

# How we deliver and protect the Scheme

## Motability (the Charity's) role

Motability sets the strategic policies and direction of the Scheme.



For more detail regarding Motability's role, please see page 4

## The Government's role



### Mobility allowance

Government decides who should receive mobility allowances. Thereafter customers may choose to use their mobility allowance to lease a car, powered wheelchair or scooter



## Motability Operations' role



### Scheme customers

As we do not pay shareholder dividends we can focus purely on delivering affordable and worry-free mobility through a wide choice of vehicle solutions to meet individual customer needs

## How we protect the Scheme



### Risk

As operators of the Motability Scheme, we bear a number of significant risks which could, if not carefully managed, undermine the long-term sustainability of the customer proposition.

Our biggest single risk relates to the value of used cars when they are returned to us by customers at the end of their lease; this residual value is something we have to forecast three to five years in advance. Lease prices are fixed therefore customers are not exposed to this risk.



### Capital

To protect the Scheme, and so customers, from exposure to these risks we aim to hold an adequate level of capital reserves.

We use an externally validated model and approach to calculate the level of capital we should hold to underpin the long-term sustainability of the Scheme.

### Suppliers

Provide servicing, breakdown assistance, insurance, and tyre and windscreen replacement



### Funding

In operating the Scheme, we are required to source the financing of our £7.5bn vehicle fleet. Our capital reserves are fully reinvested into our fleet; this reduces the amount we have to borrow and therefore the cost of customer leases. The balance of our financing is provided by debt in the form of bonds issued in the debt capital markets and bank facilities.

For further information on our funding please refer to the Finance Director's review on page 34



### Delivering the Scheme

Cars, powered wheelchairs and scooters are delivered through partnerships with manufacturers, dealers and other suppliers



### End of lease

At the end of lease (typically three years), vehicles are returned to us. Currently more than 91% of customers choose to renew their lease



### Remarketing

Used cars are resold into the used-car market through our market-leading online channel 'mflirect' and our national auction programme



### Profitability

We aim to deliver a consistent customer proposition that is protected from economic downturn or market-specific shocks. We include a margin in our lease pricing to enable us to minimise pricing volatility for customers should these events occur. It means that we can recover financially from such impacts without needing to increase customer prices.



### Reinvestment

To the extent that retained profit exceeds capital requirements, and following consultation with Motability, any additional profit can be reinvested into the customer proposition, or donated to Motability.