

Are you missing out on Utility Bill Cost Recoveries?

Energy Bureau - A Business Case

Dec 2009

team

Increasing numbers of organisations are choosing to outsource their energy bill processing, validation and cost recoveries to a professional energy bureau service. This can significantly reduce administration costs and achieve considerable energy savings.

This Business Case outlines a typical scenario for outsourcing bill validation to the TEAM energy bureau.

The Scenario

A typical large Local Authority or London Borough has a total annual energy bill in the region of £10,000,000 with around 450 gas, 530 electric and 600 water meters. This generates 1580 invoices per month, which equates to approximately 19,000 invoices per annum.

Manual bill entry is often inefficient with bills being received in a post room, registered, copied and transported internally. This is then followed by input into a finance system and quite likely duplicate input into an Energy Management System. Payment is carried out through multiple individual cheque or BACS payment transactions with copies being sent for verification. Finally bills are returned to file storage. The London Energy Project* estimates that each invoice carries a resource cost of £30 or more.

Savings Example

A large University in the North of England saved £151,863, when the TEAM bureau queried the unusually high electricity consumption for one of the buildings of their Management School.

The Drivers

Private and public sector organisations alike are facing the challenges of the current economic situation and need to seriously consider any steps which lead to cost savings and increased efficiency.

The Government's 2007 comprehensive Spending Review (CSR07) outlines that all public services have a target to achieve at least 3% net cash-releasing value for money gains per annum between 2008/09 and 2010/11.



Key Barriers

We use a large number of different suppliers, does this make setting up a bureau too complicated?

Each new bureau implementation is thoroughly project managed and we take great care to set-up your database to suit your property portfolio and reporting requirements. Right from the start of a bureau, customers benefit from the long term relationships TEAM bureau has built up over years with utility providers helping to ensure a smooth transition.

Will I lose visibility of my bills?

No, in fact there will be more visibility through the ability to call invoices up on demand through TEAM's web based SigNet system.

Financial Benefits

● Reduce invoice processing costs

The TEAM bureau can consolidate individual invoices and produce bulk files for one single BACS payment per supplier per month. The London Energy Project* (LEP) claims that processing costs of these are considerably lower than those for individual payments. For each bill payment they estimate £3 per transaction (equating to £57,000 for 19,000 invoices) compared to £50 per month for bulk processing, or £600 a year. A potential annual saving of up to £56,400 could therefore be achieved.

Public sector organisations can appoint TEAM Bureau services through the Buying Solutions framework agreement.

buying solutions
supplier



- **Free up data entry staff**

Using a bureau reduces the need for invoice handling and manual data entry resources, which can be re-deployed, together with reduced management and training time. The LEP estimates that a saving of upwards of £75,000 can be achieved here.

- **No need to purchase specialist software or hardware for data entry staff**

- **Save money through cost recoveries**

The London Energy Project estimates that typically between 1 and 3% of energy expenditure can be recovered through bill validation, either in-house or outsourced. Even at the lower figure of 1%, for a £10m energy bill this would equate to a substantial £100,000 saving in the given scenario.

A sample of 115,000 invoices processed by the TEAM bureau from over different 50 suppliers on behalf of over 40 organisations, achieved the following cost recoveries as a percentage of energy expenditure:

- Electricity 3.2%
- Gas 4%
- Water 5.7%

- **The Carbon Trust estimates that between 0 and 5% of energy costs can be saved through energy waste detection**

The collection of billed and other energy consumption data through the TEAM bureau results in a well maintained database. This can be used to identify incidents of excessive consumption so these can be proactively targeted to reduce energy costs. An organisation with a £10m energy bill could save up to £500,000 per annum.

Financial Savings Overview

Type of Saving	Potential Annual Saving
Reduced Payment Costs	£56,400
No need for manual data entry staff	£75,000
Bill validation and recovery	£100,000 (to £300,000)
Energy Waste detection	Up to £500,000

Non-financial Benefits

- **High Data Quality for compliance reporting, financial forecasting and accruals**

During processing the TEAM bureau checks each bill against a minimum of 30 standard validators, ensuring high data quality and therefore avoiding incorrect payments, missing invoices and orphan sites.

This central energy database created by the bureau can be accessed by the customer via the web and provides an invaluable source of information for procurement, compliance reporting, financial forecasting, monitoring against budgets and providing accruals.

- **Avoiding duplicate data entry**

The TEAM bureau provides an interface to the customer's Accounts Payable System allowing them to import billing data directly, avoiding duplicate entry.

- **Access to specialist resources and advice**

The bureau is a flexible resource and provides "call off" access to experienced data entry and energy management staff, when required.

References

PRUPIM

"The bureau service provided by TEAM is important for monitoring of utilities accounts and identification of cost savings across our real estate investment portfolio. TEAM are responsive, and adaptive to change to meet business requirements."

James Anderson, Environment and Energy Manager, Prudential Property Investment Managers Ltd.

"From the start of using the service in July 2006 the TEAM bureau has reclaimed an average of 4.8% of our total energy cost across all three utilities, and their service has paid for itself more than 5 times over through these recoveries alone."



Senior Estates Manager, NHS organisation in the South of England

*Source: London Energy Project, July 2009, Presentation Amanda de Swarte

More information about the London Energy Project can be found at www.londoncouncils.gov.uk/capitalambition/projects/londonenergy