



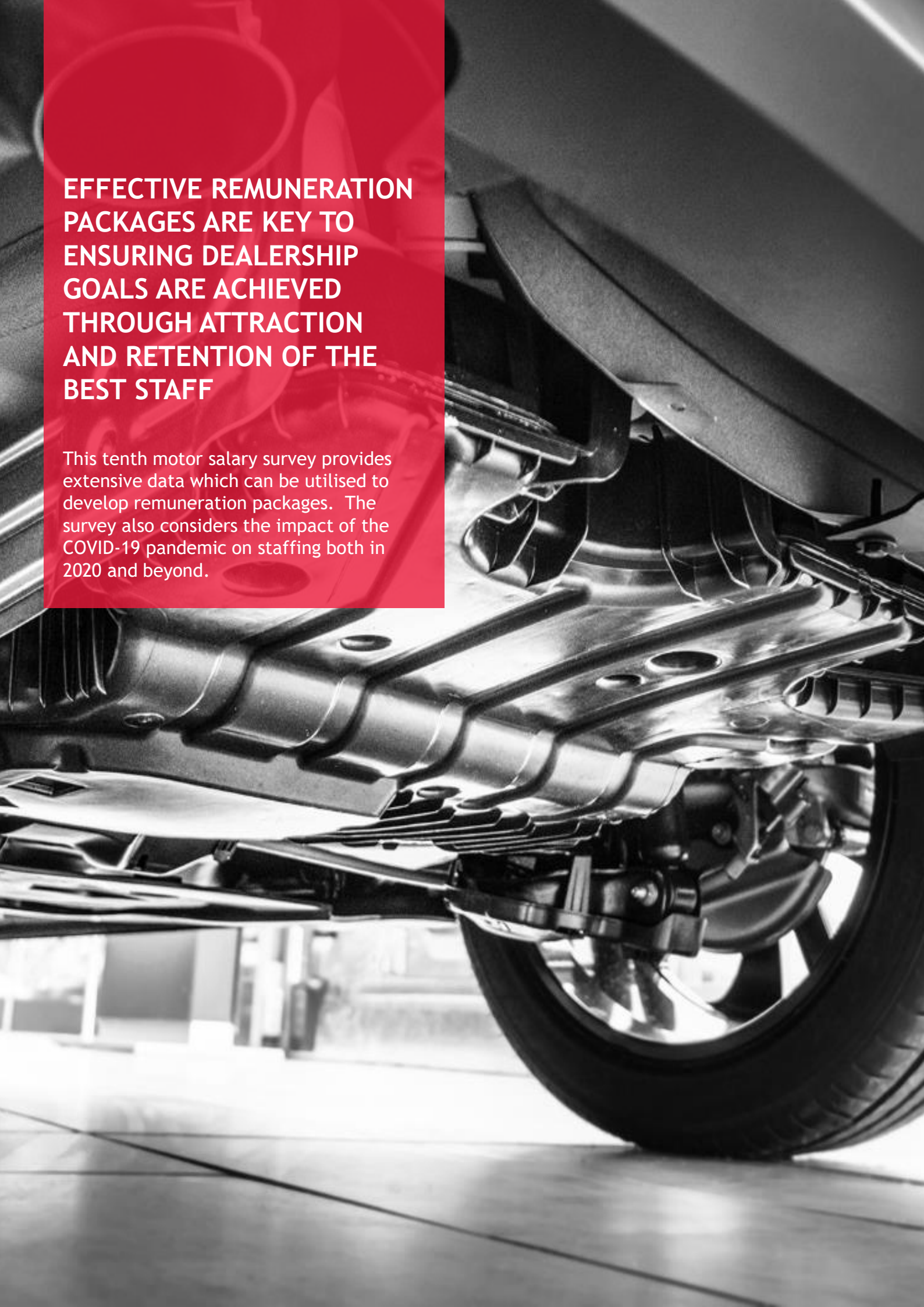
BDO - MOTOR RETAIL

MOTOR SALARY SURVEY 2020

Issued for: SUMMARY VERSION - Full version available to participants only

IDEAS | PEOPLE | TRUST

BDO

A black and white photograph showing the undercarriage of a car, including the chassis, suspension, and rear wheel. The image is partially obscured by a red overlay on the left side.

**EFFECTIVE REMUNERATION
PACKAGES ARE KEY TO
ENSURING DEALERSHIP
GOALS ARE ACHIEVED
THROUGH ATTRACTION
AND RETENTION OF THE
BEST STAFF**

This tenth motor salary survey provides extensive data which can be utilised to develop remuneration packages. The survey also considers the impact of the COVID-19 pandemic on staffing both in 2020 and beyond.

THE BDO MOTOR SALARY SURVEY 2020 PROVIDES COMPREHENSIVE REMUNERATION DATA WHICH WILL PROVIDE FOR MEANINGFUL COMPARISON

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All positions			
Managing Director / CEO		New - Fleet Sales Manager	
Dealer Principal		New - Retail Salesman	
Finance Director		New - Fleet Salesman	
Finance & Insurance Manager		Used - Manager	
HR Director/Manager		Used - Salesman	
IT Director/Manager		Used - Stock Buyer	
Marketing Director/Manager		Parts - Manager	
Clerical - Dealer Accountant		Parts - Assistant Manager	
Clerical - Assistant Accountant		Parts - Store Person	
Clerical - Sales Administrator		Parts - Delivery Driver	
New - Retail Sales Manager		Service - Manager	
		Service - Assistant Manager	
		Service - Adviser	
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		Service - Technician - 1 yr	11
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88%

AVERAGE PROPORTION OF DEALERSHIP EMPLOYEES PLACED ON FURLOUGH IN APRIL DURING THE LOCKDOWN

INTRODUCTION

Welcome to the 2020 Motor Salary Survey

This is the 10th BDO Motor Salary Survey to be conducted across the UK, and includes many legal entities that together operate 300 dealership sites. Approximately 78% of entities who took part in the survey are in the 'BDO Motor 150' group. The participating entities ranged from single site dealership companies to large dealership groups. The remuneration details obtained cover 29 dealership positions. In addition this year, in response to the COVID-19 pandemic, we asked respondents to complete a questionnaire around their response to the pandemic and the impact on staffing and working practices.

During 2019, given the trading conditions, it is not surprising that average pay continued to fall for a second year running, in particular driven by lower levels of commissions and other incentives paid to employees. This led to a decrease in the average pay of 1%. When management positions are excluded the average remuneration package fell from £40k in 2019 to £39k in 2020. Within this fall the level of basic pay increased by 3% but incentivised pay fell by 11%. However, as the industry started 2020 it could not be foreseen what was to come.

The impact of COVID-19

In response to our questions on the impact of the pandemic we found that at least 80% of those working in the industry were put on furlough, with the majority still utilising the Job Retention Scheme well into the summer. The Government support allowed dealer groups to react to the 'new normal' and deal with the uncertainty caused by the Spring lockdown. But what are the medium and longer term effects of the pandemic when it comes to staffing and remuneration?

Since the first lockdown the return to trading has been strong across the sector which has aided dealer groups as they seek to embed new ways of working and add further resilience to their business models in the face of this 'new reality'. For over half the respondents this has meant further investment in automating processes that were previously done manually, leading to some having to invest in new technology as a result. It has also driven more than eight in 10 dealers to make more use of digital channels, speeding up a change that was already very much underway.

The impact on staff is far-reaching. Three quarters of respondents were now allowing greater flexibility in working patterns but half of employees are facing a freeze on pay increases and some even having to take pay cuts. The impact of efforts to automate more processes and rely further on digital sales channels is also likely to

impact on staff numbers. Over half the dealer groups who participated said they expect to employ fewer people going forwards with the majority expecting to reduce headcount by around 10%.

The strong return to trade from June onwards has shown many dealer groups that they can trade effectively with a lower staff base. Additionally the shift towards a more digital sales process continues to call into question the 'traditional' role of sales people. It will be interesting to see if we start seeing a shift towards higher basic pay and lower commission structures as groups continue putting greater focus on their online presence, potentially meaning less need for commission-based salespeople to 'make the sale'.

No doubt there are further twists and turns to come with England entering a second period of national lockdown. However, the pandemic thus far has shown the resilience of the motor industry and also forced many groups to adapt. It will be important for all groups to continue that resilience alongside anticipating what might come next and embracing the changes that will follow.

Despite the COVID-19 pandemic and the uncertainty this brings this survey continues to provide the following benefits:

Better informed - with this indicative market information you will be more informed and confident your remuneration plans are comparable to the market

Increased productivity - where you can demonstrate to your employees that their remuneration is consistent with the market there is typically greater staff retention, better morale and increased levels of productivity

Increased profitability - where you can increase productivity at more competitive rates, profitability is sure to increase.

We would like to thank those dealers who have invested the time to participate in this survey. Without your support the survey would not have been possible.

STEVE LE BAS
Partner, Head of Motor Retail, BDO LLP



↓ 1%

AVERAGE YEAR ON YEAR DECREASE IN PAY (WHEN EXCLUDING MANAGEMENT POSITIONS) ACROSS THE UK

FINDINGS

Results of the 2020 Motor Salary Survey

Employee costs continue to be the largest expense in any dealership, accounting for a significant percent of gross profit, and with market pressures on margins, expense management is critical to sustained profitability. We continue to believe this survey will prove a useful tool in the management of employee costs, by enabling management to evaluate their costs against national averages and those entities within their turnover segment. We are aware of many entities that have started to use this as an internal benchmarking tool.

The ability of businesses to offer appropriate remuneration packages and structures is essential to dealerships if they are to sustain competitive advantage and achieve growth.

Three key themes have been seen this year:

- ▶ The movement across each department was mixed but together showed little movement in employee costs year on year
- ▶ Fall in pay has been significantly affected by lower average incentives (commission) with basic pay increasing slightly
- ▶ The biggest increases have been seen in management level pay, which had seen a fall in the previous year

The average base salary for all positions surveyed was £39,755 (2019: £36,035), with a further £13,047 (2018: £15,259) receivable in commissions and benefits. This demonstrates the impact on incentives across many positions with an increase in basic salaries but a large fall in incentivised pay. For all 29 positions surveyed, the average payroll profile comprises a commissions element, therefore supporting the necessity to appropriately structure bonus and commission packages, however over the last few years this incentivised element has reduced as a proportion of the overall package, in part reflecting the tougher trading conditions but also a move amongst some dealer groups to move towards a higher rate of basic pay with lower levels of commissions.

Unsurprisingly, given the responsibility and complexity of their roles, the remuneration packages for the key executives continue to be the highest of all the positions. In the previous year they had suffered a sizeable downturn, however overall they have increased on the previous year.

The average total remuneration was as follows:

	2020	2019	2018
Managing director / CEO	£273k	£211k	£247k
Finance Director	£163k	£178k	£151k
Dealer Principal	£100k	£97k	£111k

Data for each department continues to be a more relevant metric when considering remuneration packages, and is free from the effects of large changes in management pay. The headline data for each departments is:

	2020	2019	% change
Vehicles	£56,000	£57,000	-2%
Parts	£28,000	£27,500	2%
Service	£31,500	£32,750	-4%
Administration	£31,000	£30,500	2%

As noted above there have been a small across the board however the overall picture is of some consistency. This very much reflects the performance of the industry when compared with the previous year, with both years bringing challenging trading conditions after a number of years of growth.

As expected the average remuneration of employees in businesses with turnover of less than £100m was less than that of the larger businesses with the effect most greatly felt in the management roles.

The average number of hours worked by an employee per week was consistent, being approximately 41 hours (2019: 41 hours). In addition, employees receive an average holiday entitlement of 24 days (2019: 24 days), 55% of employees receive car benefits (2019: 42%) with 90% of employees receiving other benefits (2019: 69%). The proportion of employees paying into a pension scheme has remained high at 90% (2019: 94%), with the impact of auto-enrolment fully realised.

COVID Caveat

As we have stated a lot has changed which is not reflected in the historic data analysed. There is no doubt there will continuing uncertainty in the months and possible years ahead and keeping staff morale and motivation high throughout this time will be key.

31%

OF QUESTIONNAIRE
RESPONDENTS EXPECT TO
KEEP REMOTE WORKING
PRACTICES PUT IN PLACE
DURING THE PANDEMIC GOING
FORWARDS

HOT TOPICS

Employment Tax is an area of focus with changes to existing legislation and ongoing support provided to businesses through the Job Retention Scheme

Whilst HMRC and the Treasury have had to move focus from implementing new legislation and reforms in April 2020, the continued shifting landscape due to COVID-19 has also resulted in changes to priorities of compliance and enquiries from HMRC.

Job Retention Scheme update

The Government announced on 5 November 2020 that the Coronavirus Job Retention Scheme (CJRS) would be extended until 31 March 2021.

This announcement allows businesses that continue to be or will now be impacted by COVID-19 to claim for wages of employees that have had to be furloughed. A review of the scheme will also be undertaken in January 2021.

As with the existing scheme, employers will be able to make use of flexi-furlough arrangements and will be required to bear the cost of Employers National Insurance contributions and pension contributions.

As a result of this extension, the Job Retention Bonus will be delayed.

HMRC have started the process to enquire into claims made through CJRS. Typically the enquiries are checking that claims made were correct and that the employer also met the requirements in order to receive the grant. Common mistakes made include incorrectly identifying the reference pay due to employees receiving variable pay, including amounts relating to salary sacrifice within claims and claiming for employees that have returned from furlough. Employers that have made errors or did not qualify to receive a grant that have not advised HMRC prior to an enquiry, could be penalised by HMRC for up to 100% of the grant that was over-claimed or not entitled to receive. It is therefore important that employers are satisfied that any CJRS grants received were correctly claimed and received.

Off Payroll Labour

HMRC announced in March 2020 that the planned reforms to the rules around off payroll labour in the private sector would be delayed until 6 April 2021. The reform focuses on medium and large sized businesses that engage with individuals supplying their services through an intermediary, such as a personal service company (PSC), a partnership or LLP.

Under the new rules the responsibility to review the employment status of any individuals engaged through a PSC will sit with the “End User” i.e. the company benefiting from the personal services of the individual. The engaging company will need to determine if any individuals working through PSCs would be considered employees if their PSC was not in place. If this is the case, the company will be required to communicate their Status Determination to the worker and the entity with which it has engaged. The “Fee Payer” i.e. the entity paying the worker’s PSC will then be required to deduct tax and NIC from any fees paid to the PSC. It is expected that in the majority of cases, PAYE will be operated using code OT M1, meaning no personal allowance will be applied.

In anticipation of the change in rules, businesses impacted by these changes should start to now look at what changes are required to manage your PAYE compliance effectively and efficiently.

Termination payments

HMRC implemented changes to align the NIC treatment of termination payments from 6 April 2020. This means a Class 1A NIC liability will be payable on any part of a termination payment that is liable to income tax and not otherwise subject to NIC. This new rule aligns the NIC treatment with the income tax rules for these types of payments. The tax and NIC liability arising will not be reported and collected via the annual P11D(b) process, but will instead be collected via the PAYE Real Time Information (RTI) payroll process.

Key takeaway

The current economic climate and the impact of COVID-19 has changed the way in which we work, how businesses plan for the short and medium term and has put focus on how companies need to be quick to adapt and respond to changes overnight.

However, with these changes and uncertainty, it is clear that employers still need to be mindful of being compliant with HMRC requirements as there continues to be scrutiny around all areas of tax.



9 years

ACROSS THE UK THE AVERAGE LENGTH OF SERVICE AT A DEALERSHIP IS 7 YEARS (2019: 7 YEARS) DEMONSTRATING CONTINUED COMMITMENT

EMPLOYEE REWARD AND RETENTION

The current economic climate makes staff morale and staff reward key in maintaining a successful business

Whilst businesses have been impacted by COVID-19, employers are focusing on staff morale and recognition. The provision of benefits or other incentives will improve loyalty and staff morale. This in turn will lead to reduced staff turnover.

Below, we have suggested areas where benefits and incentives can be provided in a cost-effective manner.

Working from home

With the Government again instructing people to “work from home if they can”, many administrative roles within dealerships are likely to become home-based for the foreseeable future.

Employees are able to claim tax relief of £6 per week (£4 prior to 6 April 2020) where they are required to work from home. This relief is available to employees without the need to provide evidence and helps to cover some of the additional costs they incur whilst working from home such as heating, metered water bills, home contents insurance, etc.

Tax relief can be claimed even if employees only work from home for part of the week and provides tax savings of up to £1.20 per week for basic rate taxpayers. This does not cover periods when employees were on furlough or if they actively choose to work from home when not being instructed/encouraged to do so.

Claims can be made by employees through HMRC's portal at www.gov.uk/tax-relief-for-employees/working-at-home.

Where employees require and purchase additional equipment to aid them to work from home, legislation was introduced on 11 June 2020 to allow the reimbursement of certain expenses to be exempt from tax and NIC.

The temporary measure applies for the reimbursement of equipment required by employees where it was provided between 16 March 2020 to 5 April 2021 and is:

- Provided for the sole purpose of enabling homeworking as a result of COVID-19; and
- Would have been exempt if provided directly by the employer.

HMRC have also advised that any private use of equipment should not be significant and any exemption is conditional on this benefit being made available to all employees that need to work from home.

Salary exchange

Using salary exchange arrangements, employees agree to give up a proportion of their annual salary in return for a non-cash benefit. The reduction in salary results in a saving of income tax and National Insurance contributions (NIC) for both the employee and employer where certain non-cash benefits are received, these being pension contributions, cycle to work, workplace nurseries and childcare vouchers (for employees enrolled before 4 October 2018) since April 2017.

Pension contributions

Saving for retirement is something that we all should be thinking about and preparing for. Using salary exchange in relation to pensions is a way to reduce employment costs for employers, whilst at the same time maintaining and possibly even enhancing your employees pension benefits.

This is of particular interest given the recent increase in the statutory contribution percentages required from both employees and employers into occupational pension schemes making salary exchange pension arrangements increasingly attractive. Employers are now required to contribute a minimum of 3% of an employee's salary into an occupational pension scheme with each employee contributing a further 5%, unless an employee opts out of the occupational pension scheme. At these minimum contribution levels, an employer with employees contributing £100,000 per tax year into pension schemes could save employer NIC of £13,800 per year.



56%

OF QUESTIONNAIRE
RESPONDENTS EXPECTED
THAT THEY WOULD EMPLOY
FEWER PEOPLE GOING
FORWARD AS THEY ADAPT
THEIR BUSINESS

SCOPE

How we have compiled this survey

1. Scope

Motor dealerships across the UK were invited to submit data for the BDO Motor Salary Survey 2020.

2. Data collection

Survey data was collected directly by BDO LLP, and was controlled via a unique dealer reference code to ensure confidentiality. In addition to the survey data, information was also collected in relation to dealership turnover, geographic location, staff levels and incentive packages.

3. Currency of data

The survey report is based on salary information as at 31 March 2020.

4. Sample size

A minimum sample size has been established for each position to ensure the anonymity of the reported data. Where it was determined that the sample size for certain reported information was not adequate for inclusion in the survey 'N/A' has been shown within the information detailed within pages nine to 38.

5. Data validation

Every care has been taken to ensure the accuracy of the data contained in this survey. Any data which could not be validated was excluded from the survey.

6. Disclaimer

BDO has prepared the 'Motor Salary Survey 2020' on the basis of data submitted by dealers participating in the survey.

BDO has not performed any audit or review procedures in respect of the data submitted to the survey. Neither the firm nor any member or employee of the firm undertakes any responsibility or accepts liability in any way whatsoever in respect of the Motor Salary Survey 2020, including any errors or omissions in the survey however caused.

In addition, the averages shown within this document are based upon the averages for the employee data that was submitted to us. Therefore, no weighted average calculations have been taken into consideration i.e. should a company have one Managing Director/CEO, one Finance Director and 20 New Retail Sales Managers only, the averages shown would be that of one Managing Director/CEO, one Finance Director and one New Retail Sales Manager.

The contents of this publication are not a substitute for specific advice and should not be relied upon as such. Accordingly while every care has been taken in the presentation of the publication, no responsibility is accepted for persons acting on this information.



SALARY SURVEY REPORTING FORMAT

A detailed overview of factors such as turnover, salary components, employee profile and other benefits

1. Classification

Quartiles: this shows the average total salary for each quartile within each reported positions category. This was calculated by taking the number of positions completed, arranging them in size order and then splitting them into quartiles.

Turnover: defined as <£100m, £100m to £500m, or >£500m total annual sales of the dealership. This information provides an insight into the relative variances in sales compared to dealership size and complexity.

2. Salary package components

The amounts shown for average 'total' package, 'base', 'incentive' and 'other' represent the average for those employees that reported amounts under each category.

Base: relates to the base component of the salary package. This is also known as the fixed salary component.

Incentive: relates to the incentive component of the salary package. This is also known as the variable salary component.

Other: relates to any other payments received by employees including overtime and car allowance.

Average total package: represents the average income of all employees included in the survey for that position description.

3. Employee profile

Years at dealership: represents the average number of years that the reported employees have been with the dealership. It does not represent the length of service in the industry.

Holiday entitlement: represents the average number of days annual leave that the reported employee is entitled to per annum.

Hours worked per week: represents the average number of hours worked per week by the reported employee in a standard week.

4. Other benefits

Pension contributions: displays the percentage of employees for the reported position that were paying contributions toward the provision of a pension.

Car benefits: displays the percentage of employees for the reported position that have been paid a car allowance in lieu of the use of a company vehicle.

Other benefits: this shows the percentage of employees for the reported position that have received any other benefit. For example private fuel, benefits received from a third party, private health insurance, death in service benefit, share options or such like.

29

THE MOTOR SALARY SURVEY HAS COLLECTED AND COMPILED DATA ON 29 UNIQUE DEALERSHIP POSITIONS ACROSS THE UK

POSITIONS REPORTED

The Motor Salary Survey has collected and compiled data on a wide range of dealership positions for comparison to your current remuneration packages led this survey

All Positions

Management

- ▶ Managing Director / CEO
- ▶ Dealer Principal
- ▶ Finance Director
- ▶ HR Director/Manager
- ▶ IT Director/Manager
- ▶ Marketing Director/Manager

Administration

- ▶ Clerical - Dealer Accountant
- ▶ Clerical - Assistant Accountant
- ▶ Clerical - Sales Administrator

Vehicles

- ▶ Finance & Insurance Manager
- ▶ New - Retail Sales Manager
- ▶ New - Fleet Sales Manager
- ▶ New - Retail Salesman
- ▶ New - Fleet Salesman
- ▶ Used - Manager
- ▶ Used - Salesman
- ▶ Used - Stock Buyer

Parts

- ▶ Parts - Manager
- ▶ Parts - Assistant Manager
- ▶ Parts - Store Person
- ▶ Parts - Delivery Driver

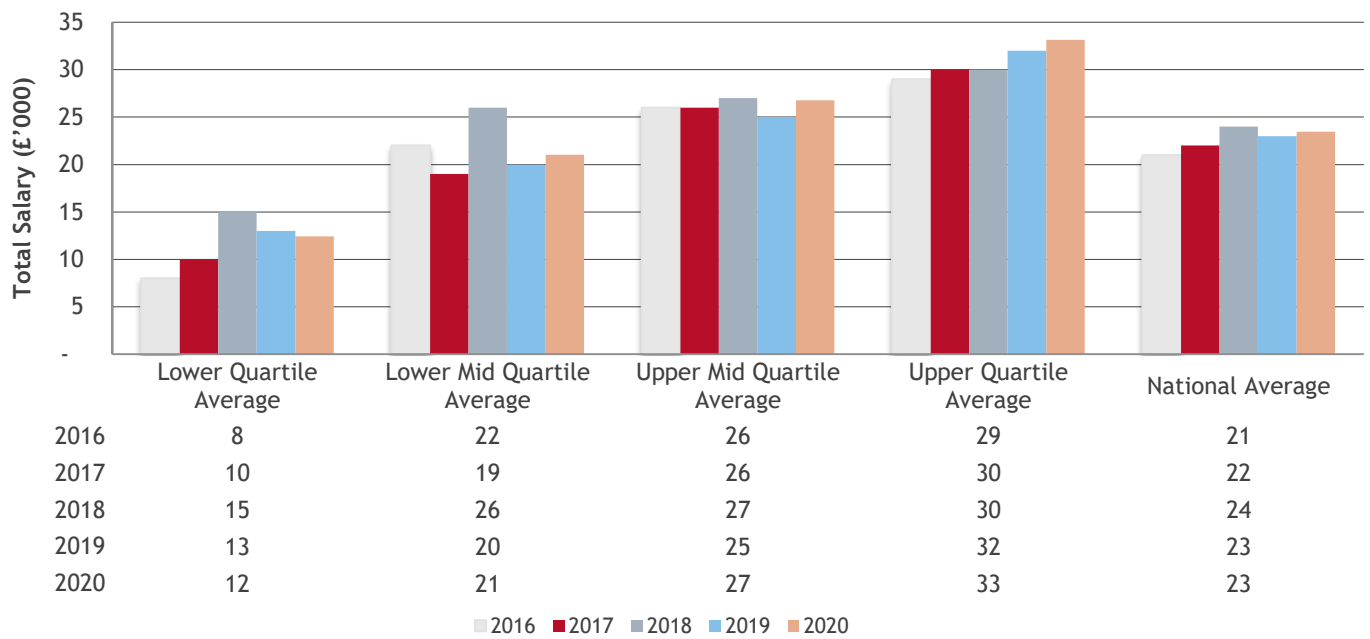
Service

- ▶ Service - Manager
- ▶ Service - Assistant Manager
- ▶ Service - Adviser
- ▶ Service - Warranty Clerk
- ▶ Service - Workshop Controller
- ▶ Service - Technician - 1 yr
- ▶ Service - Technician - 2 yrs
- ▶ Service - Technician - 3+ yrs



POSITIONS REPORTED

Service - Technician - 1 Year



REPORTED POSITION AVERAGE	NATIONAL AVG
Base	£21,122
Incentive	£1,790
Other	£554
TOTAL	£23,466

EMPLOYEE PROFILE	NATIONAL AVG
Average years at dealership	1 years
Average holiday entitlement	22 Days
Average hours worked per week	41 hours

OTHER BENEFITS	NATIONAL AVG
Pension contributions	84%
Car benefits	26%
Other benefits	84%

TURNOVER < £100m	NATIONAL AVG
Base	£14,144
Incentive	£309
Other	£0
TOTAL	£14,453

TURNOVER £100m to £500m	NATIONAL AVG
Base	£24,081
Incentive	£1,726
Other	£337
TOTAL	£26,144

TURNOVER > £500m	NATIONAL AVG
Base	£20,447
Incentive	£2,130
Other	£817
TOTAL	£23,394



BDO MOTOR RETAIL TEAM

The UK team have extensive experience in the provision of compliance and consulting services to the motor industry



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Published in the UK.

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