

A greener business

Ewan McClymont explains that there are many benefits when an eco-friendly business sees the green light.



TEN SECOND SUMMARY

- 1 Shifting public and corporate perceptions can lead to changes in manufacturing, service and consumption.
- 2 Firms that are socially responsible, transparent and communicative can be seen as more attractive to consumers.
- 3 Government provides financial incentives and information to support businesses.

➤ FURTHER INFORMATION

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Businesses are becoming enlightened as to the many benefits of going green. Once seen as a fad, taking account of environmental issues is now part of our everyday way of life, starting with domestic recycling. In 2017, the BBC's *Blue Planet II* programme, narrated and presented by naturalist Sir David Attenborough, dramatically raised public awareness of plastic pollution in our oceans and its effect on the food chain. This has helped environmental pressure groups such as Surfers Against Sewage to leverage public opinion and persuade the government to look seriously at the introduction of a plastic bottle deposit scheme.

Even the most optimistic forecasts from the Intergovernmental Panel on Climate Change indicate that the global temperature is likely to rise by between 0.3°C and 1.7°C by the end of this century if emissions are not cut drastically. Climate change affects everyone and is scientifically recognised as a global issue. This has focused attention on alternative energy production such as renewables, and a shift in public and corporate opinion that we can all make a difference by changing how we manufacture, service and consume things.

There are numerous benefits to be gained from embracing an environmentally-friendly approach to running a business.

Cost savings

Substantial costs can be saved if business resources are managed with a view to conservation. Savings on, for example, mileage, paper and electricity can

not only help to reduce costs, but also inflict less damage on the environment.

In 2017, our practice saved the annual equivalent of 99 trees, compared to its annual paper usage when it first started its environmental management system back in 2012. As the benefits of IT investment continue to pay dividends, an absolute reduction in paper usage of 33% has been achieved, with a reduction of more than 40% in reams per employee. And although we cover a wide geographical area, the increasing use of technology such as Skype and telephone conferencing has reduced inter-office travel – a key priority.

Environmental aspirations are becoming increasingly important when engaging new clients, and the ability to measure these metrics is an important qualification in a competitive market. With electricity and gas consumption down by nearly 7% per employee and mileage down by more than 26%, our environmental values continue to meet the tough requirements of eco-friendly prospects and clients.

Social responsibility

There is increasing public pressure on firms, particularly through social media, to show they are being socially responsible, more transparent and communicative and are taking an active approach to making the world a better place. Surveys have shown that consumers are willing to pay more for products and services from companies that are socially and environmentally responsible.

Social responsibility benefits sales, staff recruitment and customers' perceptions of the

business as a brand. It helps to highlight the environment as a core brand value, alongside economic and social values. Small and medium-sized businesses (SMEs) are realising there is much to be gained by promoting their ethical credentials for people, plant and profits.

Product design

Companies designing environmentally friendly products may benefit in several ways, not least from the marketing perspective. Many consumers are attracted to green products that align with their own environmentally responsible outlook.

From a different marketing perspective, there are tax advantages to be gained for businesses that purchase energy-saving products and vehicles. Consequently, firms that manufacture such equipment will be able to stress the tax reliefs that are on offer to purchasers.

As an example, business buyers can claim enhanced capital allowances (ECAs) for specific types of energy and water-efficient equipment. Such products can be found in the energy and water-efficient technologies product lists (tinyurl.com/yc6vt43e). And if a firm can have its products listed here, it will have an important marketing advantage over those that do not.

Another important tax benefit is research and development (R&D) tax credits. R&D by UK companies is actively encouraged by the government through a range of tax incentives. The government views such investment as key to economic success. The type of expenditure claims that can be made are often surprising. Business costs that would otherwise be written off could be increased for tax relief purposes, resulting in a substantially reduced corporation tax bill, or even a tax repayment to help fund further development.

There are other government incentives too. Feed-in tariffs (FIT) promote the uptake of renewable and low-carbon electricity generation technologies, and the renewable heat incentive (RHI) pays cash payments to those who install or have already installed an eligible renewable heating technology.

Energy savings opportunity scheme

As well as the "carrot" of the direct benefits mentioned above, the government can also exercise some "stick" through the energy savings opportunity scheme (ESOS). Large companies must comply with this and it is only a matter of time before it is extended to SMEs to ensure they have systems in place to record and reduce their energy consumption.

ESOS is a mandatory energy assessment scheme for large organisations in the UK and is administered by the Environment Agency. Every four years, organisations affected must carry out ESOS assessments, which are audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures. Organisations must notify the Environment Agency by a set deadline that they have complied with their ESOS obligations.

Obtaining help and advice

There are numerous sources of help and advice available online that can point businesses and their advisers in the right direction to becoming a greener business.

A good place to start is the Carbon Trust. This offers practical advice and runs a loan and small grants scheme (the Green Business Fund) to incentivise environmental investment (see www.carbontrust.com). The Green Business Fund can offer up to £5,000 of grant support (visit: tinyurl.com/ya9mhujo).

Five top tips to get started

To help businesses to move onto the green road, here are five top tips to get started:

1. *Doing nothing is not an option.* Rising energy and fuel costs are a certainty. Think in terms of cost saving rather than carbon reduction – the two go hand in hand, but the language of cost saving usually gets the attention of senior management.
2. *It's not about making big investments,* but if upgrading equipment, make the energy rating part of the buying decision.
3. *Keep it simple.* Go for the low hanging fruit such as reviewing electricity and gas tariffs on an annual basis and insulating lofts. Turning down the thermostat by 1°C can save about 8% on a heating bill. Set printers to print double-sided, avoid stand-by mode on computers and switch off unnecessary lighting.
4. *Measurement.* If it's not measurable, it's not manageable so will not be minimised. Start by implementing simple processes to measure key areas for improvement. There is no point measuring things for the sake of it, so stick to what's important and areas that will make an impact. It's also important to set realistic targets.
5. *Involve staff.* Seek out suggestions from employees, update them on progress, and give awards for good ideas. It's basic stuff, but cultures can only change if everyone buys into the plan. Appoint someone or a group to co-ordinate progress – ask for volunteers. A focus on the environment will also help with recruitment.

The role of the accountant

The accountant has a key role to play here, and in many instances may be the only adviser to the organisation. Three ways the accountant can help are as follows.

- Help educate clients in cost savings and social benefits of environmental investment.
- Highlight where they can get help and advice.
- Highlight tax and government incentives that will assist.

Starting down the green road is best done sooner rather than later. With what may still be regarded in some quarters today as an esoteric topic, changing times will see acting green as a business standard in the future.



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