



NORTHGATE

A FLEET MANAGER'S GUIDE TO HIRE VS BUY VS LEASE



NORTHGATE

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INTRODUCTION

Navigating the options for acquiring a fleet is a critical decision that can significantly impact your business's efficiency, flexibility, and finances. Whether you are considering fleet hire, outright purchase, or leasing, this guide aims to provide a detailed breakdown of each approach.

We'll explore the advantages, disadvantages, and potential cost implications of the various fleet acquisition methods, empowering you with the knowledge needed to make informed decisions aligned with your business goals.

WHAT ARE HIRE, BUY, AND LEASE?

HIRE:

Fleet hire, also known as vehicle rental or fleet renting, is a service that allows businesses to access a range of vehicles for a specified period without the commitment of ownership. Despite common misconceptions, hire can be used for both short and long-term usage with terms ranging from a few months up to 4 years.

BUY:

Fleet purchase refers to the acquisition of a vehicle, or group of vehicles by a business through outright ownership.

LEASE:

Fleet leasing is a business arrangement in which a company pays rent for a vehicle or fleet of vehicles for a specified period (usually longer-term) from a leasing company.



UNDERSTANDING YOUR FLEET NEEDS

Managing a fleet of vans is time consuming and can put pressure on individuals within a business, especially if there is not a dedicated fleet manager. [With Northgate as your fleet partner](#), you have the support to manage all aspects of your fleet allowing you to focus solely on your daily business operations.

When considering your fleet acquisition options you must have a clear idea of your fleet operational requirements. Identifying the right mix of [vehicles](#), their specific functionalities, and the anticipated usage patterns, ensures that your fleet acquisition aligns seamlessly with your business goals and influences the choice between short-term flexibility and long-term commitment.

FLEET ANALYSIS (TELEMATICS)

[Telematics](#) technology provides real-time, comprehensive insights into vehicle and driver performance, delivering data on a range of factors such as mileage, fuel efficiency, speed, and maintenance needs. Telematics can help you identify the most fuel-efficient options, assess the potential long-term maintenance requirements, and help you make informed decisions to choose the fleet acquisition solution that aligns with your operational needs, contributing to long-term cost savings.

USAGE PATTERNS AND MILEAGE REQUIREMENTS

Aligning your fleet acquisition decisions with anticipated usage patterns and mileage requirements, will allow you to optimise their investments, enhance operational efficiency, and ensure that the chosen vehicles meet the specific demands of their daily operations.

SPECIALISED VEHICLE REQUIREMENTS

Whether it's specialised equipment, varying payload capacities or specific vehicle configurations, an understanding of your necessary vehicle requirements ensures that your chosen acquisition method best supports your business operations.

UNDERSTANDING YOUR FLEET NEEDS

FINANCIAL CONSIDERATIONS

When thinking about the cost of fleet acquisition, the upfront cost is commonly prioritised. Whilst significant, it's just one component of the overall expense. It is important to factor in ongoing expenses such as maintenance, fuel, insurance, and depreciation to provide an accurate picture of the total cost over the vehicle's lifespan. This will help you align your fleet acquisition choices with your budgetary constraints and long-term financial goals.

EXTERNAL PRESSURES (NET ZERO/SUSTAINABILITY)

[Environmental, Social and Governance](#) (ESG) are three increasingly popular headings being used by businesses to frame the activities being undertaken to demonstrate they are sustainable, responsible, and well run.

Whether it's opting for electric vehicles to lower emissions, selecting suppliers with ethical labour practices, or adhering to transparency and accountability in governance, integrating ESG considerations into fleet management strategies enhances corporate reputation. This contributes to a positive societal impact while maintaining operational efficiency and financial viability in your fleet acquisition decisions.



PROS AND CONS OF HIRING FLEET VEHICLES

Opting to [hire vehicles](#) for fleet acquisition offers several advantages, including flexibility in fleet size, easier access to newer models, and reduced upfront costs. With hire, businesses can easily scale their fleet according to fluctuating demand, without the long-term commitment or financial burden of ownership. Additionally, maintenance and servicing responsibilities are often taken care of by the hire company.

Hiring costs may seem higher over time compared to purchasing vehicles, but this often includes servicing, maintenance and breakdown cover. Additionally, some hire companies may have restrictions on usage, and any customisations need to be agreed upfront.

Understanding the Total Cost of Ownership (TCO) across the life of the vehicle, including running costs, is essential to produce a reliable comparison between the different acquisition methods. Therefore, while hire offers flexibility and convenience, businesses should also consider the financial impact and long-term business operational needs.

ADVANTAGES

- Scale your fleet size to adapt to changing business needs
- Reduced maintenance responsibilities
- Improved cash flow due to reduced upfront costs and investment compared to other options
- Fleet management support
- Customised vehicles (available for longer term hires)
- No requirement for a fleet disposal plan, simply return the vehicle at the end of its hire term
- Avoid any residual value risks that can impact your fleet renewal costs

DISADVANTAGES

- You won't have complete ownership of the vehicle
- Cost of hire dependant on mileage expectations
- Ownership may provide a lower TCO for low mileage fleets with a longer renewal cycle

PROS AND CONS OF BUYING FLEET VEHICLES

Purchasing vehicles for fleet acquisition provides businesses with ownership benefits, including full control over customisation and no mileage restrictions. Owning the fleet outright may also eliminate ongoing rental expenses (providing there are no loan repayments on the purchase), potentially resulting in long-term cost savings.

However, the upfront investment required for purchasing can be substantial, tying up capital that could be used elsewhere in the business or allocating funds towards monthly finance payments if you don't have the funds to purchase outright. Additionally, the administrative and financial burden of maintenance, repairs, and eventual disposal falls under your control.

Owning a fleet of vehicles also restricts your flexibility to adapt to changing demands and market conditions. Having to downsize your fleet quickly could impact your residual return in cases where vehicles may not be disposed of at the optimum time.

Therefore, while purchasing offers autonomy and potential financial benefits, businesses should consider the initial upfront investment and ongoing operational costs.

PROS AND CONS OF BUYING FLEET VEHICLES

PROS

- Full ownership and control
- Potential for long-term cost savings
- Ability to customise the vehicle as you wish
- You receive the full residual value of the vehicle after disposal

CONS

- Large upfront investment ties up money that could be used elsewhere in the business
- You assume all service, maintenance, and repair responsibilities
- Lack of flexibility
- Wear and tear, heavy payloads, driver behavior and market dynamics will all impact vehicle depreciation and influence residual values
- Vehicle disposal can be time consuming
- Although a convenient disposal option, auctions can provide a low cash return

PROS AND CONS OF LEASING FLEET VEHICLES

The benefits of leasing vehicles for fleet acquisition include lower upfront costs, predictable monthly payments, and access to newer vehicles without the burden of ownership – like hiring. Leasing agreements often include maintenance packages (although often as an additional cost), simplifying fleet management and budgeting for businesses.

However, leases may come with mileage restrictions and early termination fees, limiting flexibility for businesses with variable usage patterns. Furthermore, while leasing avoids the depreciation risk associated with ownership, it may result in higher overall costs over time compared to purchasing. Therefore, while leasing offers flexibility and convenience, businesses should consider their long-term needs and financial objectives.



PROS AND CONS OF LEASING FLEET VEHICLES

PROS

- Lower initial costs compared to outright purchase
- Predictable monthly payments
- Access to the latest vehicle models

CONS

- Mileage restrictions
- You won't have complete ownership of the vehicle
- Potential penalties for excess wear and tear
- Early contract termination penalties
- Servicing, maintenance, and repair are sometimes at an extra cost (depending on your leasing agreement)



REGULATORY CONSIDERATIONS

ENVIRONMENTAL AND EMISSION STANDARDS

With increasing regulatory and societal pressure for companies to reduce their carbon footprint, opting for vehicles that meet or exceed emission standards can benefit both the environment and your business. Low-emission or electric vehicles help to minimise air pollution, demonstrate corporate responsibility, and support sustainability goals. Additionally, adhering to environmental regulations ensures fleet compliance and mitigates the risk of fines or penalties.

COMPLIANCE WITH UK FLEET REGULATIONS

Fleet compliance is the meeting of all the standards and regulations required by the Driver and Vehicle Standards Agency (DVSA) on key areas such as accident risk, safety management, vehicle maintenance, driver training, and driver behaviour.

Maintaining fleet compliance is essential in ensuring your business adheres to regulations and avoids fines (such as Clear Air Zone fines) whilst keeping your drivers and assets safe and on the road. A consistently compliant fleet also enhances your brand's reputation and demonstrates your commitment to sustainability. This is increasingly beneficial as many contract tenders now require a certain level of green credentials as part of the tender process.

Read our FREE guide to fleet compliance

READ MORE

REGULATORY CONSIDERATIONS

ZEV MANDATE WILL INFLUENCE SUPPLY

The [Zero Emission Vehicle \(ZEV\) mandate](#) for manufacturers dictates what percentage of a fleet must be registered as electric to avoid significant fines (£15,000 per car and £9,000 for vans in the first year before rising to £18,000 per van). This means that from 2024 each manufacturer will have to register a minimum of one electric vehicle per ten vans sold.

THE IMPACT WILL BE TWO-FOLD:

- 1) The cost of diesel vehicles are likely to increase significantly due to supply and demand.
- 2) Lead times may increase due to shortages so fleets must plan further in advance.

The ZEV mandate incentivises businesses to incorporate electric and low-emission vehicles into their fleets by offering grants, tax incentives, and access to clean air zones. Consequently, businesses need to evaluate their fleet acquisition strategies to align with the ZEV mandate, ensuring access to a sufficient supply of electric and low-emission vehicles.



MAKING THE DECISION

ALIGNING FLEET STRATEGY WITH BUSINESS GOALS

Your fleet vehicles directly impact your business operations, customer service, and bottom line.

By ensuring that your fleet acquisition strategy aligns with your business goals, you can tailor your vehicle selection, procurement methods, and maintenance plans to best support your specific objectives. Whether aiming to improve delivery times, reduce operating costs through fuel-efficient vehicles, or achieve your ESG goals by [transitioning to EVs](#), aligning your fleet strategy with your business goals enables you to make informed decisions that drive long-term success.

Additionally, your resources are better utilised, promoting agility and adaptability to changing market dynamics.

UNDERSTANDING THE TOTAL COST OF OWNERSHIP

To accurately compare hiring, purchase, and leasing, you must account for your fleet's Total Cost of Ownership over its intended lifecycle as a lot of the benefits and considerations go beyond just the initial acquisition cost.

Other key costs across the lifetime of a vehicle such as servicing, maintenance, and depreciation, can often be overlooked but will all have an impact on cashflow, budget constraints, and the sustainability of your fleet. The impact of these costs also change over time as the vehicle ages as well as any external influences such as changes in the cost of parts and labour.

MAKING THE DECISION

EVALUATING LONG-TERM BUSINESS PLANS

Fleet acquisition decisions should not be made in isolation but rather integrated into overarching business goals and future projections. Evaluating your long-term business plans, such as expansion initiatives, shifts in customer demand, regulatory changes, or technological advancements, allows you to be proactive in addressing your evolving fleet requirements. With this approach you are more likely to select the most suitable vehicles, acquisition options, and maintenance strategies that not only meet current needs but also remain adaptable to future challenges and opportunities.



FINAL RECOMMENDATIONS FOR UK BUSINESSES

With [Clean Air Zones](#) (CAZ) expansions and the government's net zero strategy, UK businesses must prioritise sustainable fleet acquisition strategies. Therefore, it is recommended that businesses look to invest in electric or hybrid vehicles where feasible, taking advantage of government incentives and grants to offset initial costs.

[Northgate's EV suitability analysis](#) assesses where electric vehicles can realistically be integrated into your fleet both now, and in the future, with tailored solutions for your specific business fleet needs. Electrifying your fleet begins with identifying whether you operate any vehicles with suitable electric vehicle alternatives due to various qualifiers:

<input checked="" type="checkbox"/> Daily mileage and payload	<input checked="" type="checkbox"/> Daily journeys and journey profiles
<input checked="" type="checkbox"/> EV alternative availability	<input checked="" type="checkbox"/> Potential CO ₂ savings

AND MORE.

2035 will see the end of the sale of new ICE vehicles but you need to start planning your phased transition to electric now to be in a good place by then. Wherever you are on your EV transition journey Northgate has the knowledge and tools to support your [Drive to Zero](#) emissions.

ADDITIONAL RESOURCES

FLEET MANAGEMENT SOLUTION

Eliminate the hassle of fleet management so you have more time to run your business.

[LEARN MORE](#)

DRIVE TO ZERO

Supporting businesses with the knowledge and tools needed to transition their fleets to Electric Vehicles (EVs), in a way that makes financial and practical sense.

[DOWNLOAD OUR FREE GUIDE](#)

TELEMATICS

Using data to deliver business efficiencies.

[LEARN MORE](#)

FLEET SOLUTIONS

Reduce costs and increase efficiency with our fleet solutions.

[DISCOVER MORE](#)

If you're not sure which options are most suitable for your business, Northgate can help you decide. Contact a member of the team today.

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