other things remaining equal.

*Three months on....how has the Budget affected you? Let us know at:*

[mail@carbenefitsolutions.co.uk](mailto:mail@carbenefitsolutions.co.uk) ■■■

## CBS Clinics

Over the coming months, CBS will be hosting a number of clinics across the country delivering important information on COS developments and innovation in the workplace automotive finance market.

If you would like to attend one of these clinics or would like CBS to host one purely for you organisation please contact Sinéad Sopala on 0161 447 8998. Alternatively send an email request to: [ssopala@carbenefitsolutions.co.uk](mailto:ssopala@carbenefitsolutions.co.uk) with details of your fleet size and dates when you would like us to visit. ■■■

## Next Edition

The next edition of the CBS Perspective will be available in October 2003.

If you would like to submit a question or discussion topics please send them to us at [mail@carbenefitsolutions.co.uk](mailto:mail@carbenefitsolutions.co.uk).

You will find the result of our CBS Poll in the next edition and on our website at [www.carbenefitsolutions.co.uk](http://www.carbenefitsolutions.co.uk).