



RIEP and OGC energy partnership saves local authorities over £100 million in energy costs

Overview

With the government announcing cuts of up to £6.2b in the current financial year the need to reduce public sector spending in key category areas is vitally important. The Pan Government Energy Project represents a real opportunity for local authorities across the nine regions to **save significant money** on energy costs. By joining collaborative and compliant contracts that represent real value for money and greater control over the supply market authorities can make huge savings!

Background

The public sector currently spends around **£3.8 billion per annum** on electricity and gas – which equates to approximately 7% of UK total consumption! Traditionally, a significant proportion of that energy has been procured in a non collaborative and individual fixed price/fixed term way.

The Pan Government Energy Project was established in July 2007 to help improve public sector energy procurement by increasing value for money whilst mitigating against the risks associated with the extremely volatile energy market.

It was agreed that the best method to achieve these results was for the public sector to adopt an **aggregated, flexible and risk managed** approach to all energy procurement.

“It is encouraging that the largest local authority in Europe, Birmingham City Council, has decided to join with the other public sector organisations in using a Pan Government energy agreement and is benefiting from significant savings.”

David Shields
Programme Director
Office of Government Commerce

In order to help organisations meet recommended best practice, the Pan Government Energy Project have awarded recommended solution status to Buying organisations that meet a compliance criteria. This essentially means that organisations can access a framework that meets the best practice criteria and be safe in the knowledge that the framework is EU compliant and government compliant with best practice whilst increasing value for money and mitigating against risk.

Improvement and Efficiency West Midlands (IEWM), the RIEP for the region, acts as the national lead supporting delivery of the project into local authorities. Local authorities make up around **£2.4 billion per annum** (or 66%) of the total public sector spend.

The partnership between the OGC and IEWM has collectively resulted in over **90%** of local authorities in England now using a recommended solution and obtaining the benefits of improved pricing against the marketplace.

Current Position

As at June 2010 of the 437 local authorities, there are now less than 15 upper tier (city, county, metropolitan) local authorities and less than 25 district authorities registered as none compliant. This means that the majority of local authorities are now benefiting from increased value for money and are meeting recommended best practice.

Financial Savings

This has resulted in over £335m of savings for public sector organisations who accessed a recommended solution. In the financial year 2009/10.

The “partnership” approach between the OGC and IEWM has resulted in excellent results via a clear message on savings and benefits and a real challenge to the energy market. This has also demonstrated how collectively the RIEP’s and the OGC working together on a key spend category has resulted in impressive results and direct improvements via flexible priced and compliant arrangements.

The Good News

The good news stories where authorities have made significant savings to their utilities budgets are building weekly. Below are just a few recent savings examples.

- Birmingham City Council - £4.7 million per year!
- Cannock Chase District Council - £185,000 per year!
- Worcester City Council - £125,000 per year!
- Gloucestershire County Council - £1 million per year!

“Although it is early days yet, I am encouraged that significant savings and benefits are already being realised from this project”

Paul Dransfield
Corporate Director of Resources
Birmingham City Council

Collaborative Energy Providers

- Buying Solutions
- West Mercia Supplies (WMS)
- Eastern Shires Purchasing Organisation (ESPO)
- CBC Laser
- Yorkshire Purchasing Organisation (YPO)
- Training and Enterprise Council (TEC)
- North East Purchasing Organisation (NEPO)

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