

Best Practice for Oil Buying Groups



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Introduction

Interest in heating oil buying groups is on the rise. Customers and communities are increasingly aware of the cost of energy and the need to buy and use energy as efficiently as possible. This publication explains how heating oil is traded, what you need to consider before setting up, or becoming involved in, a buying group (also known as oil clubs, oil syndicates or oil co-operatives) and ideas on how to run and manage your group once established. It will also highlight some pitfalls to avoid and help you assess what is the best option for you and your community.

Heating oil suppliers

Heating oil is bought by your local distributor company from the refiners and importers. The price varies on a daily basis but will track the price of crude oil. Most national newspapers carry information on the daily price of crude oil. Daily prices are also available on the following webpage <http://tinyurl.com/BBCpriceofcrudeoil>

Some distributors have their own storage where they can keep a few days supply, whilst others, who don't have storage, collect the oil from the refinery or terminal and deliver it directly to their customers. The cost to the customer is dependent on how much the distributors had to pay for the oil, the volume required and the costs of the delivery.

Delivery costs are included as part of the price of your oil purchase. Oil tankers are expensive to buy and maintain. They have specialised equipment and many safety features and are subject to frequent and rigorous safety checks. Obviously, smaller volumes still have to absorb the same delivery costs as larger volumes, and so this is where you may be able to get a better price if you club together with some neighbours to get your oil in the same delivery.

Why Join an Oil Buying Group?



Reduction in unit price

Most oil distributors offer a reduction in quoted schedule prices for larger volumes as it reduces delivery costs. The advantage of an oil buying group is that all members benefit from the total volume price reduction irrespective of the individual volume ordered. (See the section relating to minimum order quantities).

Fewer goods vehicle movements

An oil buying group of five houses has the potential to reduce the number of delivery tanker journeys in the area from five to one. If each member of the group takes three deliveries a year, this could reduce the number of tanker movements from 15 to just three – safer for the community and better for the environment.

Social cohesion

Local hamlets or villages can work together for communal benefit, which can help to unify communities.

As outlined above there are advantages of being a member of an oil buying group but there are also some key points to think about before setting up or joining a group. It is worth remembering that members do not have to buy heating oil solely through the syndicate. They are free at any point to purchase oil themselves as their individual needs dictate and therefore do not need to wait until there are sufficient numbers in the oil buying group before they can place an order with the supplier.

Case studies



There are different types of oil buying groups; from neighbours joining together to form a small club or a larger group joining a county-wide syndicate and even the emergence of national buying groups. A new group will need to decide which option is best suited for their community. The case studies below show three different types of oil buying syndicates.

Small Neighbourhood Group

Warborough Syndicate comprises ten neighbours, one acting as the administrator for the group. The group uses the same distributor each time and has built up a good relationship with the supplier.

Village Oil Club

Chieveley Oil Club (West Berkshire Citizen's Advice)

Chieveley Oil Club was set up six years ago and covers Chieveley village and neighbouring areas including Worlds End and Beedon. The club currently has 210 members from the 508 households in the area. The current co-ordinator has run the club for two years and doesn't charge any administration fees to members.

The co-ordinator publishes details of the next order date on the parish website and in the parish magazine. An email is also sent to oil club members every 8 to 12 weeks (depending on the time of year) to ask for orders. Members return their orders by email and those members without access to email ask neighbours or friends to place an order on their behalf. The co-ordinator uses a spreadsheet designed by an oil club member to collate order details and additional information such as, which properties have dogs or instructions for automatic gates.

The co-ordinator rings around ten oil suppliers and asks for their best prices. However, the club has found it tends to use the same two suppliers for the following reasons; one distributor supplies members with their invoice on delivery and doesn't expect same day payment. The other supplier asks for credit card details in advance and takes payment shortly after delivery.

Chieveley Oil Club have been approached by residents from local villages to join their oil club, however, Chieveley members feel the club has reached an optimum size. They will instead help support the residents to set up their own club.

Large Syndicates

Oxfordshire Rural Community Council – ORCC Trading Ltd oil buying syndicate



Oxfordshire Rural Community Council (ORCC) has set up a community-based, county-wide oil buying syndicate. The aim of the syndicate is to reduce the cost of oil heating to communities by combining orders into one purchase and negotiating the best possible price. It also aims to co-ordinate oil deliveries across the whole county in a streamlined way to minimise the carbon footprint and reduce congestion on rural roads. The scheme is administered by ORCC Trading Ltd, a not-for-profit enterprise.

There are currently over 300 members of this oil buying scheme and 30 community co-ordinators. Volunteer community co-ordinators gather orders from members in their local areas and send the order to ORCC Trading Ltd, who in turn negotiates with oil suppliers on members' behalf, to obtain the best price for a bulk order. Once a price has been confirmed the oil supplier contacts the individual member with a delivery date and the member pays the supplier direct for their delivery. Members pay an annual membership fee and can order oil as many times as they need during the year.

For further information visit: <http://tinyurl.com/ORCCbulkoilbuyingscheme>





Thinking Fuel – Norfolk Rural Community Council and AF Affinity

Thinking Fuel, a county-wide oil buying scheme, is a partnership between Norfolk RCC and AF Affinity (an agricultural purchasing co-operative) to provide rural communities with cheaper fuel. Prices are consistently low but they do not guarantee to always offer the lowest price available.

The scheme requires the setting up of a local group who live in the same postcode area. The local group pays a £15 annual membership to Norfolk RCC, who in turn provides a basic group constitution and relevant forms. The local group co-ordinator collects and registers details from members of the community. Individuals provide personal details and payment preference and will also sign a data protection statement to allow information to be passed between the local group, Norfolk RCC and AF Affinity.

The scheme doesn't require the whole local group to order together. The county-wide nature of the scheme ensures all members benefit from the savings achieved from bulk buying. However, further savings can be made if a local group do order together and also extra discount can be gained if the majority of orders are placed on the first working day of the month to receive a multi-purchase discount.

For further information visit:
<http://tinyurl.com/NorfolkRCCThinkingFuel>



Points to consider before setting up an oil buying group



Keep the buying group local

When setting up an oil buying group it is important to think about the size of the membership and the area it will cover. A local area can be a street, village, a parish or defined by a postcode boundary. Suppliers route vehicles to deliver in a local area anyway but it can be an advantage and more efficient for the delivery if customers are closer together.

Working with partners

Residents interested in setting up an oil club may form a working group to bring together interested parties and to make sure the club is open to all local people. A couple of meetings to kick start the group and to draw up terms of reference for the club e.g. appointing a co-ordinator etc. will help ensure smooth running of the club thereafter.

In setting up an oil club it is also useful to contact others who may be able to provide support with promoting and organising the scheme such as; housing associations, the parish council, the local Citizens Advice Bureau or other charities and community groups.

Time

Established oil buying syndicates have a volunteer to administer and co-ordinate a group's oil order. Be aware of the time and commitment involved for a co-ordinator. Whilst buying groups do offer potential cost savings, putting together a group can take a lot of time and organisation – firstly in establishing the group and then developing a process to collect orders from members and researching and negotiating the best price with suppliers. Joining a larger or county-wide oil buying syndicate may be a better option if volunteer time is constrained (depending on the group), as local co-ordinators may only be responsible for collecting a group's order and liaising with the county co-ordinator.

Promoting an oil club

Once an oil club has been formed it is important to think about how to promote the club to the whole community. There are numerous options, for example, putting notices in local newspapers, the parish magazine, housing association newsletters, the local authority newsletter, or in the village store, post office, pub or church. Many villages have their own website where an advert could be

placed and social networking sites such as Facebook, whilst not suitable for running oil buying groups, are useful for advertising. Also “word of mouth” is valuable, especially for reaching members of the community who are not online. A co-ordinator can contact local community groups to promote an oil club to their members or organise a leaflet drop around the village. Also, oil club members should be encouraged to speak to, for example, elderly neighbours who may wish to join.

Establish good communication

The buying group will need to decide how it will operate, for example, will there be a membership fee, is there a deadline each month to place an order, what are the group’s payment terms, how will the group manage emergency orders? Some groups may want to develop a basic terms of reference to avoid any ambiguity between members. It is important to set up a good communication system within your buying group. Whether it is by email, web based or by phone, the co-ordinator must be organised to receive orders from members.

The internet makes the process of collecting orders easier and having an email list means the co-ordinator can quickly contact members with a deadline for orders. Some clubs even have their own website. For people with no or limited internet access there should be alternatives made available: the village shop could take orders or provide a post box for order forms. Word of mouth is also important and neighbours could email orders for elderly residents for example.

Co-ordinators will also need to collect information on behalf of the oil suppliers about any properties where deliveries could be difficult and be made aware of any new potential hazards, e.g. a new dog in the house. This information can be collected via a membership form.

Good communication with oil distributors is important and some groups may prefer to work with only one supplier to develop a tailored service. This is particularly relevant for groups who place a high priority on flexible payment options, which may be offered by some oil distributors.

Administering an oil buying group

Oil buying groups often supply a registration form for new members to collect personal details and information on the properties for deliveries. The Data Protection Act needs to be consulted if the co-ordinator is planning to hold members’ personal details on file.

Some larger buying groups may apply a membership fee to join the group. An annual membership fee often helps the co-ordinator cover any additional costs for administration and communication. It could also be used for a community fund to help members struggling to pay their fuel bills.

The co-ordinator will also have to consider how they will manage emergency oil orders or short notice cancellations. Some groups may impose a penalty fee to cover any charges made by the supplier. Oil buying groups should always be clear about potential additional costs to members.

Oil buying groups also need to consider payment terms for their group. It is advisable that co-ordinators ask members to pay the supplier directly and do not handle any payments on behalf of the group.

Members' financial welfare

The value of an oil buying group is the flexibility to find the best price for each member, regardless of whether they order a large or small volume of oil. Members may occasionally have financial difficulties and the group will need to decide how they will manage a situation if a member is unable to pay for their order. There may be implications for a buying group as a whole if a member becomes in debt to the supplier. A community fund could be created as part of the membership fee to be used to help those struggling to make payments.

Some suppliers do offer budget payment plans to individuals to help spread the cost of heating oil through the year.



Purchasing heating oil



Minimum order volumes

The supplier's minimum delivery amount should be checked by the buying group at the outset. Co-ordinators will need to make clear that the typical minimum delivery is usually 500 litres and a supplier may apply a surcharge to any orders under 500 litres.

Once a group's order has been placed with the supplier, it is the individual member's responsibility to ensure they can accept their delivery of oil (e.g. they have room in their tank) and the supplier's to ensure a safe delivery. It should also be noted that the group should consider the size of tanker required to deliver to their area (smaller tankers may be needed for particularly hard to access properties). An order that 'just' requires two tankers may increase the cost of the oil and negate any savings that buying in bulk can achieve.

Buying oil at the best price

A group will need to decide when they are going to purchase the heating oil. Some groups place orders at a fixed time and members have to accept the price at that fixed point but may still benefit from bulk ordering. However, other groups may prefer to watch the market and agree the right time to buy for them.

Variations in prices

Prices will vary from month to month, week to week and even day to day and buyers, whether they are individuals or a group, can achieve savings by watching the markets and buying at the right time.

It is worth a buying group considering the time of year orders are made, for example, buying oil in the summer when it is cheaper. Also, co-ordinators should encourage the group to avoid last minute buying in the winter months. Buying in November rather than December can make a difference because prices are usually at their highest in December and when distributors are very busy and the option of supplying buying groups may be less attractive.

Safe deliveries

Group co-ordinators are responsible for ensuring suppliers have household details to make a safe delivery. This information can be collected through a registration form and sent to the supplier when making the order. A list of the information the supplier needs to know can be found on the Federation of Petroleum Suppliers website, along with lots of other useful information.

Useful Links



Federation of Petroleum Suppliers
<http://www.fpsonline.co.uk/>

- Minimum volume deliveries
<http://tinyurl.com/minimumvolumedeliveries>
- What your supplier needs to know when you place an order
<http://tinyurl.com/informationfromcustomer>

Oxfordshire RCC – ORCC Trading Ltd
<http://www.oxonrcc.org.uk/who-we-are/orcc-trading-ltd>

Norfolk RCC & AF Affinity – Thinking Fuel
http://www.norfolkrrcc.org.uk/wiki/index.php/Thinking_fuel

ACRE
<http://www.acre.org.uk/>

Action with Communities in Rural England (ACRE)

is the national umbrella body for the Rural Community Action Network, providing a focus for national advocacy and support for its member organisations and the rural communities they serve. ACRE works strategically with government and with a range of national third sector organisations to reflect a rural perspective in policy and practice. ACRE is nationally recognised for its expertise in ensuring rural community-led solutions are central to public policy debate and manages the delivery of programmes that directly benefit grass roots communities. <http://www.acre.org.uk>



The Rural Community Action Network (RCAN) covers the whole of rural England through the work of 37 local member organisations, eight regional bodies and ACRE. The local member organisations are all independent charities, largely county-based. As local development agencies, RCAN members have been facilitating social change in rural communities for decades by providing tailored and comprehensive support to rural communities to enhance their quality of life and access to services. With a strong focus on local advocacy and brokering relationships between rural community aspirations and local government strategies, RCAN members enhance the role of community action and self-reliance in rural areas across the country. <http://www.acre.org.uk/about-rcan>

The Federation of Petroleum Suppliers (FPS) represents the majority of oil distribution companies in Great Britain, who are, in the main, small family run businesses responsible for deliveries of almost all the home



heating oil used in Great Britain, in addition to marine, agricultural, commercial, industrial and forecourt deliveries. There are currently over 230 members of FPS in the United Kingdom and the Republic of Ireland.

Citizen's Advice

The Citizens Advice service helps people resolve their legal, money and other problems by providing free, independent and confidential advice, and by influencing policymakers.

