

Board of Directors

Thursday, 01 November 2018

Report Title:	Energy Savings Initiatives
Executive/NED Lead:	Paul Fenton
Report author(s):	Shaun Jackson Head of Estates; Tim Hewes Energy and Sustainability Manager
Previously considered by:	Investment Group – September 2018

Approval

 Discussion

 Information

 Assurance

Executive summary

This proposal details a number of Energy saving initiatives across both Colchester and Ipswich Hospital sites which are to be funded through a 'Salix' Energy fund loan. This Energy Saving Project is to replace four electric chillers at Colchester with high efficiency replacements, utilise existing steam driven chiller at Ipswich in order to reduce the cooling load on electric chillers and upgrading light fittings on both sites to LED (further funding will be required to complete both sites to 100% coverage, which will follow in the next business case).

The total cost of these initiatives is estimated at £1,055,000, with the Trust initially funding this from capital, but then repaid by an interest free loan from Salix, with payments spread over 5 years. A return on investment is forecast at 38 months from completion but has not included for any inflation costs or rises in wholesale energy costs, the project paybacks are therefore likely to be achieved sooner than anticipated and offer significant life cycle savings.

NHSi have recently opened a £46m PDC fund specifically for LED lighting upgrades. Although it is considered that this fund would save the Trust a significant sum of money, under further analysis this funding would affect our remaining energy schemes with Salix and the overall requirement to meet a 5 year return on investment. For example, if the Trust invested £5m into energy improvements via the Salix route, with the LED lighting included (approximately £1.5m) the Trust can expect to get a return within the 5 years which results in an annual turndown of £1m. Without the LED lighting, the payback on the remaining £3.5m would be extended to 6.3 years which in turn causes a £1.25m cost pressure or prohibits the projects from initialising and therefore represents a final annual turndown of £450k.

Action Required of the Board of Directors

The Trust Board of Directors are requested to approve the business case

Link to Strategic Objectives (SO)		Please tick
SO1	Improve quality and patient outcomes	<input type="checkbox"/>
SO2	Provide better value for money	<input checked="" type="checkbox"/>
SO3	Sustain and improve access to services that meet the needs of the population	<input type="checkbox"/>
SO4	Deliver a sustainable, skilled workforce	<input type="checkbox"/>

Risk Implications for the Trust *(including any clinical and financial consequences)*

As the projects have not been fully specified and tendered, the payback calculation is currently indicative. However, Salix will not approve any projects which do not payback within the 5 years.

Trust Risk Appetite	Compliance/Regulatory: The board has a minimal risk appetite when it comes to compliance with regulatory issues. It will meet laws, regulations and standards unless there is strong evidence or argument to challenge them
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Legal and regulatory implications <i>(including links to CQC outcomes, Monitor, inspections, audits, etc)</i>	Installation of plant, services and equipment to meet all regulatory and statutory legislation in respect of HTM's, HBN's, Health and Safety legislation etc.
Financial Implications	<p>A £1.015m capital investment. The recurrent Energy savings generated from the investment are estimated to be £330,000 per year. Capital charges on the investment are approx. £120,000 per year, leaving a net revenue saving of £210,000.</p> <p>In terms of the cash flow, the £1.m loan from Salix is repaid over years 1 to 6, and is offset by the revenue savings of £330,000. The cash flow analysis shows a net cash flow of £2.2m and positive net present value of £1.4m. The revenue analysis shows a net revenue saving of £2.1m</p>
Equality and Diversity	N/A