

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

### Overview

The need to reduce public sector spending in key category areas is vitally important given current economic constraints and the need for the public sector to deliver significant efficiency savings in the next three years. 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 aggregated and compliant contracts that represent real value for money and greater control over the supply market.

### 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 aggregated and individual fixed price/fixed term way that was expensive and didn't take advantage of collaborative benefits.

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 were for the public sector to adopt an **aggregated, flexible and risk managed** approach to all energy procurement.

*“The huge savings from the project demonstrate what can be achieved by local and central government working in partnership to drive costs down in a major national category market such as energy.”*

*David Shields  
Programme Director  
Office of Government Commerce*

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 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) acted as the national lead supporting delivery of the project on behalf of 437 local authorities. Local authorities make up around **£2.4 billion per annum** (or 66%) of the total public sector spend.

Up to August 2010 the partnership between the OGC and IEWM had collectively resulted in over **90%** (393) of local authorities in England now using a recommended solution and obtaining the benefits of improved pricing against the marketplace.

## Current Position

The partnership has delivered huge and impressive savings and a blueprint for other potential national categories to follow eg. vehicles. It shows that aggregating demand can reduce cost at no detriment to the service. Whilst this inevitably brings challenges for the private sector to reduce profit margins, fewer bigger contracts provide security of turnover and guaranteed income.

This is the first phase of the project. OGC and IEWM are now working on developing an environmental audit strategy to further reduce costs. Crucially, it will also reduce CO2 emissions through more efficient and effective control over consumption and the introduction of energy savings measures eg. street lights, water meters etc.

## The Good News

There are nearly 400 'good news' stories across local government and many more within central government. Here are examples of some huge savings from the Midlands:

- Birmingham CC - £4.7 million per year!
- Cannock Chase DC - £185,000 per year!
- Worcester CC - £125,000 per year!
- Gloucestershire CC - £1 million per year!

*"This is fantastic news that we can make such huge savings from our energy bill. We are extremely grateful to both IEWM and OGC for making it happen"*

Paul Dransfield  
Corporate Director of Resources  
Birmingham City Council

## Collaborative Energy Providers

The list of organisations below are able to provide advice on how to access the best deals:

- 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)

### For more information, please contact:

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