

fuel cards a guide for fleet managers



Department
for Transport

Introduction

It is crucial for fleets to monitor fuel purchases in order to manage and control fuel consumption. Fuel cards can provide good quality data on fuel purchases, helping you to monitor individual vehicle and driver fuel economy, and implement effective strategies to improve performance.

Fuel accounting can be facilitated by methods such as credit card or petty cash. However, they can be time consuming and not provide the requisite level of control. Fuel cards offer potential benefits for fleets in five areas:

- 1. Reduce costs of fuel purchases.**
- 2. Allow you to accurately separate the costs of business and private mileage.**
- 3. Provide information which allows you to reduce fuel consumption.**
- 4. Reduce security risk.**
- 5. Minimise administration and ensure fuel accountability.**

This guide, published by the Energy Saving Trust, will explain these benefits and help you to make an informed decision about fuel cards for your organisation.

What is a fuel card and how does it work?

A fuel card looks like a credit card, and works in a similar way. It allows drivers to charge the cost of fuel to an account which is settled, usually monthly in arrears, by their employer.

Unlike a credit card, interest is not applied to purchases. However, most fuel card suppliers charge an annual fee. Fuel cards are increasingly chip and PIN protected and can be embossed to specific company requirements.

At the point of purchase, the transaction is carried out in the same way as with any card. The vehicle registration number and mileage are recorded.

The consolidated fuel card invoice which organisations receive shows information including the date, time and place of purchase, the fuel type and transaction value. The fuel card report significantly reduces administration costs compared to other methods of tracking fuel purchases and eliminates the need for receipts. In addition to the detailed invoice most fuel card suppliers will be able to provide further management reporting.

How can fuel cards benefit your organisation?

A fuel card can provide a simple, convenient and secure way of taking control of your fuel expenditure and improving efficiency.

There are five general areas where fuel cards can help.

1. Reduce costs of fuel purchases

- ✔ Fuel card reporting allows the tracking of fuel spend, the type of fuel purchased and the purchase location. This can help to encourage the use of lower cost sites and the purchase of standard rather than premium fuels.
- ✔ Fuel cards give you the opportunity to better manage the cash flow for fuel since you pay for the fuel purchases on a regular basis every month.
- ✔ You can set limits for fuel card usage, for example to mandate drivers to purchase fuel at supermarkets rather than motorway service stations.
- ✔ Some fuel card providers offer fixed prices while others offer pump price charges. In the latter case, if they cover a wide network of filling stations this gives you and your drivers the flexibility to select those with the cheapest pump prices.

2. Allow you to accurately separate the costs of business and private mileage

Using a 'fuel at cost' approach in conjunction with fuel cards will enable actual private mileage fuel costs to be recovered from drivers. This is a better solution than using a fixed rate per mile as it encourages efficient driving during both business and private use of the vehicle and is the fairest way of determining the cost of private mileage. The simple example below shows how this can be calculated:

Value of fuel purchased in one month	£240
Total monthly mileage (business & private)	2,000
Monthly private mileage	500
Pence per mile ($\text{£}240 / 2,000 \text{ miles}$)	£0.12
Private mileage deduction (500 miles x £0.12)	£60



3. Provide information which allows you to reduce fuel consumption

- ✔ Fuel cards can help to raise awareness regarding fuel efficiency in your organisation through the detailed invoices and other management reports.
- ✔ By monitoring individual fuel consumption figures, individual driver performance can be compared across the organisation.
- ✔ Appropriate measures, such as ecodriving training, can be implemented to promote more fuel efficient driving. Fuel cards will help you to monitor the effectiveness of training.

4. Reduce security risk

- ✔ Fuel card technology offers benefits in terms of security and functionality versus alternative methods of payment for fuel such as petty cash.
- ✔ Cards can be embossed with the driver's name or vehicle registration number and the company name providing further protection against fraudulent use.
- ✔ Detailed information on all fuel transactions reduces the potential for employee abuse and provides greater control over legitimate vehicle usage.

5. Minimise administration

- ✔ Administrative time, cost and effort is reduced by the comprehensive fuel invoices with itemised transactions.
- ✔ Issues relating to lost purchase receipts are eliminated and there is no need for a petty cash fund for fuel purchases with the inherent security problems such payment methods raise.
- ✔ Fuel cards provide transparency on fuel spend and fuel consumption; cards can be allocated to individuals, vehicles or cost centres.
- ✔ The consolidated invoice and associated management reports make calculating VAT much easier and helps to ensure that claims for VAT are made in full.
- ✔ You are able to access your online account 24/7 where you can check fuel transactions, download detailed reports and invoices.

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Red Bull case study

Red Bull is a brand that believes in maximising energy, not wasting it, so its determination to reduce its carbon footprint is absolute. In the UK, Red Bull is working with the Energy Saving Trust to transform its vehicle fleet. The work began in 2012 and already emissions are down 10 per cent while fleet costs have reduced dramatically. Better yet, Red Bull UK's carbon-busting initiatives are being adopted as best practice across its global operation.

Within six months of introducing fuel cards and mileage management software, business mileage dropped 12 per cent and continues to fall. “Because we can now monitor miles, we can take action to reduce them,” says David Oliver, Red Bull UK's Procurement Manager. Cost has reduced too. “By reimbursing people for fuel they buy, we've cut the cost of every mile by 15 per cent, and with accurate records, we can reclaim VAT, bringing a further £3,500 to the business every month.”

With the Energy Saving Trust's support, Red Bull is now looking at the potential of electric vehicles and will introduce electric and hybrid options to its company car list for the first time in 2014 as well as evaluating the possibility of establishing a pool of electric cars. “The journey towards minimum emissions never ends,” concludes David.



Considerations when choosing a fuel card

Fuel cards record excellent data, reduce risk and save management and administrative time.

Like other payment cards, the choice is broad. Most of them offer more or less similar benefits but some present slightly different features that could possibly better meet your needs. When choosing a fuel card, ensure you understand your organisation's needs as this will help you select the appropriate provider. Factors to consider include:

- The areas in which your drivers usually travel.
- Where you are based.
- How many vehicles you operate and what type of fuel they require.
- Your current average monthly fuel cost.

Based on this information, you can then select the features that you require. The key areas to consider include:

- Price of fuel: some providers offer discounted fuel prices, but usually only to large fleets. It is more common for the forecourt pump price to be charged.
- Network coverage: some cards are restricted to only one brand of service station; others can be used at a range of different locations including supermarkets.
- Management reporting: the level of reporting you receive will vary between fuel card suppliers. Consider the requirements for reporting within your organisation and the detail required.
- Restricting purchases: it is possible to restrict what is purchased on the card, but this may vary between providers.

Next steps

Energy Saving Trust can provide free advice and information on all aspects of sustainable fleet management.

Our services include:

Fleet Health Check

A free online tool to calculate your fleet carbon footprint and provide simple recommendations about where and how you could cut costs and emissions.

Green Fleet Consultancy

Our Green Fleet Consultancy Service can help you cut fleet costs and carbon emissions whilst enhancing your corporate social responsibility. Whether you need a detailed Green Fleet Review to identify the cost and carbon saving opportunities across your fleet or you have a specific challenge to overcome in one area, we can help.

As well as calculating a fleet carbon footprint, our Fleet Consultants can analyse and advise you in the following areas:

- ✓ company car policy
- ✓ fuel management systems and processes
- ✓ grey fleet management
- ✓ data management
- ✓ mileage reduction strategies.

Ecodriving Training

Subsidised ecodriving training delivering fuel savings and safety benefits is available directly from the training companies listed on our website.

Webinars and Fleet Briefing

Regular webinars and a monthly newsletter which cover a range of topics to help you reduce emissions and cut fleet costs.

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