

Workbook

Start leasing vehicles for your business

Get moving towards your goals,
with fewer worries and happier drivers



Ready to lease? Here's how to get moving

If you're reading this workbook, you've either seriously misread the title, or you're seriously interested in vehicle leasing.

When it comes to sourcing the vehicles a growing business needs, leasing can offer a whole lot more than purchasing outright.

Namely:

- More visible, predictable fleet costs
- More ready cash to pour into your business
- More desirable, efficient, safer cars and vans
- More time to focus on your day job
- More power to deliver on your business' goals

At the same time, leasing can also leave you with a lot less to worry about – like the risk of your valuable assets depreciating, the cost and hassle of handling maintenance, and the need to fulfil your duty of care to your drivers.

But when your business has always bought its vehicles outright, leasing can seem like a journey into the unknown. That's why we've written this workbook. Consider it your business' sat nav for the trip ahead. It'll get you to the point where you're getting the most value from leasing, by the fastest possible route.



What you'll get from this Workbook

Over the next few pages we'll help you understand fleet financing options available and give you some simple, practical exercises to do. They'll help you understand:

- Where you are today – in terms of fleet composition and costs, and driver needs
- Where leasing can help you get to – including how to use leasing to power towards your corporate objectives
- How to get everyone on board – making the HR, Finance and Sales cases, and uniting key stakeholders
- How to evaluate leasing providers, and find the very best – with 10 essential questions

If you find you need help with any of the steps, [don't hesitate to ask.](#)

Before you leap into action, however, it's good to understand the leasing options available...



Want to lease your vans or trucks?

This workbook is principally designed to help you lease a car fleet – the kind that keeps your employees happy and mobile, and acts as a perk of the job.

If you operate a fleet of vans or trucks vehicles – the kind that are essential to your business operations, like delivery vans – you'll almost certainly have completed a lot of this workbook's exercises already. So, feel free to skip ahead, but keep an eye out for **these boxes** – they'll contain information just for you.

You may also want to check out our ebook, [Build a World-Class Commercial Fleet.](#)

How to fund your vehicle fleet

There's a wealth of vehicle financing options available to your business. The trick is finding exactly the right option – or a canny mix – for your specific needs.

They'll affect everything from the amount of risk your business takes on, to the size of your monthly leasing payments – and they could also have an impact on your VAT and Corporation Tax bills, as well as your immediate cashflow. A good leasing provider will use their expertise to help you negotiate this complex decision, and arrive at a perfect solution. Here's a brief overview of a few of the funding models they might recommend...

Contract Hire

Contract Hire's one of the most popular methods of funding for small to medium sized businesses. It's also one of the simplest. You hire the cars or vans you need for a fixed term, with a fixed mileage allowance, for fixed monthly rental. You agree the term – normally between two and five years – and how many miles you expect the car to cover in it. (Your leasing provider will expect you to pay a fixed cost for every mile travelled beyond the agreed allowance, covering them for any extra wear, and its impact on resale value).

➤ Why Contract Hire's so popular

The chance to:

- Recover and spread VAT costs
- Make predictable monthly payments
- Include your maintenance costs
- Not worry about depreciation risk

Finance Lease

A Finance Lease model also lets your company lease its cars and vans for a fixed monthly fee – but unlike Contract Hire, it also transfers the risk, and potential rewards, of ownership to your business. It comes in two distinct flavours, and which one you want will depend on the shape of your cashflow:

- **Finance Lease (fully amortised)** – your lease rental payments are based on the full costs of your vehicle, and aren't adjusted for expected residual value
- **Finance Lease** – your lease rentals are based on part of the cost of your vehicle, with a balance offset until the end of the agreements – allowing for smaller rental payments along the way

Contract Purchase

Like Contract Hire, a Contract Purchase model can offer your business cars or vans for fixed monthly payments, for fixed terms, and with fixed mileage allowances. But unlike Contract Hire – and Finance Leasing – you get the option to purchase the car when your agreed term is up. The downside? You can't usually recover any VAT, and you have to pay it upfront.

Check out the table to the right for a more in-depth comparison of the three models mentioned on the previous page.



	Contract hire	Finance lease (fully amortised)	Finance lease (with balloon)	Contract purchase
What is the upfront payment/deposit?	Typically 3 months advance rentals (c.8% of vehicle cost)	Typically 10%-15% of vehicle cost	Typically 10%-15% of vehicle cost	Typically 3 months advance payments (c.8% of vehicle cost)
Who owns the vehicle?	The leasing provider	The leasing provider until the final payment is made	The leasing provider until the final payment is made	The leasing provider until the final payment is made
Typically, who meets maintenance costs?	Leasing provider (assuming optional maintenance agreement is taken)	The company	The company	Leasing provider (assuming optional maintenance agreement is taken)
Who retains the residual value risk?	The leasing provider	The company	The company	The leasing provider
Typically who is responsible for administration of the car? e.g arranging road fund license and disposal	The leasing provider	The company	The company	The leasing provider
Does the company own the car at the end of the contract?	No, it is returned to the leasing provider	No, it is sold to a 3rd party	No, it is sold to a 3rd party	Yes, subject to making the final payment
How does the company claim tax relief for car costs?	Monthly rental can be offset against profits for tax relief	Monthly rental can be offset against profits for tax relief	Monthly rental can be offset against profits for tax relief	Tax relief is provided via capital allowances
Can the company recover VAT on the rentals/ payments made? ⁽¹⁾	Yes, subject to a 50% restriction	Yes, subject to a 50% restriction	Yes, subject to a 50% restriction	No
Can the company recover VAT on an optional maintenance agreement?	Yes, 100% of VAT can be recovered	Yes, 100% of VAT can be recovered	Yes, 100% of VAT can be recovered	Yes, 100% of VAT can be recovered

Already own some cars or vans?

Some businesses start out leasing from the word 'go'. Others see the light later on, when they already own a number of cars and vans.

If you've already got your own fleet of vehicles, a leasing provider may be willing to buy it, and lease it back to you. These 'sale-and-leaseback' deals can offer all the benefits of moving to a leased fleet, plus a handy cash injection for your business.

[Want to learn more?](#)

[See our infographic.](#)

➤ **Get really up to speed with your funding and taxation**

As we've said, there are many ways to fund your fleet – and the last couple of pages have really only scratched the surface. To help you get to grips with the full range of options available, we've worked with Deloitte to produce a Fleet Funding and Company Car Taxation Guide. [Download a copy here.](#)

(Or just [get in touch](#), and we'll talk you through exactly what you need to know).



1



Where you are, right now



1 Where you are, right now

To plan any journey, you need to know exactly where you're starting from. The journey to leasing is no different.

The first thing to do is develop a comprehensive overview of the vehicles that your business owns and operates right now – from their makes, models and ages, to how they're being used.

This information will prove invaluable on the road ahead. It'll help you:

- Decide which cars and vans you want to replace with leased vehicles – and when
- Manage your entire fleet of vehicles more efficiently and effectively, driving down unnecessary costs
- Explain your side of the deal to a vehicle leasing provider, if you decide to go down the 'sale-and-leaseback' route

Exercise one

First off, open up [our online sample sheet](#). Inside, you'll find a table we've built to help you catalogue your existing cars and vans.

Save your own copy of the Sheet, and start filling it in. The chances are you'll only have some of the information you need immediately to hand, with the rest being held elsewhere within your business (tucked away in HR and Finance records, for example).

So, get help. Send your Sheet onto your colleagues in HR, Finance, Sales... essentially, anyone who can help you complete the picture.

Why commercial vehicles are different

Your vans and bigger commercial vehicles don't just get people places, they get jobs done – and when one falls out of action, it has a bigger impact on your business.

A good leasing provider will understand this. [Read our 10 Commandments of Vehicle Leasing to learn more.](#)





2

What your fleet's costing you



2 What your fleet's costing you

Knowing what vehicles you've got, and how they're serving your business, is a great start – but to plot the best route forwards with confidence, you also need to know what they're currently costing you.

This knowledge will help you make savvier decisions about how you manage your cars and vans, but more importantly, it'll help you distinguish between an OK leasing deal, and a truly excellent one.

Exercise two

Make sure you're factoring all the cost areas listed to the right into your vehicle decisions.



Costs	✓
Fuel	
Service, maintenance and repair	
Insurance	
National Insurance contributions	
Corporation Tax	
VAT	
Cost of capital	
Depreciation	
Road Fund Licence	

If you can compile accurate monthly or annual figures for each of these cost areas, brilliant – mileage expense claims should be a great help when it comes to totting up your fuel bills.

Don't worry, however, if your totals are slightly sketchy. Even getting a rough sense of your current spend will help you start to change things for the better. And when you start leasing, you'll suddenly be able to see how these costs were impacting you in the past.



How will my costs change when I lease?

Purchase your vehicles outright, and you take on a lot of unpredictable costs. Vehicle damage and faults have a habit of occurring:

- At the worst possible time from a cashflow point of view
- Ever more frequently, as your vehicles age

And that can make tracking and budgeting for expenditure incredibly tough. When you lease, many of your costs instantly become much more visible and predictable.

You pay an agreed amount, per month, for your vehicles, and depending on which funding package you choose, this could include tyres, servicing and general maintenance and repair – and you could choose other services such as glass replacement, accident management or replacement vehicle cover.

That means much more effective planning and budgeting. It also means less hassle for your finance team, who only have one monthly invoice to process, not multiple invoices from multiple garages.

➤ How can I drive down costs as far as possible?

A good question, with no single answer. In short, fleet costs depend on a host of factors, many of which are interconnected.

We find it helps to think of these factors as levers you can push or pull. Finding the optimum position for each one isn't easy, but it's something a great leasing provider will be happy to help you with.

[Find out more in our eBook The 8 Levers of Fleet Optimisation.](#)

Vans and other commercial vehicles – how to get the best leasing price

Want a simple trick to reduce the cost of leasing commercial vehicles? Pick your accessories carefully. They'll alter your vehicle's resale value, and as a result, your provider's quote. For example:

- Air conditioning improves resale value by £250 - £400
- Bright or unusual colours reduce resale value by £250 - £1,000

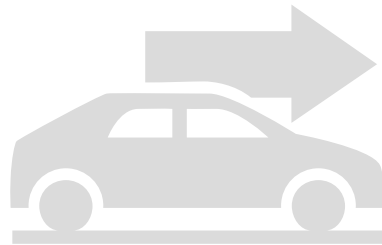
[Learn more here.](#)





3

Where you want to get to



3 Where you want to get to

You're in the fast lane towards a more efficient, safer, simpler to manage, leased vehicle fleet. But before you go speeding ahead, it's time to check your destination.

A move to vehicle leasing is a golden opportunity to think more strategically about your vehicles, and what they can do for your business – from supporting your brand, your values, and your targets, to improving the lives of your drivers.

Where your business wants to be

Exercise three

List the following for your business:

- Targets and objectives for the short as well as long term
- Ongoing and planned business initiatives (e.g. Corporate Social Responsibility programmes)
- Brand values

If you're not party to this kind of information already, ask for a quick briefing from those in the know (e.g. your MD, or HR, Finance and Sales people).

Then refine your list into a shorter one, containing all the objectives, initiatives and values which could be influenced by the composition of your fleet, and its ownership model. For example:

- 1 Reduce carbon emissions by 20% over five years
- 2 Reduce HR overheads
- 3 Increase process transparency
- 4 Improve cash flow
- 5 Minimise time spent on admin

Where your drivers want to be

Building a fleet of vehicles that reflects and supports your business' aspirations is only half the battle. The vehicles you lease should reflect the wants and needs of your drivers too.

For a perk vehicle to act as a real incentive – to both current staff and potential new recruits – it has to really feel like a perk.

Creating that feeling depends on understanding your drivers' priorities, and exceeding their expectations. And the fast way to do that, is to ask them.



Exercise four

Conduct a quick survey of your company's drivers. Here are some suggested questions – you'll no doubt be able to think of many more:

- On a scale of one to five how important to you are the following: fuel economy, brand and model, emissions rating etc.?
- Would you ever drive an electric or hybrid car?
- Are you happy to have a telematics device in your vehicle?
- How frequently do you enter Congestion Charging Zones or Low Emission Zones?
- What vehicle features matter to you the most? Tick all that apply: Bluetooth phone prep, Wi-Fi connectivity, built-in sat nav...

There are plenty of free, online services that will let you put together an electronic survey. Google [“Online Survey Tool”](#) and pick your favourite.

You should use the results of the last two exercises to shape your leasing strategy, and ultimately, your discussions with potential leasing providers – more on this later.

➤ What about non-negotiables?

As you shape your fleet of leased vehicles to impress your drivers and support your strategic goals, you should decide early on whether some things – such as preferred vehicle make, or colour – are so important to your business, they're simply not up for negotiation.

Picking the right mileage option

When you've completed all the exercises in this workbook, you should be in a great position to estimate the mileage you'll need written into your leasing contracts, and minimise the risk of extra charges. Some providers (like ourselves) even offer a choice of mileage allowance models, to ensure you're not unduly penalised for unexpected use. Here are your options:

- **Standard mileage** – as described above, you set a mileage allowance for each vehicle you lease, and pay extra if any one vehicle exceeds this figure.
- **Pooled mileage** – your mileage allowances are 'pooled' between vehicles. So, if one vehicle exceeds its allowance, but another comes in under by the same amount, there's no additional charge to pay.
- **Contract reschedule** – if vehicles are exceeding their expected mileage they can be rescheduled during the contract.

➤ Should I extend the perk?

Many businesses still rely on a 'grey fleet' – vehicles that are driver-owned and maintained, but used for work purposes. In fact, grey fleet cars account for 40% of all 'business' cars on UK roads. However, operating a large grey fleet can have significant drawbacks. These vehicles are often:

- Older
- Less safe
- Less fuel efficient
- More polluting

than newer, company managed, vehicles. While you're reviewing your business's vehicle needs, now's the perfect time to consider whether there could be real cost, safety and brand advantages to offering a car scheme to more of your staff. It could be a very smart way to better fulfil your duty of care, and if you qualify for a Salary Sacrifice scheme, you could pick up some easy taxation wins too.

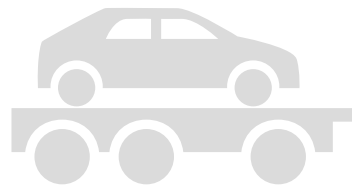
[Learn why ditching your grey fleet can make so much sense](#)

Commercial vehicles : Non-negotiables

When it comes to commercial vehicles, 'non-negotiables' can include anything from racking and ply-lining to tail-lifts. It's definitely a good idea to think about these 'must-haves' sooner rather than later – they may mean your vehicles will need extra time for build, delivery and calibration.

4

Who you'll need to get on board



4 Who you'll need to get on board.

**You know where you are.
You know where you're going.
Now it's time to get everyone
else along for the ride.**

Whatever your own role within your business, you'll have other people you need to bring on board before you can arrive at the leased fleet of your dreams. But winning their support shouldn't be hard – after all, leasing your vehicles can save time, cut costs, and make lives that little bit easier throughout your business. Here are the key points to make, to the people who matter.

The Human Resources case

- More power to pull in the best talent. With new cars every few years, your remuneration packages, will suddenly look a lot more tempting.
- A simple way to put safety first. Newer cars also mean safer cars, helping to ensure your company fulfils its duty of care.
- No need to handle accident management in-house. Dealing with the fallout of accidents can be a huge drain on HR people's time. When you lease, drivers can liaise directly with your provider, letting your HR staff focus on more important things.
- Less admin, and less risk of being fined. A good leasing provider should be able to offer services such as driving licence checks and Motor Insurance Database updating - keeping you safe from hefty fines.

The Finance and Accounting case

- No need to worry about depreciation risk. That's your vehicle leasing provider's problem, not yours.
- Easier planning and budgeting. With more predictable, more visible vehicle costs, your finance professionals can forecast with new effectiveness.
- Less paperwork. With one monthly invoice from your provider to process, rather than having multiple invoices from multiple garages and suppliers.
- Visibility of whole-life costs. The sum of all the variable costs, eligible deductions, insurance, fuel and the knock-on costs like NIC contributions and so on. Providing Finance with the big picture.
- A healthier cash flow. Your initial outlay will be lower than buying the vehicles outright – and you may get an even bigger boost through a 'sale-and-leaseback' deal.



The Sales case

- A more effective incentive (and reward) for your sales people. With the latest vehicle models (and potentially more desirable ones), due to your leasing provider's ability to get lower prices from vehicle vendors.
- More time on the road – in case of an accident or breakdown with a clear and easy to follow recovery process.
- A VIP service. A good leasing provider will have specialists to help your drivers through the vehicle selection process, ensuring it is a smooth and pleasant experience.

The case for the Managing Director

- All of the above. After all, good news for HR, finance and sales staff is good news for your business as a whole.
- A fleet that builds your brand. With modern vehicles that make the right impression, whether they're on the road, or parked in front of your people's business.
- An opportunity to meet your business's strategic goals. With a fleet of vehicles designed to help you deliver on sustainability targets, cost-cutting initiatives, or whatever else is currently at the top of your agenda.

Exercise five

We've created another Google Sheet for you, it includes all of the reasons to embrace leasing listed above.

[You can find it here.](#)

Look back at exercise three, and match these to your HR, Finance, Sales and overall strategic goals. (For example, you might put "Reduce time spent on admin" next to "No need to check staff driving licences").

When you're done, you'll be able to use the complete spreadsheet to guide your conversations within your business and with the key stakeholders.





5

Who you'll want to work with



5 Who you'll want to work with

You're now well on your way to leasing vehicles for your business – vehicles that will help drive your business forward, in more ways than one.

All you need now is the right leasing provider. One that's got the experience and resources to help you get exactly where you want to be.

When you're choosing your provider, you'll want to look out for the following characteristics.

- **Size.** In a leasing provider, big is beautiful. Larger companies can command the best prices from vehicle manufacturers, dealers, garages and supplier networks ensuring you get the best deal for your business.
- **Experience.** A well-established provider should be able to offer your company a wealth of additional value – from existing supplier relationships and partnerships, to years of experience serving businesses like your own.
- **Expertise.** A great provider will know business vehicles and their ever-changing web of government schemes, requirements and regulations inside out. What's more, they'll be able to put that industry nous to practical use, and help to shape your policies and leasing agreements to match your individual goals and needs.

Exercise six

It's time to research and evaluate your options. Here are some great questions to ask any leasing provider:

- How will you help our organisation meet its objectives?
- What's your experience in our industry with similar customers?
- Who are your partners? How long have you been working with them?
- Can you help us build a vehicle fleet that meets our CSR policies?
- How will you keep us up to date with relevant legislative and economic changes?
- Can you help me demonstrate the value of leasing to the rest of my organisation?

One provider to rule them all

If you're looking to lease any commercial vehicles, it makes sense to find a partner with deep expertise in this field too. Having one contact for all your cars and vans will make everything that little bit easier.



Conclusion

**Need some extra navigation?
We know this road better
than anyone.**

We hope you've found this workbook useful, and that it's helped you understand more about leasing, what it can do for your business, and how to get started.

If you need assistance with any of the exercises - or if you'd like to talk through the options - we're here to help.

Get the bigger picture with ACT

We trust this workbook has been a useful tool in helping you to get all the numbers and calculations that will allow you to make the best fleet decisions. To help make sense of those numbers and provide a true picture of what your fleet really costs your business, our **Automated Consulting Tool** - (developed with Deloitte) can model any number of fleet scenarios to find the right profile, at the right price, for you.

About us

We are LeasePlan and we know that as a business you've got loads of things to figure out on your own. Your fleet doesn't have to be one of them.

For over 50 years we've been helping organisations plan, run and maintain professional, compliant and cost efficient fleets that get the job done and save them money. And with over 1.55 million vehicles worldwide you can be sure your business vehicles are in safe hands.

Want to know more?

Talk to us and we'll tell you all about it.
Email: hello@leaseplan.co.uk

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