

Energy Procurement Framework Renewal



Report to:	Cabinet
Date:	10 July 2025
Portfolio Holder:	Councillor James Leppard, Portfolio Holder for Finance
Lead Officer:	Alan Townshend, Executive Director
Contributing Officer:	Dean James, Operations Manager – GIS and Infrastructure
Key Decision:	Yes
Forward Plan:	Forward Plan number I018596
Call In:	This item is subject to call in procedures
Corporate Mission:	Transform our Council
Wards Affected:	All wards

Executive Summary

- A** In respect of the council's corporate mission to 'Transform our council', the Building Harlow's Future Plan states that this year, the council will "transform how we procure goods and services. A more dynamic, modern and commercial approach will improve efficiency, effectiveness and maximise social value.
- B** The report considers the extension of an existing Energy Procurement Framework Contract following a benchmarking exercise of similar energy frameworks and providers, as agreed at Cabinet in February 2022. The exercise provides the Council with clarity as to value for money when procuring energy broker services and energy contracts, as well as opportunities to consider additional services where necessary.

Recommended that:

- A** Cabinet agrees to extend the current contract with Inspired Energy for the procurement of gas and electricity via the Procurement for Housing framework from April 2026 to March 2028.

- B** Cabinet agrees that the contract extension also includes additional services for pre-payment bill validation and annual budget production.

Reason for decision

- A** The contract extension is based on projected financial forecasting of approximately £1.8million for electricity and gas portfolios, and the cost of management services performing better than other public buying sector authorities.
- B** The inclusion of pre-payment bill validation and annual budget production will safeguard the council from inaccurate billing from energy suppliers whilst providing more budget certainty when forecasting for energy in future years.

Other Options

- A** Do nothing – By not extending current energy procurement contracts and not considering other procurement strategies, the council would be liable to negotiating energy supply contracts with suppliers based on day-ahead pricing, leading to significantly increased costs and risk to the council.
- B** Procure energy through other public buying authorities – Whilst other public buying authorities were considered as part of the benchmarking process, the proposals were not as comprehensive as Inspired Energy due to the cost and type of additional services being offered.
- C** Consider aggregating energy contracts with other Essex local authorities to increase buying power – Options were considered to aggregate energy portfolios of neighbouring Essex authorities; however, this was not considered feasible at this time due to current energy contract strategies not being in alignment. However, this should be considered as a forward strategy from 2028 onwards and is currently being considered by the North Essex Councils Climate Partnership.

Background

1. In 2022, Cabinet agreed to procure its gas and electricity supply contracts via the Procurement for Housing (PfH) framework, committing the council to a long-term contract to achieve value for money.
2. Under the PfH framework, the council utilises a flexible purchasing method under which the framework provider continually tracks changes in the wholesale energy market and procures blocks of energy when conditions are favourable. These prices are then fixed for the following fiscal year. Using this method the council can take advantage of any future fall in wholesale energy prices. The approach also reduces the council's exposure to any future spikes in energy prices.

3. The current cost to implement the framework agreement is £24,451.65 per annum. For this, the framework provider procures gas and electricity supply contracts on the council's behalf, as well as:
 - a) Dedicated Account Management – inclusive of liaising with suppliers on the Council's behalf
 - b) Performance, Service Delivery and Supplier Relationship Management of the contract
 - c) Connections and Metering Support including new meters and change of tenancies etc.
 - d) Daily and weekly wholesale market trends to better support in financial forecasting throughout the duration of the contract
4. Energy markets have experienced significant pricing volatility since 2022 due to global geopolitical events e.g. Russia-Ukraine War, Covid-19 lockdowns, extreme weather, and a transition to cleaner power. Market trends in 2024 had tended towards ongoing price increases month on month, with projected outlook somewhat softening beyond 2026. However, it should be noted that market liquidity (the amount of energy available to buy) is still poor, particularly for future years due to the escalation of conflict in the Middle East and Russia/Ukraine.
5. In the current market cycle short-term purchasing strategies are outperforming the longer-term options. Harlow Council secures delivery periods for 12-month periods, protecting itself against shorter term market instability. The historical trend prior to the 2022 unprecedented price and supply volatility, shows that in a stable market long-term strategies were outperforming the short-term strategies. This is something that should be reviewed in future years should the market continue to stabilise.

Issues/Proposals

6. A benchmarking review of the contract was undertaken to determine value for money against other public sector buying authorities/frameworks. In addition, the performance of the framework provider has been assessed and services that provide added value to the contract have been considered.
 7. For context, as of 2024/25, Harlow Council paid on average (compared to the domestic market):
 - a) 25p/kWh for electricity vs 27.98p/kWh variable rate
 - b) 3.55p/kWh for gas vs 7.09p/kWh variable rate¹
 8. The contract covers budgets held within the Housing Revenue Account (HRA) and General Fund (GF). The volatility in energy prices, and subsequently expenditure, has been due to the reasons as set out above. The table below shows the Council's energy expenditure since 2022/23.
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Year	Gas	Electricity	Totals
	£	£	£millions
22/23	630,437	781,490	1.411
23/24	816,348	1,063,777	1.880
24/25	599,007	1,424,208	2.023

9. Harlow Council had approached two other public sector buying authorities as a benchmarking exercise to compare financial performance. The projections for 2026/27 obtained are shown below:

Name	Cost (£millions)	Comments	Access costs for procurement only service (£)
CCS	1.997	Based on 24/25 average tariff for a 6-month locked basket for a 12-month delivery period as forward projections are not available.	21,508.00
Inspired	2.023 (24/25) - 1.797 (26/27)	Based on current wholesale market forward projections for 26/27	24,451.65
LASER	-	Declined to provide information	28,729.63

10. The council, through Inspired Energy, utilises the current method of joining a collective 'basket' to aggregate our energy portfolio volume with other like-minded public-sector organisations, therefore providing a financially advantageous route to market. This is combined with a purchasing strategy ensuring energy prices are locked for a 12-month delivery period. When comparing other procurement methodologies, forward forecasting for 26/27 shows Inspired Energy could secure energy at better market rates. However, forward projections for other providers were not available so historical data had to be used as a comparator.
11. The PfH framework through Inspired Energy delivers account management and billing queries, and connections and metering support where they act on behalf of the client as part of their procurement access service. The table above shows benchmarked costs for a similar service between CCS and LASER, though it should be noted that both CCS and LASER costs are procurement only.
12. Whilst it is noted that there is no performance indicators set within the services agreement between the council and the framework provider, it is in the opinion of Officers that the agreement delivers a good standard of performance. It is recognised that handling energy queries can become complex and, in most cases, have been dealt with in a self-imposed 28-day period through the framework provider.

13. Additional services to energy procurement are also available to the council to support saving costs. Pre-payment bill validation services are provided by Inspired Energy which ensures that billing is checked, verified and accurate before being issued to Harlow Council for payment. This safeguards Harlow Council against any inaccurate billing and provides greater financial certainty on a granular level.
14. Secondly, annual budget forecasting can also be provided. This ensures that the council's budget setting processes for energy is based on the latest market trends between 2026 and 2028, decreasing potential budget variability from year to year. Annual budget forecasting can take place against the council's timetable for budget setting processes.
15. The cost of the above services, when included with energy procurement services, would total £31,750.65 per annum, an increase in current costs of £7,299.
16. Considering the above evidence, it is recommended that the council extends the services contract with the framework provider to March 2028. The contract extension should also include the added services relating to pre-payment bill validation and annual budget forecasting.
17. Energy contracts must be procured from 1 April 2026 onwards, subject to compliance with Section 20 of the Landlord and Tenant Act 1985. The Council has successfully applied for dispensation as part of its last energy procurement cycle and can do so again, if necessary.
18. The council continues to obtain 100% renewable electricity for its portfolio as part of the framework agreement with a Renewable Energy Guarantees of Origin (REGO) certification as approved by OFGEM. This will aid the Council in achieving its goals set in its current Carbon Reduction Plan 2021-26 and the aims set out in the Climate Change Emergency declaration of July 2019. This is an added cost but is factored into the budget setting process when forecasting.
19. Local Government Reorganisation (LGR) will present an opportunity to consider the amalgamation of portfolios of local authorities that could result in efficiencies and savings. At this time, neighbouring authorities are not currently considering the merging of portfolios but, this is being considered by the North Essex Councils Climate Partnership (NECCP) alongside renewable energy generations schemes that could provide lower energy costs.

Implications

Equalities and Diversity

An Equality Impact Assessment decision tree completed and appended to this report.

Climate Change

The renewal of the framework arrangement will ensure that the Council is committed to reducing its carbon emissions as set in the Carbon Reduction Plan 2021-2026 and the wider Climate Change Strategy. The above recommendations will commit to procurement of renewable electricity that are backed by REGO certification.

Finance

The increase in current costs of £7,299 will be reported through 2025/26 budget monitoring. Officers will continue to review utility costs and update the medium-term financial plan as needed.

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Governance

The current contractual terms allow a 2-year extension through to 2028. Procurement colleagues are content that the proposed extension is prudent considering the consideration of alternative options set out in this report. It will be essential to ensure that the extended contract is effectively managed regarding the lead-in times to re-procure in suitable time before the extended contract ends. Considering the likelihood of LGR coming to fruition over that period, there should be discussions now with the supplier and neighbouring authorities around contract break clauses, novation and merger options so that opportunities that exist now to achieve efficiencies from 2028 (or perhaps earlier) are not missed.

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Appendices

Appendix A – Equality Impact Assessment Decision Tree

Background Papers

None

Glossary of terms/abbreviations used

PfH – Procurement for Housing
NECCP – North Essex Councils Climate Partnership
LGR – Local Government Reorganisation
REGO – Renewable Energy Guarantee of Origin
CCS – Crown Commercial Services
HRA – Housing Revenue Account
GF – General Fund