Environmental Accounting in the UK and the Role of Government

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Environment Agency (England & Wales)

Project Executive - Environmental Accounting Initiative

Today’s Presentation

1 Government Initiatives
2 Environment Agency Initiatives
3 Large Company and SME Initiatives
Environmental Accounting Links

Data → Information → Accounting → Reporting

Finance and Personnel → Management Information Systems → Accounting Processes → Annual Report

Environment → Corporate Governance and AGM

Customer → Corporate Social Responsibility

Environmental Accounting and Business Performance Benefits

Environmental Accounting leads to

- LOWER IMPACT
- MORE PRODUCTIVITY
- BETTER PERFORMANCE
- LESS WASTE
- INCREASED PROFITS
- ENHANCED VALUE AND REPUTATION
1. Government Initiatives

- **Adopting** environmental accounting techniques as part of
  - UK greening government initiative
  - UK approach to Sustainable Development

- **Promoting** environmental accounting to
  - Industry and farms as part of waste minimisation campaigns
  - FTSE 350 companies as part of corporate environmental reporting campaigns

- **Using** sectoral, regional and national environmental accounts for
  - formulating UK eco-environmental policy
  - informing UK input to EU policy development

Examples

- Cabinet Office
- Department of Environment, Transport and Regions (DETR)
- Ministry of Agriculture, Food and Fisheries (MAFF)
- Department of Trade and Industry DTI
Cabinet Office

• Benchmarks the relative energy efficiency performance of 25 Government departments and agencies

• Costs (£s), consumption (kWh) and CO₂ emissions are 10-20% less than 1990 levels

Cabinet Office

• Office of National Statistics

• Inter-departmental group on environmental accounting

• UK National Environmental Accounts

• Performance and Innovation Unit undertaken resource productivity initiative
Q. Should our company measure our environmental performance?

It makes business sense. Make your business more competitive - cutting costs can lead to overall efficiency gains. Many top companies believe you can’t manage what you can’t measure.

Q. Why should we report publicly on our performance?

Reporting on environmental performance can help focus attention on cutting waste and energy use so costs are lower. Communicating to your stakeholders is important too:

• Show your lenders, investors and insurers that you have your house in order, and that your business will prosper by acting to reduce risks and minimise future liabilities;
• Demonstrate to regulators and government that you are complying with the law - tell us before we ask;
• Keep your customers loyal by showing them that you are listening and responding to their concerns and needs;
• Build the trust of the local community and neighbours, make it easier for you to expand and operate;
• Boost employees’ morale by getting them involved, by giving them responsibility;
• Inform journalists and pressure groups - manage the flow of information by reporting in your own words, rather than wait for someone to do it in theirs.

DETR

• Guidelines on Company environmental performance indicators (CO$_2$, waste, water) and company environmental reporting

• Environmental cost accounting used in annual survey of environmental protection expenditure by industry to comply with EU Business Statistics Directive

MAFF

• Encouraging farmers to reduce waste and save money by environmental accounting as part of the production of farm management plans
DTI and DETR

Envirowise

- Free service to business - how to minimise waste and save money (1-5% of turnover) by environmental accounting

DETR and DTI

Finance Sector

- Guidance for Company Directors including support for environmental accounting

- Recommendations of how environment can be built into Annual Report and Accounts
2. Environment Agency Initiatives

• Regulate utilities, chemical, mining, minerals, construction, waste, farming and other industries

• Manage water resources, flood defences, fisheries, conservation, navigation

• Contact with 50% of listed companies and 200,000 SME’s

• Funded 25% Government, 35% LA’s and 40% industry

• £650m budget, 230 offices, 10,500 staff

• Large organisation with significant environmental footprint

Internal

Section 4 Guidance

• Duty to adopt best practice in environmental management in all our activities

• Adoption of ISO14001 for own activities
External

- Duty to encourage organisations to conserve natural resources, minimise waste, reduce energy use and save money (by environmental accounting)

- Greening Business strategy

Environmental Accounting Initiative

Internal Focus

- Develop EAS
- Resource Use Information
- Better Resource Management
- Reduced Consumption

External Focus

- Promote EAS
- Reduced Costs to the Organisation
- Reduced Environmental Impact

Demonstrate Value Added to Influence Others
- Industry
- Government
- Public Bodies
Conceptual Model

External/Societal

Operational

Internal (factory gate)

£600m
1 year

£60m
3 years

£600m
5 years

Direction of Initiative

Levels of Significance

Data Selection

Internal Environmental Impact (Aspects Register) | Cost
---|---
High | High ✓
     | Medium ✓
     | Low ✓
Medium | High ✓
       | Medium ✓
       | Low X
Low | High ✓
    | Medium X
    | Low X
### System Links

**ENVIRONMENTAL POLICY**

- Environmental Management System (EMS)
- Environmental Accounting System (EAS)

**Internal Audit**

- Business Planning
- Management Accounts
- Financial Accounts

**External Audit and verification**

- Annual Report and Accounts
- Environmental Report

**Relative Environmental Impact**

- High
  - Engineering materials
  - Water/sewage
  - Stationery
  - Transportation
  - Energy
  - Travel
  - Asset management
- Low
  - Computer hardware
  - Furniture and fittings

**Relative Financial Materiality**

- Size indicates influencability
Annual Cycle

Reports Produced Monthly

- Annual Report and Environmental Report
- Business plan

Planning

- September
- March

Guidance

- Audit
- Year end
- Budget

How It Works

Finance Monthly Report & Annual Accounts Pack:

- Health & Safety:
- Environmental Accounting Statement
- Environmental Monitoring:
- Estates:
- Other Corporate Costs:
## Data Collection

**Finance Monthly Report & Annual Accounts Pack:**
- Resource use data
- Significant expenditure

### ENVIRONMENTAL EXPENDITURE 2000/01 - Extract

**January 2001**

<table>
<thead>
<tr>
<th></th>
<th>Operating</th>
<th>Non-operating</th>
<th>Total</th>
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<tr>
<td><strong>Revenue</strong></td>
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<td><strong>Travel costs</strong></td>
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<td>Travel - train</td>
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<tr>
<td>Mileage - non lease</td>
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<tr>
<td>Mileage - lease</td>
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<td></td>
<td></td>
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<tr>
<td>Travel - foreign + air (all)</td>
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</tr>
<tr>
<td>Travel - other</td>
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|                      |            |               |       |
| **Total**            |            |               |       |

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<tr>
<th></th>
<th>£k quantity</th>
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<th>£k quantity</th>
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<tr>
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</table>

**Operating**

- **Non-operating**

**Total**

---

## Business Benefits

### Example Savings against Budget (£’000)

<table>
<thead>
<tr>
<th></th>
<th>1998/99</th>
<th>1999/00</th>
<th>2000/01</th>
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<tbody>
<tr>
<td>Utilities</td>
<td>-94</td>
<td>-525</td>
<td>-831</td>
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<tr>
<td>Stationery, printing</td>
<td>686</td>
<td>-2127</td>
<td>-1451</td>
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<tr>
<td>Video Conferencing</td>
<td>-800 to date</td>
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Business Benefits

Example Environmental Improvements

<table>
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<tr>
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<tbody>
<tr>
<td>CO2 (tonnes)</td>
<td>60,000</td>
<td>53,000</td>
<td>42,000</td>
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<tr>
<td>Mileage (m. miles)</td>
<td>55</td>
<td>52</td>
<td>50</td>
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External Reporting

Publish annually

- Environmental accounting policy
- Financial statement in Annual Report and audited Accounts
- Environmental Report
Environmental Accounting Statement

Environmental Accounting Statements

Environmental Management 00/01
Other Corporate Costs 99/00
Transport & Vehicles - Hire 99/00
Plant Purchases and Maintenance 99/00
Business Materials 99/00
Engineering 99/00
Travel 99/00
Lease Car Costs & Maintainance 99/00
Utilities 99/00

External Benchmarking

No of Expenditure Categories Disclosed

Per 1999 review
Per 2000 review
Internal Developments

<table>
<thead>
<tr>
<th>Up to 1999/2000</th>
<th>2000/01</th>
<th>2001/02</th>
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<tbody>
<tr>
<td>Finance Monthly Report:</td>
<td></td>
<td></td>
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<tr>
<td>Other Corporate Costs:</td>
<td></td>
<td></td>
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<tr>
<td>Environmental Monitoring:</td>
<td></td>
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<tr>
<td>Health &amp; Safety:</td>
<td></td>
<td></td>
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<tr>
<td>Property Review:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets and liabilities</td>
<td>Environmental Accounting Statement (“Balance Sheet”):</td>
<td></td>
</tr>
</tbody>
</table>

Future developments

Short-Medium Term

- 3rd Party spend
- Life Cycle Assessment (LCA) Costs
- Non-financial data quality

Long Term

- Sustainability Accounts
- Carbon Accounts
External Promotion

- Collaborative work with private companies, local authorities and hospitals
- Environmental accounting can help them reduce impact and save money

External Partnerships

- Working with UK accounting bodies (ACCA, CIMA, ICAEW) and finance sector to promote environmental accounting to SMEs
- Recommending the benefits of adopting environmental accounting in future company law to Government
External Communications

- Environmental Accounting web-site pages
- Envirowise course/best practice guide

Environmental Management Accounting for Management and Financial Accountants

With support from
- The Environment Agency
- The Association of Chartered Certified Accountants
- The Chartered Institute of Management Accountants
- The Institute of Chartered Accountants in England and Wales

WS Atkins Environment
April 2001

3. Company and SME Initiatives

<table>
<thead>
<tr>
<th>Sector</th>
<th>Companies</th>
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<tr>
<td>Waste</td>
<td>Biffa</td>
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<tr>
<td>Utilities</td>
<td>Anglian Water, Wessex Water</td>
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<td>Petrochemicals</td>
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<td>Construction</td>
<td>Carillion</td>
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<tr>
<td>Food and Drink</td>
<td>HP Bulmer</td>
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<tr>
<td>Manufacturing</td>
<td>Interface Europe</td>
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<tr>
<td>Environment</td>
<td>Forum for the Future</td>
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</tbody>
</table>
Environmental Accounting Levels

Conclusions

- The UK is using, promoting and developing environmental accounting

- Useful tool to reduce environmental impact, save money and improve environmental reporting by public bodies and private companies

- Benefits to the environment, bottom line and reputation can give competitive advantage