

UK councils spent £700 million more than they needed to for their energy: Here's what they can learn from this

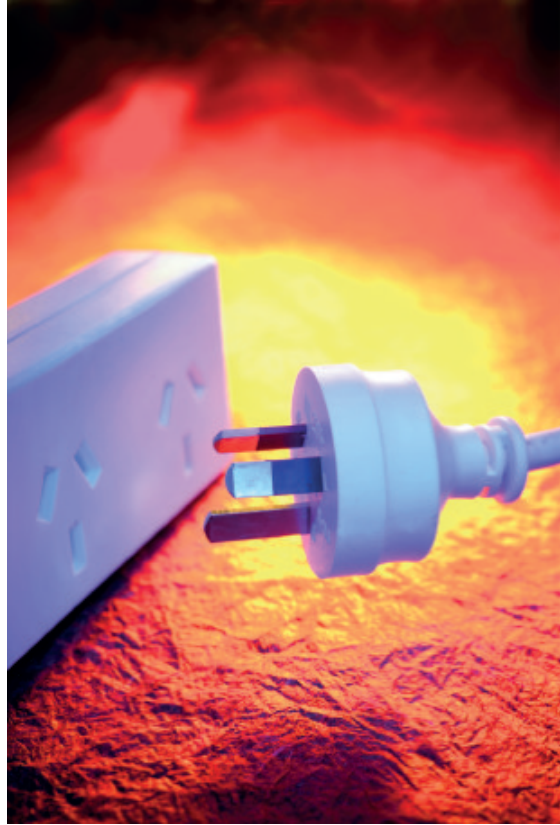
As a 30-year veteran in the energy market, I have seen a lot of businesses pay through the roof for their gas and electricity. However, seeing the stark differences in prices paid among 300 of the largest local authorities was eye-opening to say the least.

When we first sent out Freedom-of-Information requests last year to over 300 local authorities to see what they were paying for their gas and electricity between 1st April 2022 and 31st March 2023, transparency was a novel thing. We expected variations due to market uncertainty, ever since the Russian invasion of Ukraine that caused energy prices to hike dramatically. However, we never expected some of the prices paid to vary between councils so wildly – in some cases variations were almost 200%.

Recently, we asked local authorities to let us know what they have paid from 1st April 2023 to 31st March 2024. We were shocked that some of the worst offenders last year had made the same error of judgement two years in a row, and public money was still being spent where it wasn't needed.

Take Yorkshire for example, the region that paid on average the most per unit for their gas and electricity. On average, the region paid double what Scottish councils paid for their gas. Our research suggests that for 10 of the worst performing Yorkshire councils, **£60 million** more was paid for gas compared to the average reported prices of 8.6 p/p/kwh.

Some councils initially blamed their size for the reason why they paid so much for their energy – but to ensure economies of scale weren't responsible for the huge variations, we compared councils with similar spends to discover huge disparities between prices. For example, Kirklees Council bought 33,609,775kwh of gas for £6,546,075 (19.5p/p/kwh) whilst Portsmouth City Council bought 34,996,452kwh of gas for £2,435,955 (7p/p/kwh). With Kirklees paying almost 180% more, it begs the question of why some councils have paid so much more, and what they can do better next time.



Unlike businesses, that buy energy sporadically, local authorities have the resources to make informed decisions with the help of experts and unrivalled economies of scale, to ensure they are getting the best value possible.

Unfortunately, a lack of overall transparency and industry awareness has left many councils paying more contractually than they would if they paid the out of contract prices. When councils promise to find the most advantageous prices for their constituents, it begs the question of how taxpayer money may have been better spent.

Some councils also buy energy for other public buildings, such as schools and leisure centres, who trust their local authority to limit their exposure. The lack of transparency means that if it wasn't for our Box Power CIC Performance Table – which lays bare what 400 public bodies have paid for energy – they wouldn't have known better for years to come. Now we only hope that, at a time when councils are increasingly strapped for cash, councils can assess where and when they buy their energy and choose better going forward. For members of the public, it is rightly a concern when public services such as leisure centres have reduced services, such as limiting pool operation times due to high energy costs, and their council has indeed bought poorly for local facilities.

Many councils have responded by placing a mass of blame on the Russian invasion of Ukraine, failing to take responsibility for their buying decisions and blaming external factors. As we saw in a response to The Yorkshire Post's investigation, the Director of Finance for York Council said that: 'In 2023, energy prices were historically high nationally, due to domestic and international factors', whilst still claiming their spend of 49.5p/p/kwh for electricity and 15.1p/p/kwh for gas was 'value for money.' It is a worry that if councils deny there are lessons to be learned, they won't avoid repeating the same mistakes next year.

Our report suggests local authorities could have saved **£700 million** had they bought at the same rate as national Government departments during the period of 1st April 2023 and 31st March 2024. Local authorities in the UK could have saved had they accessed the same frameworks as central government department do. It's evident to us that a review is imperative for those councils who have made costly purchasing errors.

When prices were high, some councils chose to fix their prices at astronomical rates and bought in excess, when best practice would be to buy little when prices are high and buy a lot when the volatile period has passed. Those councils who strategized well by forward hedging and managing price risks have more than reaped the benefits of cost savings. The disparity in public energy spending highlights the importance of strategic energy procurement and transparency between councils, their constituents and buying organisations.

This lack of transparency now proves to have no benefit to councils and the public purse, only fuelling public scepticism and demands for councils to prioritise fiscal responsibility.

