

Challenging times

The year has begun with world economic news still indicating a long haul to recovery. On the brighter side, from discussions with quite a number of schools, I am hearing positive news on demand for places in the independent sector but tempered with caution about the years ahead. All of this will make forecasting pupil numbers very difficult for many schools. Overleaf, our independent schools sector consultant, David Chaundler, explores some issues about numbers, fees and finances.

The article below, written for us by Paul Fisher from Cost Reduction Services, gives some thoughts about managing energy costs. I know you will all be looking carefully at costs and so hope this gives you food for thought.

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Head of Education Sector




Coutts

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MANAGING ENERGY COSTS

The UK energy market has changed dramatically over the past few years and is now fully privatised and so, more competitive. It is worth setting out the categories of players in this industry so that you know exactly who does what. These are:

Suppliers - the companies who supply and sell electricity and gas. From a customer perspective, the suppliers are the most important group as they represent the real contact the customer will have with the energy industry.

Distributors - the distribution companies are responsible for getting the energy to you. This means that they are responsible for the pipes or cables in the road and the meters within your property. The suppliers effectively have contracts with the distributors to provide these services and all of these costs are already included in whatever price the supplier asks you to pay.

Generators - just as the name suggests, the generators are responsible for generating the energy we use in our homes and businesses. At one time in the UK the major generators were all burning massive amounts of coal to generate electricity. Over the years the predominance of coal has declined in favour of more environmentally-friendly methods of generating energy.

The industry is dominated by a small number of large energy companies, many originating in the electricity or gas industries, whilst others are marketing organisations with no history of direct involvement in this sector. Some of these major players are subsidiaries of very large European companies. Electricity and gas suppliers are now considered to be energy companies rather than suppliers of one fuel or the other.

Climate change is a major issue for the energy sector as it faces the challenge of generating power with reduced carbon emissions. This factor is stimulating the development of renewable energy and interest in nuclear power.

We know that reducing everyday costs is a constant battle for all schools and in these difficult times, the cost of salaries, catering and other areas will occupy the mind of nearly every bursar. However, the amount paid for your energy should not go unquestioned. Reducing energy bills can be a significant and painless source of saving and there are a number of areas where savings can be made, such as checking for overcharging, identifying patterns of usage, and comparing offers from current and alternative suppliers.

As mentioned, changes in the industry have led to greater competition. As a result, users may not be aware of the potential savings in time and money that can be achieved. Effective utility management depends on the ability to identify, interpret, and handle technical data combined with market knowledge in terms of prices, suppliers and available contract terms. Many schools do not have the skills, resources, knowledge and, above all, the time to undertake such an audit. With numerous utility suppliers in the UK, it is virtually impossible for a customer to keep track of prices, especially with those prices driven by the price of oil that changes constantly. This means that schools never know if they are being charged fairly or where to go for a more competitive price. By getting the right professional help, significant savings on money and time spent

sourcing competitive proposals can be made, with no reduction in the quality of service. All of this helps schools' cash flow and can significantly free up time for the bursar to concentrate on other areas. No school can afford to ignore utility cost management.

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