




BDO - MOTOR RETAIL

MOTOR SALARY SURVEY 2021

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

IDEAS | PEOPLE | TRUST

BDO



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

This 11th 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 2021 PROVIDES COMPREHENSIVE REMUNERATION DATA WHICH WILL PROVIDE FOR MEANINGFUL COMPARISON

TABLE OF CONTENTS

Introduction	4		
Findings	5		
Hot Topics	6		
Employee reward and retention	7		
Scope	8		
Salary survey reporting format	9		
Positions reported	10		
All positions			
Managing Director / CEO			
Dealer Principal			
Finance Director			
HR Director/Manager			
IT Director/Manager			
Marketing Director/Manager			
Clerical - Dealer Accountant			
Clerical - Assistant Accountant			
Clerical - Sales Administrator			
Finance & Insurance Manager			
New - Retail Sales Manager			
		New - Fleet Sales Manager	
		New - Retail Salesperson	
		New - Fleet Salesperson	
		Used - Manager	
		Used - Salesperson	
		Used - Stock Buyer	
		Parts - Manager	
		Parts - Assistant Manager	
		Parts - Store Person	
		Parts - Delivery Driver	
		Service - Manager	
		Service - Assistant Manager	
		Service - Adviser	
		Service - Warranty Clerk	
		Service - Workshop Controller	
		Service - Technician - 1 yr	11
		Service - Technician - 2 yrs	
		Service - Technician - 3+ yrs	
		BDO Motor Retail Team	12



86%

AVERAGE PROPORTION OF DEALERSHIP EMPLOYEES PLACED ON FURLOUGH AT ITS PEAK (A RANGE OF 70% TO 100%)

INTRODUCTION

Welcome to the 2021 Motor Salary Survey

This is the 11th BDO Motor Salary Survey to be conducted across the UK, and includes many legal entities of varying sizes in the motor retail industry. 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. Additionally, in response to the COVID-19 pandemic, we once again asked respondents to complete a questionnaire around their response to the pandemic and the impact on staffing and working practices.

During 2020 and 2021, given the trading conditions and staff shortages, it is not surprising that average pay increased, breaking a two-year decline. This was in particular driven by increased service department pay as the industry once again had to deal with a shortage in technicians. This led to an increase in the average pay of 5%. When management positions are excluded the average remuneration package increased from £39k in 2020 to £41k in 2021. Within this rise the level of basic pay increased by 6% but incentivised pay fell by 3%.

The continuing impact of COVID-19

In response to our questions on the impact of the pandemic we found that at least 70% of those working in the industry were put on furlough, however most respondents had over 80% or 90% at its peak. The Government support throughout the pandemic allowed dealer groups to rapidly adapt and deal with the uncertainty caused by lockdowns and restrictions. This allowed flexibility in both dealing with showroom closures and the sector tailwinds that followed.

Since the first and the most recent lockdowns 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 new technology, which includes automating certain processes. It has also driven more than two thirds of dealers to make more use of digital channels than they previously were, accelerating the change already underway.

The impact on staff is far-reaching. More than 80% of respondents were now allowing greater flexibility in working patterns but a quarter of employees are facing a freeze on pay increases and some even having to take pay cuts. This is lower than the 50% from last year's survey showing that as dealers have greater visibility on the impact of the pandemic this unwanted result is becoming less necessary.

Overall staffing levels have remained consistent with last year. However within responses there was a wide range, from a fall of 20% through to increases in staff numbers of up to 25%. Last year over half of dealers were expecting to have fewer people in the business going forwards but the responses this year suggest this expectation has now fallen to just a third.

The strong return to trade in June 2020 and April 2021 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 though many still value the human interaction in the sales process. We noted last year that we might start to see a shift away from incentivised pay and towards higher basic pay and this has started to be seen in this year's results. This could be as a result of putting greater focus on their online presence.

No doubt there are further twists and turns to come with the pandemic still impacting the wider industry, particularly on the supply-side, meaning we still don't quite know what the 'new reality' looks like. However, the pandemic thus far has shown the resilience of the motor industry while also forcing the pace of significant change.

It will also be interesting to see how dealer groups continue to respond to the increasingly important well-being and mental health agenda. In our view the best performing dealer groups also have the best culture which then drives retention.

Despite the uncertainty caused by COVID-19, this survey continues to provide the following benefits:

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

Increasing 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

Increasing 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



↑5%

AVERAGE YEAR ON YEAR
INCREASE IN PAY ACROSS THE
UK

FINDINGS

Results of the 2021 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 these 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:

- ▶ Aftersales departments have seen the biggest pay increases, fuelled by shortages in quality technicians
- ▶ Despite the increase in pay the level of commission-based pay (excluding management positions) fell for the second successive year with greater increases in basic pay
- ▶ Average management level pay remained consistent, potentially as a result of pay freezes.

The average base salary for all positions surveyed was £41,817 (2020: £39,755), with a further £13,637 (2020: £13,047) receivable in commissions and benefits. However the small increase in incentives masked a second successive fall in incentivised pay for non-management employees of 3%, though this element of employee pay remains a significant proportion. For all 29 positions surveyed, the average payroll profile comprises a commissions element, therefore supporting the necessity to appropriately structure bonus and commission packages, over the last few years this incentivised element has continued to reduce as a proportion of the overall package, in part reflecting tough 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. During the year many within these positions had pay freezes whilst the worst of the pandemic passed and therefore it is unsurprising these was limited movement on average.

The average total remuneration was as follows:

	2021	2020	2019
Managing director / CEO	£272k	£273k	£211k
Finance Director	£153k	£163k	£178k
Dealer Principal	£116k	£100k	£97k

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:

	2021	2020	% change
Vehicles	£56,000	£56,000	0%
Parts	£29,500	£28,250	4%
Service	£34,750	£31,500	10%
Administration	£32,750	£31,250	5%

As noted above there have been strong increases in the aftersales departments. This reflects the ongoing challenges to recruit quality service technicians. The lack of increase in the vehicle department may be a result of this department being more likely to have been furloughed in the year.

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 (2020: 41 hours). In addition, employees receive an average holiday entitlement of 24 days (2020: 24 days), 49% of employees receive car benefits (2020: 55%) with 85% of employees receiving other benefits (2020: 90%). The proportion of employees paying into a pension scheme has remained high at 86% (2020: 90%), with the impact of auto-enrolment fully realised.

COVID-19 caveat

As we have stated, a lot has changed which is not reflected in the historic data analysed as this runs to March 2021. 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.



6.6%

THE INCREASE IN THE NATIONAL LIVING WAGE FROM APRIL 2022 (INCREASE FROM £8.91 TO £9.50 PER HOUR)

HOT TOPICS

The change in focus by HMRC from support to compliance brings further challenges to employers.

HMRC's focus has moved from supporting employers through implementing the job retention scheme to reviewing compliance of the scheme and the off payroll labour rules.

Job Retention Scheme reporting

The Government finally closed the Coronavirus Job Retention Scheme (CJRS) on 30 September 2021 and ahead of this closure HMRC recently updated the Company Tax Return Form (CT600) to include a new reporting requirement for CJRS payments.

Payments made to Companies under the CJRS are taxable as part of trading income so must be included in the trading profit/loss shown in the accounts and tax return. Companies must also provide specific details of claims and in particular, they need to disclose the amounts of any CJRS receipts that the business was not entitled to in the new format tax return.

Making CJRS claims has been a complicated process with four different versions of the rules to get to grips with. It is no surprise that many businesses making claims have had to correct mistakes as they have gone along. Keeping a robust audit trail of all your supporting documents for claims including calculations, payments, repayments and adjustments is essential so that you can show HMRC that you have tried your best to get things right.

Sadly there have been a large number of fraudulent CJRS claims and HMRC continues to devote significant resources to investigating CJRS discrepancies. If you have made mistakes in CJRS claims that have not been rectified and compound this by reporting incorrect figures on a tax return, this can be expected to trigger action by HMRC. Such action may include the levying of higher tax penalties and possibly 'naming and shaming' on the basis HMRC may regard any incorrect figures to result from 'deliberate' behaviour.

Therefore we suggest that CJRS claims should be supported by an independent review, so that errors can be spotted, corrected and disclosed correctly to HMRC.

Off Payroll Labour

The delayed reforms to off payroll labour in the private sector (IR35) that HMRC came into force on 6 April 2021. The reform focusses on medium and large sized businesses that engage with individuals supplying their services through an intermediary, such as a personal service company (PSC) or LLP.

Under the new rules the responsibility to review the employment status of any individuals engaged through an intermediary 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 intermediaries would be considered employees if their company/partnership 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 intermediary will then be required to deduct tax and NIC from any fees paid to the intermediary.

Businesses impacted by these changes should have reviewed their off payroll labour to identify any engagements where the IR35 legislation applies. It's important to have put in place a robust process and document steps taken when engaging with workers where IR35 is a consideration.

Key takeaway

Where employers have had to react quickly to changing circumstances over the last 20 months through the COVID-19 pandemic, it is now time to review how your business managed these changes.

For CJRS claims, these typically were complicated and given the introduction of reporting requirements on the Company Tax Return, it is important that each business has confidence in the calculation of claims, particularly as there were multiple versions and guidance was issued frequently.

The introduction of the IR35 reforms in the private sector in April 2021 will also bring further focus on medium or large businesses. As these reforms were introduced when businesses were already under pressure, this should also be an area of focus.



9 years

ACROSS THE UK THE AVERAGE LENGTH OF SERVICE AT A DEALERSHIP IS 9 YEARS (2020: 7 YEARS) DEMONSTRATING CONTINUED COMMITMENT

EMPLOYEE REWARD AND RETENTION

Retention and recruitment are the focus of employers with the UK job vacancy market at an all time high

As businesses have moved to re-opening and getting to grips with the new reality, the job vacancy market in the UK has grown over the course of 2021. Retaining good staff and attracting the right candidates for open vacancies is key.

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

Working from home

With the Government message for much of the past 20 months to “work from home if you can”, many administrative roles within dealerships have become home-based for significant periods of time or moved to a hybrid working arrangement. HMRC announced that employees could continue to claim tax relief when working from home through to 5 April 2022.

Employees are able to claim tax relief of £6 per week 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.

Reducing the impact of the Health and Social Levy with salary exchange

The Health and Social Levy will be introduced from 6 April 2022. This will result in employees and employers paying an additional 1.25% each on all earnings liable to NIC. Employee NIC will now be due at 13.25% and Employers NIC will increase to 15.05%.

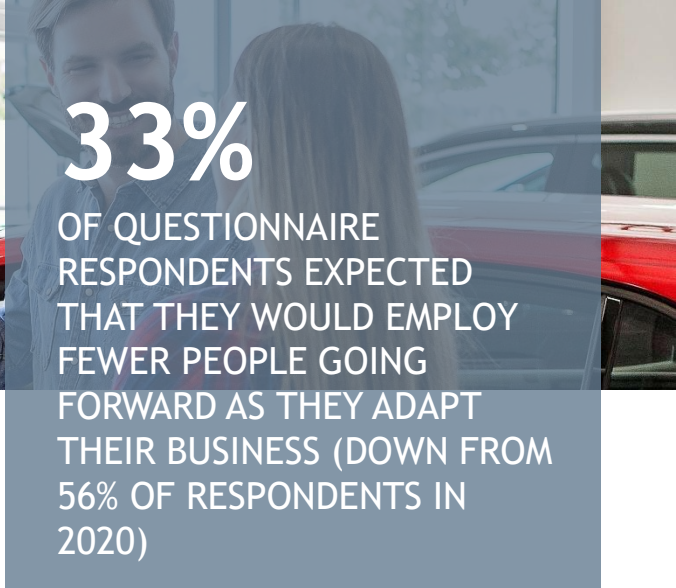
In addition, the levy will also be applied to any benefits or expenses where Class 1A and Class 1B NIC is due. Typically these benefits and expenses are reported to HMRC through a P11D or a PAYE Settlement Agreement.

In order to reduce the potential costs to both employers and employees, using salary exchange arrangements may be more attractive.

A salary exchange arrangement requires employees to 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
- Childcare vouchers (for employees enrolled before 4 October 2018) since April 2017

Additionally the benefit in kind on fully electric cars is currently 1% (increasing to 2% in 2022/23). This makes electric cars an attractive option for a salary exchange arrangement for both employees and employers, particularly with the increase in both new electric car models across manufacturers and the mileage range offered by these vehicles.



33%

OF QUESTIONNAIRE RESPONDENTS EXPECTED THAT THEY WOULD EMPLOY FEWER PEOPLE GOING FORWARD AS THEY ADAPT THEIR BUSINESS (DOWN FROM 56% OF RESPONDENTS IN 2020)

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 2021.

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 2021.

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 11 to 40.

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 2021' 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 2021, 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 Salesperson
- ▶ New - Fleet Salesperson
- ▶ Used - Manager
- ▶ Used - Salesperson
- ▶ Used - Stock Buyer

Parts

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

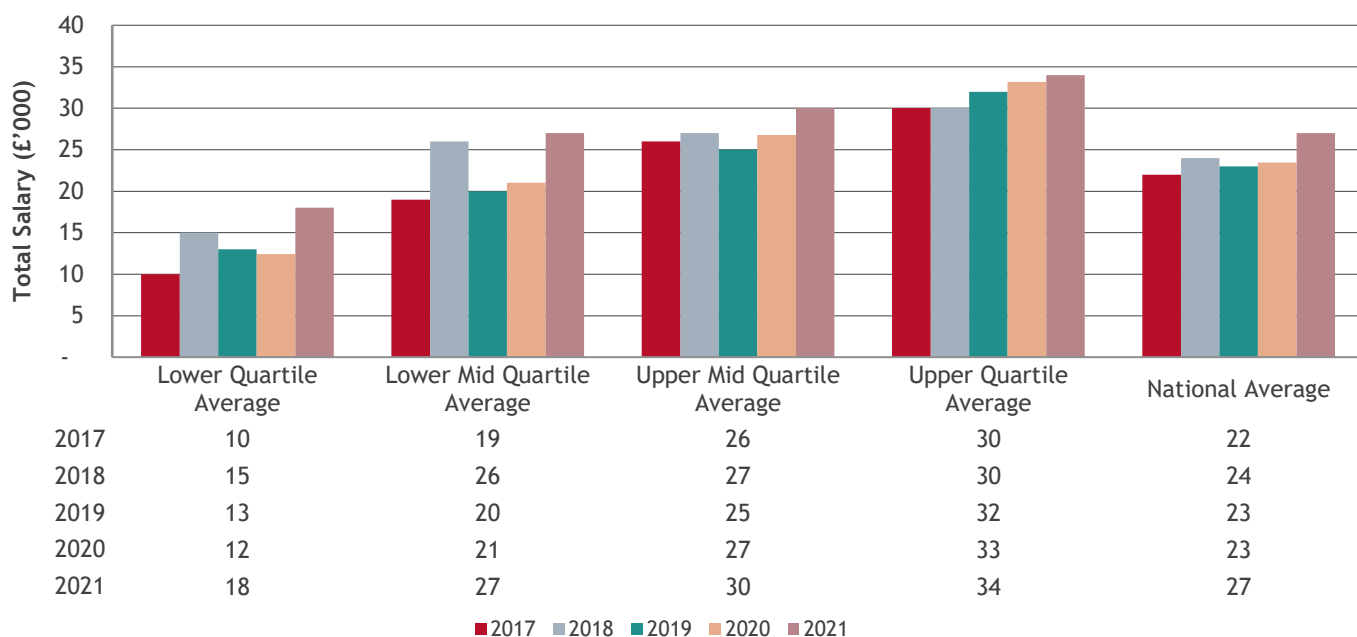
Service

- ▶ 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	£23,545
Incentive	£3,043
Other	£281
TOTAL	£26,869

EMPLOYEE PROFILE	NATIONAL AVG
Average years at dealership	3 years
Average holiday entitlement	23 Days
Average hours worked per week	41 hours

OTHER BENEFITS	NATIONAL AVG
Pension contributions	85%
Car benefits	0%
Other benefits	70%

TURNOVER < £100m	NATIONAL AVG
Base	£21,409
Incentive	£1,895
Other	£418
TOTAL	£23,722

TURNOVER £100m to £500m	NATIONAL AVG
Base	£24,567
Incentive	£3,914
Other	£207
TOTAL	£28,688

TURNOVER > £500m	NATIONAL AVG
Base	£23,005
Incentive	£2,045
Other	£334
TOTAL	£25,384

BDO MOTOR RETAIL TEAM

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



STEVE LE BAS
Partner, Head of Motor Retail
t: +44 (0)23 8088 1906
e: steve.lebas@bdo.co.uk



MALCOLM THIXTON
Partner, Audit
t: +44 (0)23 8088 1895
e: malcolm.thixton@bdo.co.uk



JAMES EVANS
Senior Manager, Audit
t: +44 (0)23 8088 1710
e: james.evans@bdo.co.uk



CHRIS BOND
Partner, Taxation
t: +44 (0)115 962 9276
e: chris.bond@bdo.co.uk



MARK ELLIS
Partner, Indirect Taxes
t: +44 (0) 7813 629444
e: mark.ellis@bdo.co.uk



HUNG NGUYEN
Senior Manager, Tax Innovation
t: +44 (0)20 3860 6175
e: hung.nguyen@bdo.co.uk



TIM FOSTER
Partner, Head of Risk Advisory
Midlands
t: +44 (0)121 200 6917
e: tim.foster@bdo.co.uk



RYAN PRING
Manager, Risk Advisory
t: +44 (0)121 200 6920
e: ryan.t.pring@bdo.co.uk



KEVIN LAMB
Director, Business Restructuring
t: 0131 347 0402
e: kevin.lamb@bdo.co.uk



CHRIS MARSDEN
Partner, Business Restructuring
t: +44 (0) 117 930 6783
e: chris.marsden@bdo.co.uk



HELEN O'KANE
Partner, M&A
t: +44 (0) 7966 008 617
e: helen.o'kane@bdo.co.uk



LAURA BROWN
Senior Manager
Employment Taxes
t: +44 (0) 23 8088 1881
e: laura.a.brown@bdo.co.uk

FOR MORE INFORMATION:

STEVE LE BAS

+44 (0)230 8088 1906
steve.lebas@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © November 2021 BDO LLP. All rights reserved.
Published in the UK.

www.bdo.co.uk