

## Case study: Supporting communities (pillar 2)

### Oil bulk-buying schemes

#### Context

Defra's funding of the Rural Communities Action Network (RCAN) has been used extensively alongside funding from other sources, to promote and support individual rural communities to take forward their own initiatives and solutions to local challenges. This assistance for local action and capacity-building forms pillar 2 of the Defra investment programme 2011-15 in the RCAN network.

Oil bulk-buying schemes have grown and developed quickly during the lifetime of the funding agreement. They have become a feature of RCAN members' work to support local rural communities in the majority of cases. This case study looks at three schemes, each operating to different business models, run by Oxfordshire Rural Community Council (ORCC), Norfolk Rural Community Council (NRCC) and Rural Action Yorkshire (RAY).

#### What happened

The RCAN members involved have highlighted that there were two main stimuli for the growth in oil bulk buying schemes. One was the focus from Defra on fuel poverty and energy generation as a key priority for their funding programme. The other was recognition that running oil-bulk buying could in some cases generate a valuable source of income to support the wider work and sustainability of RCAN members.

##### Oxfordshire

In Oxfordshire a local environmentalist and community activist had begun to buy oil in bulk on behalf of members of his community who were off the main gas network. By negotiating with oil providers on a monthly basis the community was able to secure significant cost savings. However demand for the scheme was exceeding capacity and he approached the local RCAN member to develop the scheme. At the same time ORCC had recognised fuel poverty as a concern and had also seen the environmental impact of fuel tankers from various different suppliers rolling through small villages several times a week.

ORCC and the local activist began working together on a partnership scheme that could roll out the benefits to the whole county. ORCC recruited, trained and managed co-ordinators within communities and helped them set up the scheme locally, whilst the community activist set up a new social enterprise, called Community Buying Unlimited. The latter brokered the deals with oil suppliers and managed the transactions. ORCC reflects that the scheme grew out of community action first and that the social enterprise came later.

ORCC's income is derived from the communities who pay £20 to join the scheme. The scheme came to the attention of other RCAN members and ORCC developed a franchise model that could be applied elsewhere. At its high point there were 23 other RCAN members in the franchise who paid a fixed-fee for the business start up service provided by ORCC and then a graduated service fee triggered by the numbers in their own membership.

##### Norfolk

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Not all schemes started after the Defra funding agreement. Norfolk RCC was already working with AF-Affinity, Anglia Farmers' bulk buying arm, to provide savings on oil for local communities. It saw the prioritising of work on fuel poverty by Defra as an opportunity to grow that scheme. Although this syndicated approach is slightly different from the franchised ORCC model, there are also many similarities. In particular around the important role of community-based co-ordinators, and, crucially, regular savings for members – on average 9% on the market price (using DECC published information). NRCC has also started working with other groups who serve the organisation's target client group – this includes care homes and housing associations, and it represents an opportunity to grow the scheme in a slightly different direction.

### Yorkshire

Unlike ORCC and NRCC, income generation is not a key motivating factor for the scheme run by Rural Action Yorkshire (RAY). Instead its role is to help communities set up fuel buying co-operatives themselves. This involves training a co-ordinator volunteer, providing a supporting toolkit and putting them in touch with their local syndicate. The community then runs it themselves and places orders through the syndicate. All savings go to the residents. This is very different to the other models and RAY has commented that it was done this way so that the scheme is completely sustainable within each individual community.

An important factor in the development of RAY's scheme was geography. The distribution of off-gas households was primarily in scattered settlements across a large area of North Yorkshire. There were already some existing oil buying co-operatives based around these settlements and so the RAY scheme is based on these small co-operatives, helping them buy into larger oil-buying syndicates. Savings can still be achieved, even when communities order very small quantities, because they are joining syndicates who undertake the bulk buying. Demand is still increasing and RAY recognises that there is massive potential with so many households off the main gas network in the county.

### Impacts

- **Economic benefits:** In each of these examples, although the models vary, the oil-bulk buying scheme leads to direct savings on published prices for communities of between 5% and 10%. In many cases the schemes have also provided a regular flow of income to the RCAN members. The RAY scheme, whilst not providing direct income, has been used to lever in other fuel poverty projects from funders.
- **Diversification:** The models are already being adapted to provide savings for other bulk purchases e.g. rock salt, boiler servicing, other forms of alternative energy and more widely e.g. village hall maintenance.
- **Community capacity building:** all the RCAN members have described the success of the scheme in terms of communities becoming more engaged and active. The schemes would fail without the local volunteer co-ordinators who are the link to individual customers. Each of the RCAN members has described recruiting the co-ordinators as an 'easy sell'. The benefits of the concept are recognised immediately and there has been no shortage of people coming forward to fill these crucial roles. RAY observed that the scheme was building confidence locally. For example, people were seeing the schemes' success and were saying, "Let's have a go at something", not just oil bulk-buying, but other community projects too. Interestingly, all three RCAN members observed that the volunteers were more 'entrepreneurial' in nature compared to those whom more regularly got involved in their work. This means the RCAN members had tapped into new parts of the community who offer potential opportunities for the future.

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- **Impact on wider RCAN work:** Oil bulk-buying is used to inform each of the RCAN member's wider work on fuel poverty, for instance, linking in to 'buy-early for winter' schemes, awareness raising about national fuel saving and warmth initiatives.
- **Organisational capacity:** RCAN members have developed significant expertise around social enterprise and business skills. ORCC, in particular, recognised its steep learning curve in respect of both the local scheme and setting up a national franchise that will stand it in very good stead for future activities.

### Opportunities, challenges and lessons

RCAN members recognise that there is significant scope to grow the schemes. All report many more rural households that are off the main gas supply and could benefit from bulk buying. There is also a financial incentive to grow the schemes and improve sustainability. One of the gaps is marketing. ORCC commented that it is the face-to-face conversations within communities that work best. NRCC noted that it is the most vulnerable in the community – those who need the scheme the most – who are the hardest to reach and least likely to respond to flyers or public information.

Paradoxically, growth of schemes brings with it other challenges – notably in the form of capacity issues. For instance, ORCC are considering the development of an on-line portal to cope with the demands of 1,000-plus members on a stretched telephone service.

The need to remain flexible and to build on success is already beginning to change the picture at national level. The franchise is being revised to recognise that some of the trigger points that activate payments to ORCC are not working as well as they could. It is also apparent that some RCAN members have developed local knowledge and partnerships which mean that a national franchise may not suit their development needs. Regional or sub-regional groupings may become more widespread. This underlines how the network has been able to share learning and experience.

NRCC observes that managing customers' expectations can be an issue, particularly with regard to the level of savings. Despite the schemes' obvious successes, there is a need to maintain trust by being absolutely transparent about the prices that are negotiated and to be clear that in some circumstances, cheaper prices may be available from other sources. Similarly, RAY has commented that these are amongst the issues covered in the support and training that it offers to community volunteers who are setting up co-operatives.

Looking to the future, NRCC's view is that oil bulk buying can only be a temporary solution as oil reserves become depleted and prices continue to rise. It has looked at supporting other alternative energy solutions.

Defra funding has clearly helped the growth of RCAN-led oil buying schemes, resulting in savings for many rural households. RCAN members say that a Defra funding contribution pays for senior management time to hold negotiations with oil suppliers and for the development of toolkits to set up local groups.

There is also a valuable national policy spin off. ORCC has been able to use its knowledge of rural communities, fuel supply issues and price structures at a national policy level. Meetings with the Department for Energy & Climate Change, OFGEM, Citizens Advice and energy generation companies have been used as opportunities to get rural fuel poverty solutions discussed at a national level. This is an on-going challenge and sets the context for RCAN members' growing role in tackling fuel poverty.

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