

Case Study

RCT Homes welcomes flexibility of sale and leaseback.

In 2008, Lex Autolease supported RCT Homes through a period of rapid growth and change which affected their fleet policy. Through a sale and leaseback agreement, Lex Autolease were able to provide a cash injection to RCT Homes, and support them by removing the financial burden of vehicle depreciation of an existing fleet that no longer suited the changing needs of the organisation.



Customer background.

Formed in 2007, RCT Homes is a not-for-profit community mutual housing association, and is responsible for over 10,000 homes and 600 leaseholders on behalf of Rhondda Cynon Taf County Borough Council.

RCT Homes received funding from Lloyds TSB Commercial Bank to enable them to purchase the council's housing stock. As part of the purchase, responsibility for the ongoing maintenance of the properties transferred to RCT's direct labour force, which inherited a fleet of vehicles purchased outright by the council prior to the transfer.

“The fleet we inherited was unsuitable for our purposes in a number of areas, and we wanted to explore a cost-effective way in which we could fast-track the replacement of these vehicles with ones more fit-for-purpose.”

Malcolm Wilson, Resources Director,
RCT Homes.

Type of company:

Community Mutual Social Landlord.

Service offering:

Sale and Leaseback.

Size of fleet:

60 vehicles.

Key benefits:

- Cost savings.
- Cash injection to the business.
- Reduced risks from depreciation.
- Increased flexibility.

“Using sale and leaseback was an obvious choice for RCT Homes. Not only did it offer long-term economic benefit to the company, but helped us reduce the administration of the fleet, which, as a new organisation, we did not have the in-house capacity to manage.”

Malcolm Wilson, Resources Director,
RCT Homes.

Managing change.

Following a referral from Lloyds TSB Public and Community Sector Relationship Director, Tony Larkin, RCT Homes were contacted by Steve Doyle of Lex Autolease’s Public Sector team, who sought to recommend ways in which the rapidly expanding organisation could manage its changing fleet requirements as smoothly as possible.

The cost to convert the existing fleet would be significant, so Lex Autolease worked closely with RCT Homes to carry out a detailed fleet review, investigating the option of replacing the current fleet with low-emission vehicles more suited to the needs of RCT Homes.

“We wanted to provide a personal service, making sure that the transition between the old and new fleet went as smoothly as possible, while ensuring we took the needs of RCT Homes into account at every stage.”

Steve Doyle of Lex Autolease’s Public Sector team.

Following this comprehensive fleet review, Lex Autolease recommended a sale and leaseback option to free the capital tied up in the vehicles, and provide a cash injection to RCT Homes. The burden of fleet administration, vehicle sourcing and replacement was transferred to Lex Autolease, with contract hire providing the financial comfort of regular monthly payments to streamline budgeting. Sale and leaseback also removed the financial uncertainty surrounding the existing vehicles’ residual values, by eliminating the risk of ownership for RCT Homes.

With preparation for the eventual disposal of the current fleet in mind, the agreement is scheduled to take place over a 16- month period, during which time Lex Autolease and RCT Homes will work towards the planned replacement of the existing fleet. This process will involve consultation and advice on fleet policy, and will include sourcing and adapting vehicle models better suited to the user’s needs and meeting CO2 reduction targets. At the end of this 16-month period, the new fleet will be ready for implementation under a renewed contract hire agreement.

Outcomes:

Sale and leaseback enables RCT Homes to ensure a smooth transition between old and new fleets, accurately forecast their fleet expenditure and implement more accurate fleet management and reporting tools. Lex Autolease’s Steve Doyle comments, “The logistics of managing RCT’s fleet and meeting their changing requirements has been made easy through our range of innovative products and services.”

Malcolm Wilson particularly values the understanding shown by Lex Autolease of the needs of a housing association. “They demonstrated a real understanding of our market, and represented value for money against the inherited position of purchasing vehicles outright. This deal has enabled us to make savings in the cost of running our fleet.”

To find out more,
contact our dedicated
Fleet Consultancy team

Visit:

www.lexautolease.co.uk

Call:

0844 824 0705

Email:

publicsectorsales@lexautolease.co.uk