



HM TREASURY

**PUBLIC SECTOR ANNUAL REPORTS:
SUSTAINABILITY REPORTING**

Guidance for the 2010-11 Dry Run

**(Incorporating minimum reporting requirements
and further voluntary reporting)**



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1. INTRODUCTION

Purpose of Guidance

1. The purpose of this guidance is to facilitate the completion of sustainability reports for the dry run year, 2010-11, by explaining the requirements for reporting information relating to sustainability performance in annual reports, and the underlying principles to be adopted in preparing the information.
2. This guidance provides details on the minimum reporting requirements but organisations are encouraged to report beyond these, in particular to consider and report on the economic, social and environmental factors that are most material to the organisation and how these relate to policy, procurement and operations. Additional voluntary guidance is contained in Section 7, Further Voluntary Reporting.
3. Although organisations are encouraged to report as fully as possible, for the dry run year, minimum reporting requirements relating to green house gas emissions (as detailed in this guidance) are relaxed to ensure consistency with SDiG reporting (see Section 2, paragraph 7).

Aim

4. The aim is to provide the reader of public sector annual reports with some confidence that information published is consistent and comparable between both different public sector bodies and between different accounting periods for the same body.
5. The publication of information is expected to influence improved performance management in relation to sustainability. By using a format that covers both financial and non-financial performance it is hoped that the cost implications and related benefits of becoming more sustainable is also recognised.

Applicability

6. This guidance is not applicable to the Devolved Governments of Northern Ireland, Scotland and Wales, which will follow their own arrangements in respect of sustainability reporting for organisations falling under their remit.
7. This guidance is applicable to all central government bodies that produce Annual Reports and Accounts in accordance with HM Treasury's Government Financial Reporting Manual (FReM), and that will produce a sustainability report, unless exempted from doing so¹.
8. **The guidance will be updated annually** to further develop reporting requirements in line with best practice and experience, and to increasingly implement these as part of the minimum requirements for this area. Initially minimum requirements have been focussed around environmental aspects of sustainability. In future years this is

¹ A Sustainability Report is not mandatory for entities that are not required to report under the Sustainable Development in Government Framework due to exemption by de minimis threshold or other exemption as granted by Defra.



expected to be expanded to consider other aspects of sustainability such as social impacts.

9. Further background information relating to sustainability reporting and related initiatives is provided **at Section 6**.

2. MINIMUM REPORTING REQUIREMENTS - OVERVIEW

Overview of Requirements

1. For the dry run year, 2010-11, a sustainability report may be included within the Annual Report, but there is no mandatory requirement to do so.
2. From 2011-12, all bodies that are required to produce a sustainability report (see Section 1 paragraph 7) in accordance with the proposed Government Financial Reporting Manual (FRoM) requirement are to include a section in their Annual Report covering their performance on sustainability during the year. The section in the Annual Report must include:
 - A simple overview commentary covering their performance in the reported year along with an overview of forward plans; and
 - A ‘Sustainability Report’ essentially comprising a table of financial and non-financial information covering the organisations emissions, waste and finite resource consumption. Details of the illustrative format for the table, and guidance supporting its population, are included within this Guidance (see pages 14-17).
 - The key principles of such reporting are that it should provide both transparency, in terms of clarity and openness, and consistency for comparative purposes.
3. The following table provides an overview of the minimum requirements in each of the three main reporting areas:

Area	Type	Non-Financial Information	Financial Information
Greenhouse Gas Emissions	Scope 1 (Direct) GHG Emissions	All Scope 1 emissions must be accounted for. These occur from sources owned or controlled by the organisation. Examples include emissions as a result of combustion in boilers owned or controlled by the organisation. This includes emissions from organisation-owned fleet vehicles (including vehicles on finance leases). An analysis of related gas consumption, in Kwh, should also be included.	Gross expenditure on the purchase of energy, expenditure and income (recycling payments) on the Carbon Reduction Commitment Energy Efficiency Scheme (referred to as the CRC), expenditure on accredited offset purchases, total expenditure on official business travel and expenditure on reported areas of energy use;
	Scope 2 (Energy Indirect) Emissions	All Scope 2 emissions must be accounted for. These result from energy consumed which is supplied by another party. For example, electricity supply in buildings or outstations. They also include purchased heat, steam and cooling. An analysis of related energy consumption, in Kwh, should also be included.	
	Scope 3 Official Business Travel Emissions.	Scope 3 emissions relating to official business travel directly paid for by an organisation (i.e. not business travel re-charged by contractors) must be accounted for.	
Waste minimisation and management	The minimum requirement is to report absolute values for (administrative and operational including construction) produced by the organisation against the following categories; (a) total waste arising, (b) waste sent to landfill (e.g. residual waste), (c) waste recycled / reused (recycled, composted, internal or external re-used), and (d) waste incinerated / energy from waste (e.g. food waste)	Total expenditure on waste disposal. (incl waste disposal contracts, specialist waste arising and the purchase of licenses for waste) and expenditure against each of the additional three categories (b) to (d) opposite.	
Finite Resources	As a minimum public sector bodies must report on water consumption in cubic metres. Public sector bodies must also consider which, if any, other finite resources' use is material and report on consumption.	Total expenditure on purchase of related finite resources including purchase of licenses.	



Biodiversity Action Planning	The commentary section must cover any biodiversity action plans and the organisations performance against them, in line with SOGEII. This requirement applies only to those organisations subject to SOGE II.	Not required.
Sustainable Procurement	The commentary must explain progress in achieving more sustainable procurement methods, in line with SOGEII. This requirement applies only to those organisations subject to SOGE II.	

4. Expenditure information should be collected through normal financial systems developing the chart of accounts coding to ensure clarity of cost capture in alignment with audited year-end financial accounts This will also provide internal visibility for in-year monitoring purposes and will assist in development of any future performance management targets in expenditure areas.

Minimum Non-Financial Reporting Requirements

5. The minimum non-financial reporting requirements are detailed in the table above. Emissions are defined under three different scopes by the Greenhouse Gas (GHG) Protocol (www.ghgprotocol.org). These scopes are explained more fully later in this guidance.
6. Organisations should, wherever possible, make use of their normal accounting and environmental management systems to regularise the collection of such information throughout the year. This may require additions / changes to existing systems (e.g. fields to capture quantitative information, additional subjective codes in financial systems etc.) or processes, these should be identified as early as possible so that the necessary changes can be made to capture the required information.

Consistency of reporting with SDiG for the dry run and 2011-12

7. Note that to achieve consistency between sustainability reports and SDiG reporting (i.e. reporting against existing and revised SOGE targets) until they converge in 2012-13, the minimum green house gas reporting requirements as described in the above table are relaxed for the purposes of the dry run year 2010-11, and for 2011-12. Reporting CO2 emissions for offices will satisfy the reporting requirements for scope 1 and 2 emissions. The reporting requirements for scope 3 emissions will be satisfied by reporting CO2 for vehicles for administrative purposes. However, organisations are encouraged, where possible, to fully report against the green house gas reporting requirement, as per the above table.

The Accounting Year

8. All information included in the Sustainability Report, including the Carbon Accounts, is to conform to the normal public sector financial year of 1 April to 31 March (recognising that carbon budgets are set by calendar year).

Sustainability Report Format

9. An example of the commentary and reporting format required for Public Sector Annual Reports is **at Example 1** at the end of this section. The populated information has been included purely for illustrative purposes. The format has been developed to show the connectivity of the different areas. However it is not a



prescribed proforma for reporting – organisations may wish to develop the format further to fit their business providing that the format covers the minimum information requirements (including nil returns).

- Greenhouse Gas Emissions;
 - Waste minimisation and management; and
 - Finite Resource Consumption.
 - Biodiversity Action Planning (commentary overview).
 - Sustainable Procurement (commentary overview).
10. It is recognised that there are many other aspects to sustainability that have not been given coverage in the minimum requirements. It has been agreed to focus initially on reporting environmental performance to support sustainability, with a move to other areas such as social factors, and the potential inclusion of policy impacts in the longer term. Organisations that are more advanced in their reporting may wish to add on additional sections to the report to include other areas.
 11. Comparisons of the data for at least the previous 3 prior years must be included as *it becomes available* following the introduction of these new requirements.
 12. The report must include a brief commentary in the available boxes, which explains the performance in terms of key performance indicators (KPIs), direct impacts and indirect impacts. This must discuss trends and the organisation's strategic role in improving performance.
 13. Notes must be included at the bottom of the Sustainability Report to briefly disclose changes in policies and boundaries (with a pointer to the organisation's website page containing more detail) and any other information, which will provide clarity to the reader of the report. This must include details of coverage of the report such as details of areas accounted for in terms of carbon emissions.

Sustainability Report Length

14. It is imperative that sustainability reports do not become overly burdensome either to the reporting body or the reader. Organisations should ensure, therefore, that the report is concise and clear in its delivery. Where possible, narrative should refer the reader to other areas of the Annual Report or the organisations website if relevant performance is already covered.

Performance Improvement and Target Setting

15. Whilst the purpose of the new reporting format is to encourage public sector organisations to improve their performance on sustainability issues, this guidance does not cover advice on the setting of targets (often referred to as key performance indicators or measures).
16. Some public sector organisations already have sustainability targets against which they must report. The Government has set 'Sustainability on the Government Estate (SOGE)' targets for central government bodies. The NHS has published its own Carbon Reduction Strategy and also assesses performance using the Good Corporate Citizenship tool developed jointly with the SDC.



17. Defra has issued guidelines to help the private and public sector identify and set suitable targets and KPIs. That guidance will help in identifying relevant KPIs for the public sector to report on. Further details can be found at <http://www.defra.gov.uk/environment/business/reporting/>.

Reporting Performance against Targets

18. Where relevant targets have been set, performance against them should, where possible, be included in the sustainability report, giving due consideration to report length. If performance has already been published elsewhere an overview of performance with a link to the details is acceptable. The commentary must be clear as to whether performance is improving or worsening and not assume that the reader will understand the metrics.
19. Organisations must provide prior year data (e.g. three years as reported information becomes available) to provide a historical perspective of performance against targets. Where a base year is used as a basis of target setting and performance monitoring, the base year data must be updated and reported in line with changes in accounting policies and boundaries. When material changes occur, the prior-year figure reported for comparative purposes should also be updated with an explanation being provided in the notes (para 30 below refers). Where possible, the organisation should also compare performance against other benchmarks such as similar organisations.

Normalising Reported Performance

20. To enable comparisons to be made in performance between years and between organisations, all reports must include details of performance normalised by the organisation's total financial outturn (administration and programme costs) as the minimum (e.g. carbon emissions per £ expenditure). This will enable a basic review of performance compared to organisation scale.
21. Organisations should also normalise performance results using other methods, which they consider appropriate to aid comparability between years. This may include, for example, normalisation by Full Time Equivalent (FTE) staff numbers. It is important that this area is developed by organisations so that a consistent year-to-year method is adhered to in future.

The Public Sector Sustainability Reporting Accounting Boundary

22. The approach for reporting entities in central government is to include items in its sustainability report for those entities over which it has budgetary control. i.e. to directly match the departmental financial accounting boundary. This is subject to change with effect from 2011-12 when the departmental financial accounting boundary will be based on control criteria used by the Office for National Statistics to determine the sector classification of relevant bodies. Departments should report on the consolidated results for the full Department, including all those bodies (such as Executive Agencies), which may be required to report separately, over which it has budgetary control. The financial reporting guidelines which establish the reporting boundaries of scope 1 and 2 emissions are those that determine whether related assets and liabilities are included in the Statement of Financial Position, or more



colloquially are 'on balance sheet.' This includes items attributable to overseas operations.

23. Setting the Public Sector Sustainability Reporting Accounting Boundary in accordance with the financial reporting guidelines will in most cases result in reporting for all areas for which the organisation has direct control. However, some more specialised arrangements will need to be considered:
 - Outsourcing contracts – e.g. in terms of carbon emissions that could be considered to be scope 3 (and therefore not part of minimum reporting requirements) but the scale and nature of the arrangement may make it more appropriate for early inclusion in reports; and
 - PPP arrangements, including PFI contracts.
24. For the specialised arrangements above, the financial reporting treatment provides the basis on which the treatment of these arrangements will be considered on a case-by-case basis. Where there are significant outsourcing contracts that are 'off balance sheet' the reporting of the resultant emissions is encouraged as soon as possible as part of the best practice scope 3 emissions, but they should not be treated as scope 1 or 2 emissions if the financial reporting treatment suggests otherwise.

De minimis thresholds and other exemptions

25. Similar to SOGE target reporting, de minimis thresholds and other exemptions granted by Defra for SDiG reporting will also apply in respect of sustainability reporting.

Segmentation Reporting

26. Where an organisation operates overseas it may, if it wishes, segment the report to distinguish UK-based impacts from overseas if it believes that it will provide greater clarity. Similarly, emissions related to overseas travel can be distinguished from UK-based travel if so wished. However, the total impact must still be reported.

Availability of Underlying Data: Material Omissions and use of Estimates

27. Where information is not available to populate the minimum reporting requirements estimates must be used using a clear, documented methodology. A note must be made at the bottom of the Sustainability Report to explain where estimates have been included, and must provide a reference to the organisations website, which must explain what plans are in place to improve data collection.
28. Where a robust estimate is not possible, and a material omission of information or data results, an explanatory note must be made at the bottom of the Sustainability Report, and it should explain what plans are in place to improve data collection.
29. The methodology for estimates will be left to the discretion of the reporting entity to ensure that it is able to use that which is most appropriate. Guidance and advice on estimating carbon emissions has been published by Defra and can be found at <http://www.defra.gov.uk/environment/business/reporting/index.htm>.



Changes to Reporting, Accounting Policies and Organisational Boundaries

30. Changes to accounting policies or boundaries which have a material impact on the way emissions, waste and/or finite resources are reported, or on their method of calculation, must be brought to the attention of the reader by way of a footnote with a link to a more detailed explanation on the organisation's website. Organisations must also state their policy for re-baselining any reported information.
31. When amended, prior-year figures must be re-stated using the new policy or boundary for comparative purposes.

Amending Prior-Period Figures

32. Occasionally factors may come to light, such as errors of omission or calculation, which will result in a material change to published prior year figures. In such circumstances the prior-period figures must be restated in the Annual Report and the nature of the change must be brought to the attention of the reader by way of a Note at the bottom of the Sustainability Report, with a link to a more detailed explanation on the organisation's website.

Application of the Materiality Concept

33. Organisations should account for all of the minimum requirements with as much accuracy as possible. The materiality concept should only be applied to decisions on reporting or amendments to reporting in relation to providing a 'fairly stated' view of the information for the reader. Where there is some concern that data is incomplete a note should be made at the bottom of the Sustainability Report, with a link to a more detailed explanation on the organisation's website.

Shared Services/Facilities

34. Where a reporting entity shares a service or a facility with another organisation, consideration should be given as to how shared sustainability data should be split in relation to the different accounting boundaries. Where this relates to two or more public sector organisations the method should be jointly agreed to ensure consistency. The agreed method should be properly documented for audit purposes.
35. Where impact between the different organisations is material, steps should be taken to ensure that actual consumption can be measured for each organisation and costs properly attributed.

Information provided by Third Parties

36. Third parties often provide required information for sustainability reporting including:
 - Travel providers for carbon data related to travel sourced through them;
 - Waste Contractors providing details of waste; and
 - Water and energy suppliers will provide much of the information used for the reporting of finite resources.



37. Public Sector organisations making use of such information must ensure that it has been calculated in accordance with the requirements of this guidance. They should also ensure that it is of sufficient quality to meet any audit requirements.
38. It is recognised that, for large contracting organisations, the capture of sustainability information from contractors may present difficulties. Where gaps in information exist as a result, these should be recognised in the commentary along with proposals for bridging the gap in future.

Audit and Scrutiny

39. Assurance arrangements for sustainability reports are proposed, although external assurance and verification of reported figures will not be required for 2010-11 dry run sustainability reports. Nevertheless, it is important that organisations introduce internal arrangements during the dry run year to assure themselves about the data quality of figures and information reported in sustainability reports. Internal arrangements should include:
 - Appropriate policies and procedures for recording and reporting data, which are consistent with the guidance on minimum requirements, and are applied in practice;
 - Appropriate systems and processes to secure the quality of the data, minimising manual intervention and the number of data sources;
 - Arrangements to ensure that relevant staff have the skills to produce reliable sustainability information; and
 - A robust system of internal control and validation.
40. The organisation's arrangements in relation to sustainability reporting and internal assurance should be covered by existing responsibilities on the Statement of Internal Control (SIC). As is already the case with the annual report and SIC, external auditors will report by exception if the information contained in sustainability reports is inconsistent with information they have obtained as part of their audit.
41. There are a range of possible options for future external assurance including full substantive assurance on the data (financial and non-financial) and assurance on the adequacy of the underlying data systems, which are being explored, and will be subject to further consultation with key stakeholders. Guidance on assurance and the timing of its introduction will be provided when this exploration is complete and assurance arrangements are confirmed.

Examples of Sustainability Reports already implemented

42. Members of the HMT Sustainability Working Group have begun to trial such reporting in their own organisations. Examples have been included at Section 8. Examples can also be found by looking at the annual report and accounts of the following organisations using the following links:
 - [Environment Agency 2009/10 Annual Report \(Page 61 onwards\) at http://www.environment-agency.gov.uk/aboutus/work/35704.aspx](http://www.environment-agency.gov.uk/aboutus/work/35704.aspx);
 - [West Sussex County Council - Sustainability Report 2008/09 \(54KB, PDF\) http://www2.westsussex.gov.uk/ds/cttee/raac/raac290609i12iib.pdf](http://www2.westsussex.gov.uk/ds/cttee/raac/raac290609i12iib.pdf); and



- *The Prince of Wales and The Duchess of Cornwall* - Annual Review 2008, pages 54-57. Further examples of the use of the Connected Reporting Framework can be found at <http://www.accountingforsustainability.org/>



EXAMPLE 1: Public Sector Sustainability Reporting Format

Example Commentary on Sustainability Performance; Department/Agency Yellow

1. Initial narrative setting out the reasons behind undertaking sustainability reporting. Explain that it conforms to the public sector requirements and where the requirements are laid down (e.g. FReM and website for guidance).

Summary of Performance

2. Provide a brief explanation of the effectiveness and outcomes of the programmes set up to improve sustainability in the organisation and its impacts externally.
3. Provide a high level discussion of the targets and direction of the organisation in terms of performance. Essentially it sets the scene for the information that follows and puts it into context for the reader. This could include any references to external verification etc. Provide the reader with a quick summary of the information on the pages that follow. The exact areas shown would be defined by their relevance to the specific reporting entity. The following table is an example of how this may be reported:

Area	Actual performance	Target performance
Carbon dioxide emissions	xx,xxx tonnes	[Insert target]
CRC-related expenditure	£xxx,xxx	-
Total energy consumption	xx.x million kWh	[Insert target]
Buildings energy consumption	xx.x million kWh	[Insert target]
Total energy expenditure	£x,xxx,xxx	-
Total waste	xxx tonnes	[Insert target]
Residual office waste	xxx tonnes	[Insert target]
Total waste expenditure	£xxx,xxx	-
Water consumption	xx,xxx m ³	[Insert target]
Water expenditure	£xxx,xxx	-

- Include a summary of normalised performance (ref Section 2, para 20).
- Industry or sector benchmarks should be referred to where available.

GHG Emissions

4. Provide a high level discussion of the targets and direction of the organisation in terms of performance.

Waste

5. Provide a high level discussion of the targets and direction of the organisation in terms of performance.

Use of Finite Resources

6. Provide a high level discussion of the targets and direction of the organisation in terms of performance.

**Biodiversity & Adaption Action Plans**

7. Provide a high level discussion of the targets and direction of the organisation in terms of performance (or refer to the section of the Annual Report where it is covered). It is recognised that this will not apply to many organisations.

Sustainable Procurement

8. Provide a high level discussion of the targets and direction of the organisation in terms of performance (or refer to the section of the Annual Report where it is covered).

Governance

9. Explain the governance processes in place to support management of sustainability performance. For example, whether it is managed as part of the organisations standard performance management regime, such as through a balanced scorecard, and how the information is used to support corporate decision making.
10. This should include a brief outline of the systems and methods used for collecting the data, and how assurance is gained to ensure that it is robust. Organisations are responsible for applying appropriate data quality standards, and collecting and presenting data that conforms to the prescribed definitions in the guidance. Organisations are also responsible for introducing arrangements to satisfy themselves that information in sustainability reports is reliable (see Audit and Scrutiny, paragraph 39).
11. Organisations already have a responsibility to report on their internal assurance arrangements in the annual Statement of Internal Control, and this should cover the arrangements for sustainability reporting

Pages 16 and 17 provide an illustrative example of reporting against items 4,5 and 6. In using the illustrative example, organisations should ensure that the remaining items in the example report above are also addressed.



Department/Agency Yellow: Illustrative Sustainability Report

Department/Agency Yellow Sustainability Report For the Year ended 31 March 2011

GREENHOUSE GAS EMISSIONS		2008-09	2009-10	2010-11	Graphical Analysis
Non-Financial Indicators (tCO2e)	Total Gross Emissions for Scopes 1 & 2.	650	600	550	
	Total Net Emissions for Scopes 1 & 2. (i.e. less reductions – e.g. green tariffs).	650	600	550	
	Gross emissions Scope 3 business travel	250	230	198	
	Other Scope 3 emissions measured	0	0	0	
Related Energy Consumption (KWh)	Electricity: Non-Renewable	60	58		
	Electricity: Renewable	-	2		
	Gas	-	-		
	LPG	-	-		
Financial Indicators (£k)	Other	-	-		
	Expenditure on Energy				
	CRC License Expenditure (2010 onwards)	218	237	400	
	CRC Income from Recycling Payments	(190)	(199)	(230)	
	Expenditure on accredited offsets (e.g. GCOF).	-	-	-	
	Expenditure on official business travel.	250	190	165	

PERFORMANCE COMMENTARY (INCL TARGETS)

Dept Yellow has a target to reduce its carbon emissions by 30% (to xxx tonnes) by March 2012 from our 2006-2007 levels, which it is on track to achieve. A new target is currently being considered for the period beyond 2012 and this will be disclosed in the 2012-13 business plan due to be published in February 2012. [Central Government Departments could include SoGE performance].

CONTROLLABLE IMPACTS COMMENTARY

The main direct impacts for Department Yellow are in its electricity and fuel consumption. Strategies have been prepared to reduce these direct impacts through efficiency programmes.

OVERVIEW OF INFLUENCED IMPACTS

Dept Yellow is able to significantly influence the emissions of its supply chain through procurement specifications. An action plan is now in place to communicate to suppliers about future contracts and expectations with regards to emissions reductions. We also actively discuss our emissions policy with the public to encourage them to consider their own personal impact when making use of our services.

WASTE		2008-09	2009-10	2010-11	Graphical Analysis	
Non-Financial Indicators (t)	Total waste [Minimum Requirement]	400	570	560		<p>Non Haz Waste volumes and disposal routes</p> <ul style="list-style-type: none"> Total waste Landfill waste Recycled waste Incinerated waste
	Hazardous waste* Total	Total	200	120	60	
		Landfill	200	180	175	
		Reused/Recycled	-	270	325	
Non hazardous waste* * Report if poss.	Incinerated/energy from waste	-	-	-		
Financial Indicators (£k)	Total disposal cost [Minimum Requirement]	1555	1324	569		
	Hazardous waste - Total disposal cost*	1200	853	213		
	Non hazardous waste - Total disposal cost* * Report if poss	Landfill	43	60	83	
		Reused/Recycled	-	411	273	
	Incinerated/energy from waste	-	-	-		

PERFORMANCE COMMENTARY (INCL TARGETS)

We have a target of zero waste to landfill by 2012, which we are on target to meet.

CONTROLLABLE IMPACTS COMMENTARY

The main direct impacts of waste for Dept Yellow are in relation to construction waste from the building of new offices. This is expected to decrease in line with the final delivery of the Department's new office building programme.

OVERVIEW OF INFLUENCED IMPACTS

Dept Yellow is able to place certain quality objectives on its suppliers in terms of their waste disposal performance. The Department is currently working alongside suppliers to improve both the culture (staff attitudes) and actual performance in relation to waste management and disposal.



FINITE RESOURCE CONSUMPTION - Water			2008 -09	2009 -10	2010 -11	Graphical Analysis	
Non-Financial Indicators (M ³)	Water Consumption	Supplied	75000	30000	30000		
		Abstracted	-	-	-		
Financial Indicators (£k)	Water Supply Costs		207	205	101		
PERFORMANCE COMMENTARY (INCL TARGETS)							
We have set a 2012 target to reduce water consumption by 25% from 2005-2006 levels to 51,223m ³ . We have met our year on year targets to date as shown in the above graph.							
CONTROLLABLE IMPACTS COMMENTARY							
Our major impacts in terms of water consumption are in our construction activities. We are addressing these through improved procurement and partnerships with suppliers.							
OVERVIEW OF INFLUENCED IMPACTS							
The Department also has an indirect impact through the setting of water supply policy for new communities' development it is sponsoring. Negotiations are in place to ensure that a fully sustainable supply is considered.							

NOTES:

1. The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.
2. Emissions accounting includes all Scope 1 and 2 emissions along with separately identified emissions related to official travel. Detailed Departmental policies for carbon accounting within Department Yellow, in support of HMT Guidance, can be found on our website at [insert website address]. Defra conversion rates have been used to account for carbon except in the following areas: [e.g. use of specialised construction indices available from University of Bath].
3. [Individual bodies to provide details of any change to accounting policies or boundaries which impacts prior year, or year-on-year, reporting.]
4. [Individual bodies to provide details of any web published information supporting the report].

3. GREENHOUSE GAS (GHG) EMISSIONS: MINIMUM REQUIREMENTS

Purpose

1. The purpose of this Section is to provide detailed advice on accounting for greenhouse gas emissions for publication in public sector annual reports. This is often commonly referred to as carbon accounting or carbon foot printing. Further development guidance on areas beyond the minimum requirements can be found **at Section 7**.
2. Accounting for emissions involves the collection of baseline information, such as fuel use, mileage, electricity/gas consumption and use of raw materials, which can then be converted into carbon dioxide equivalents (CO₂e) using conversion and emission factors. Much of the baseline information is already available on commercial invoices and other business documentation. All GHG emissions can be accounted for as they occur (i.e. use of energy in processes, manufacturing or travel) or on the basis that they have already been incurred (i.e. embodied carbon in raw materials or assets used). This concept is similar to financial accounting in terms of current and capital expenditure. Defra guidance on measuring and reporting on GHG emissions provides detailed advice on how to collect and calculate information on emissions and is at <http://www.defra.gov.uk/environment/business/reporting/index.htm>.

Metrics

3. The standard metric to be used to report Greenhouse Gas (GHG) emissions in the public sector is the Carbon Dioxide Equivalent (or CO₂e) in tonnes. Use of this metric allows for the capture of information related to the six greenhouse gasses covered by the Kyoto Protocol (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆).

Reporting and Accounting Requirements – Financial Information

4. Organisations should report on gross expenditure directly attributable to energy consumption and expenditure and income (recycling payments) on the CRC Energy Efficiency scheme, any expenditure on accredited offset purchases and total expenditure on official business travel as a minimum.
5. Best practice reporting would also include a breakdown of expenditure between different types of travel and details of other expenditure directly related to emissions reduction projects or low emissions solutions.

Reporting and Accounting Requirements – Non Financial Information

6. The minimum reporting requirements for emissions and energy consumption in the Sustainability Report are outlined in Section 2, which is supported, by an example of the minimum report format **at Example 1 (however, note the relaxation of the minimum reporting requirement for the dry run year, although full reporting as described in this Section is encouraged – see Section 2, paragraph 7)**. The overall figure should be supported with a bar chart showing a segmented breakdown of where the emissions occur in relation to the organisational activity with which they are associated.



7. Scope 1 and 2 emissions should be normalised by £ Budgets as a simple year-on-year comparator. However, organisations may also wish to include sector specific normalisations such as 'CO₂e tonne per lane km managed' for road administrations or CO₂e tonne per staff or customer for service providers.
8. To ensure transparency in line with Defra reporting standards, public sector organisations must account for and report on emissions resulting from electricity consumption through the use of the Defra grid average conversion factor. It is recognised that some organisations will wish to report reduced emissions due to, for example, the use of renewable tariffs and carbon offsets. These may be shown as reductions to bring the reported gross emissions amount to a net figure - but any reduction cannot be included in the required gross emissions figure. All figures should be prepared in accordance with the carbon accounting standards and the more detailed supporting cross-public sector policies as detailed within this document. More detailed organisation-specific accounting policies should be clearly documented and published on the organisation's website.

Energy

9. Energy usage accounting is closely related to that of carbon emissions, as the former drives much of the latter. For this purpose energy consumption and expenditure are also to be reported alongside GHG emissions. As public sector organisations are required to report on both areas, it is both more efficient for those preparing reports, and more useful to those reading reports, for the two areas to be reported together, using a consistent accounting approach.
10. Carbon accounts are produced on a gross basis. All inputs into gross emissions that pertain to energy use should be converted to kilowatt-hours for the purpose of energy usage accounting.
11. Unlike carbon accounting, renewable energy should not be netted off, as it still constitutes use of energy. Likewise, any energy produced on site should not be netted off. Instead, these two forms of energy should be stated separately alongside non-renewable energy with a total amount of energy use given. Definitions of these two forms of energy should follow guidance agreed for carbon accounting.
12. Energy accounting should follow agreed public sector standards used in carbon accounting for both boundaries of inclusion and, for best practice, the treatment of embodied energy.

Emissions Accounting Standards and Guidance

13. This guidance has been developed to be consistent with the following standards, with further more detailed definition being provided later in this guidance:
 - **The Green House Gas (GHG) Protocol** (at www.ghgprotocol.org). The Worlds Resources Institute and the World Business Council for Sustainable Development developed this Protocol. It lays down accounting principles, which are generally akin to financial Generally Accepted Accounting Principles (GAAP). This framework is used by the International Standards Organisation (ISO) and is recommended by Defra. However, some principles do offer choice, which needs to be refined to ensure consistency for public



sector use. Policies in support of this framework are detailed further in this guidance;

- **Defra / DECC GHG Conversion Factors.** These factors are recommended for use in converting processes, energy and material use into CO₂e. Defra / DECC have developed a range of factors which can be found on the Defra website at <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>. When calculating emissions from energy use it is common to know what quantity of energy was used, either in kWh or by volume or mass of input material. Emissions factors enable a conversion to be made from the input measure of energy to the amount of greenhouse gas emissions that will result; and
 - **Defra Guidance on calculating and estimating emissions.** Defra have produced guidance for organisations to measure and report their GHG emissions which has been published on their website at <http://www.defra.gov.uk/environment/business/reporting/index.htm>.
14. Where no appropriate conversion or translation factor is available from the Defra / DECC range, organisations may make use of other emission factors available, for example, from accredited university or international research. In such circumstances a note should be made at the bottom of the Sustainability Report detailing the departure from the Defra / DECC factors.

Weather Correction of GHG Emissions information

15. In line with Defra guidance, organisational GHG emissions information should not be weather corrected. Performance against targets such as SOGE can be reported consistently in a pre-weather corrected format in the Annual Report.

The Public Sector Accounting Boundary for Carbon

16. The GHG Protocol suggests two distinct approaches to setting accounting boundaries:
- *Equity Share Approach.* Where accounting for emissions is undertaken according to the share in the company in terms of economic interest; and
 - *Control Approach.* Where an organisation accounts for 100% of emissions from operations over which it has control. Control is defined in either financial or operational terms.
17. The approved approach for the Public Sector is to account for the carbon over which it has budgetary control. This fits with the Sustainability Report format, which relates financial and non-financial sustainability data. Note that this is subject to change with effect from 2011-12, when the departmental boundary will be based on control criteria used by the Office for National Statistics to determine the sector classification of relevant bodies.

Minimum Reporting Requirements for Public Sector emissions

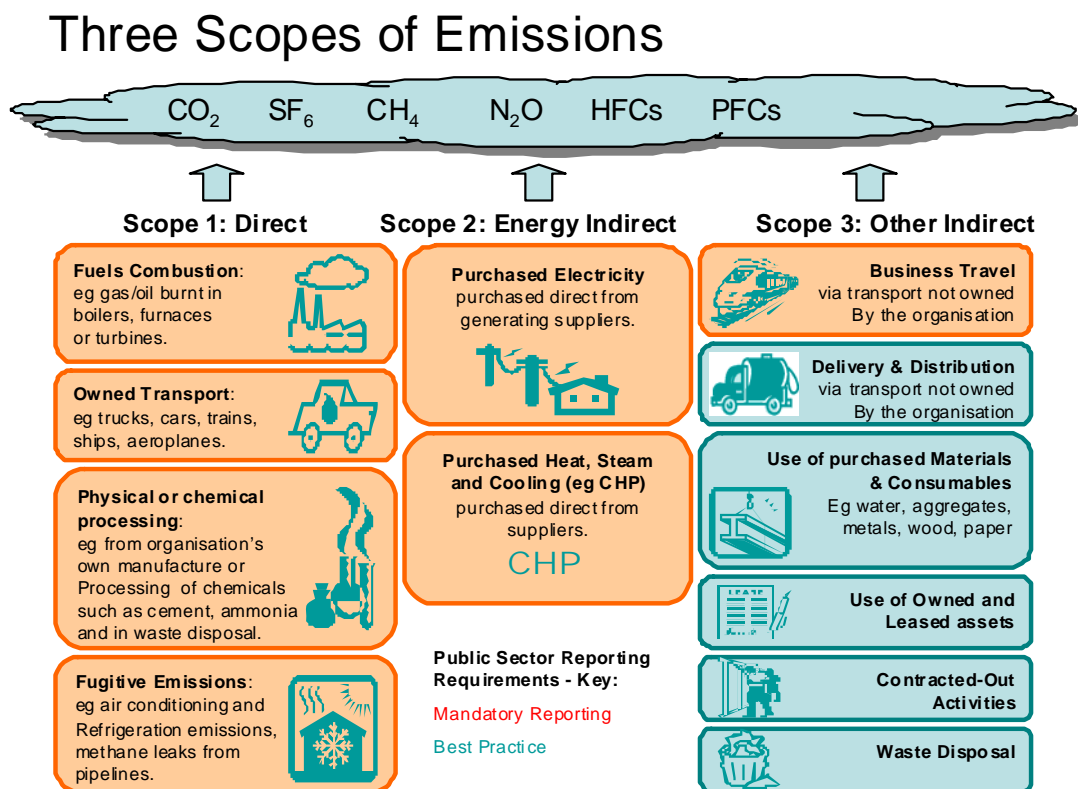
18. The GHG Protocol introduces three scopes, as follows:



- **Scope 1: Direct GHG Emissions.** These occur from sources owned or controlled by the organisation. Examples include emissions as a result of combustion in boilers owned or controlled by the organisation. This includes emissions from organisation-owned fleet vehicles;
- **Scope 2: Energy Indirect Emissions.** As a result of electricity that we consume which is supplied by another party. For example, electricity supply in buildings or outstations. Defra has advised that this should also include other purchased indirect emissions sources such as heat, steam and cooling; and
- **Scope 3: Other indirect GHG Emissions.** All other emissions which occur as a consequence of our activity but which is not owned or controlled by the accounting entity. These include, for example, emissions:
 - As a result of staff travel by means not owned or controlled by the organisation (e.g. public transport or commercial airlines);
 - Resulting from work done on the organisation's behalf by its supply chain;
 - Embodied in assets (i.e. as a result of raw materials extraction, manufacturing and transportation); and
 - The emissions associated with the use of an organisation's products and services.

19. The minimum requirement for public sector emissions accounting is full coverage of Scope 1, Scope 2 and emissions resulting from staff travel on official business under Scope 3.

20. The three scopes and their public sector reporting requirements are depicted in the following diagram:





Consolidation of Emissions Information

21. The GHG Protocol provides advice on the issue of double counting, suggesting that, providing Scope 1 and 2 emissions are distinguishable it will be easy to prevent double counting. Organisations should, therefore, ensure that they are able to separately distinguish between the three scopes for consolidation purposes.

Accounting for Scope 1 (direct) Emissions

22. Scope 1 emissions arise from organisation-owned and operated vehicles, plant and machinery such as fleet vehicles, air conditioning, boilers and generators. Emissions can be calculated using conversion factors in relation to fuel consumption and combustion, and fugitive emissions from air-conditioning units.

Accounting for Scope 2 (energy indirect) Emissions

23. Scope 2 emissions arise from the consumption of purchased electricity, heat, steam and cooling. Emissions can be calculated using conversion factors in relation to electricity consumption.

Accounting for Scope 3 – Official Travel Emissions

24. These are often recognised as the easiest emissions in Scope 3 to monitor and control. Whilst, for some organisations, they may be relatively small in relation to the overall carbon footprint, they have a significant role to play in changing the culture of an organisation in terms of carbon management. It is for this reason that they have been included as part of the minimum requirements for public sector reporting.
25. Organisations should decide how best to categorise their methods of official transport to ensure ease of calculation, through availability of Defra/DECC GHG conversion factors, and to enable performance management of this area in the future. A suggested segmental analysis for data collection is as follows:
 - Air;
 - Rail/Underground/Tram;
 - Bus/Coach;
 - Hire Car/Taxi; and
 - Private Vehicle (as they are generally older than hire cars).

Accounting for Emissions and Energy Use in Shared Buildings

26. Estimates should be made on energy consumption where exact data is not available. This should be highlighted by way of a note along with actions to ensure future data capture.

Accounting for Renewable Energy (Gross v Net Emissions)

27. Government policy is that organisations should account for electricity from green energy tariffs using the rolling grid average emission factor - average rate of carbon



emissions associated with electricity transmitted on the national grid - unless their supplier can prove the carbon benefits are additional. For further information please see <http://www.defra.gov.uk/environment/business/reporting/index.htm>.

28. Organisations can separately account for a reduction in their net emissions figure from a green electricity tariff, which meets the Government's 'good quality' criteria. (Details of the 'good quality' criteria can be found in Annex G of '*Guidance on how to measure and report your greenhouse gas emissions*', published in October 2009 <http://www.defra.gov.uk/environment/business/reporting/pdf/ghg-guidance.pdf>.) The emission reduction reported should be based on the additional carbon saving associated with the tariff. Your electricity supplier should be able to provide details of this. DECC is currently considering the wider options for the treatment of low carbon electricity under this Guidance. This will include reviewing how the purchase of electricity by business can stimulate increased low carbon generation and help to reduce greenhouse gas emissions. DECC will report on this review no later than December 2010.

Accounting for Sequestration on the Public Sector Estate

29. Carbon Sequestration is the process by which carbon dioxide sinks (natural and artificial) and removes CO₂ from the atmosphere. A Carbon Dioxide (CO₂) sink is a carbon dioxide reservoir that is increasing in size, and is the opposite of a carbon dioxide 'source'. The Kyoto Protocol allows the use of sinks as a form of carbon offset (i.e. reduces net emissions). The main natural sinks are the oceans' biological pump; and plants and other organisms that use photosynthesis to remove carbon from the atmosphere by incorporating it into biomass and releasing oxygen into the atmosphere. Artificial Sinks are created through Carbon capture and storage (CCS) instead of releasing it into the atmosphere.
30. Whilst the Public Sector Estate has a significant impact in terms of sequestration which, in turn, will have a large impact in terms of reducing emissions it is not proposed that organisations should account for sequestration on their individual estates at this time as this would involve extremely complex accounting with little benefits in terms of driving improved sustainability performance.

Accounting for Offsets

31. Carbon offsetting involves calculating your emissions and then purchasing 'credits' from emissions reduction projects. The projects have prevented or removed an equivalent amount of carbon dioxide elsewhere. The following offsets only can be accounted for as a reduction to overall carbon accounts – and each must be separately disclosed where a separate carbon account is published. Each unit represents 1 tonne of CO₂ or its equivalent;
- **Certified Emissions Reduction (CER).** A credit from Kyoto Clean Development Mechanism (CDM) projects issued by the CDM Executive Board. CDM enables Annex 1 countries to invest in project-based emission reduction activities in developing countries;
 - **Emissions Reduction Unit (ERU).** Credits from Kyoto Joint Implementation (JI) projects issued by the host country by converting either AAUs or RMUs. JI allows Annex 1 countries to jointly implement emissions reduction projects



with the 16 investing country being able to “credit” the reductions against their own reduction obligations;

- **Removals Unit (RMU).** A Kyoto unit representing a net removal of greenhouse gases through land use, land use change or forestry activities issued by the Kyoto Annex 1 Country; and
- **Government Carbon Offsetting Fund (GCOF).** The GCOF is available for all central Government departments and other public sector bodies to offset emissions from official and ministerial air travel in a simple and cost effective manner that will also ensure high environmental integrity.

4. WASTE: MINIMUM REQUIREMENTS

Purpose

1. The following guidelines seek to help those organisations reporting information on the amount of waste they generate in carrying out their activities, and the costs associated with this. It is designed to provide guidance for public sector organisations reporting their environmental performance in their annual report and accounts.
2. The reporting requirements for absolute quantities of waste should be taken from the latest guidance issued by the Department for Environment, Food and Rural Affairs (Defra), found at <http://www.defra.gov.uk/environment/business/reporting/>. Any changes to this Defra issued guidance will be incorporated into public sector reporting.
3. At present the accounting treatment for waste is absolute quantities as decommissioned or removed. However, future development of this guidance may consider accounting for waste in the period in which it is created.

Activities contributing to this category

4. Waste will be generated from a range of sources, and will currently be reported by Central Government Departments and Agencies under the requirements of the SOGE targets. These include figures for waste arising and recycled waste. To meet the requirements for a baseline for the new SOGE targets returns (referred to as SOGE II) in 2010-11 data will need to be collected across the following categories, all of which will be relevant to sustainability reporting;
 - Tonnes of waste arising;
 - Tonnes of waste recovered;
 - Tonnes of waste sent for external re-use;
 - Tonnes of waste composted;
 - Tonnes of waste recycled;
 - Tonnes of waste sent to energy from waste
 - Tonnes of waste sent to landfill
 - % of CDEW diverted from landfill.
5. This information covers all offices and land owned by central Government departments and their executive Agencies, who will already be reporting this.
6. Below are some examples of the areas of waste you may already be submitting information on for SOGE targets;
 - Office (paper, general, ICT (equipment and disposables), packaging);
 - Catering (food, packaging); and



- Operations (vehicles, equipment).
7. The nature of the organisation in question will clearly affect the range and volumes from the respective sources of waste. Where third party suppliers undertake the specific waste collection and disposal activities on behalf of the organisation, e.g. office waste collections, then obtaining information from these suppliers will be a critical element of this work. It would be advisable to engage with suppliers at the earliest opportunity to discuss this.
 8. In line with the stated criteria for inclusion in the sustainability report we would encourage organisations to use the financial control basis when measuring their waste volumes. This will mean including waste generated by contractors or third parties working on behalf of the organisation. For major construction projects (over £300k) Site Waste Management regulations (2008) now mean that necessary measures should be in place in order to supply the required information for reporting the volumes of waste from these projects.
 9. Guidance on measuring and collecting information on waste can be found in the Defra Environmental Key Performance Indicators document available on the Defra web site at <http://www.defra.gov.uk/environment/business/reporting/>.

Metrics

10. As a minimum reporting should include absolute values for the total volumes of waste produced by the organisation in the categories below over the reporting period, and the financial costs associated with this. If you are unable to currently provide this information then this should be clearly stated and reasons given, as well as an action plan to ensure that you can report this data in the future.
 - Total waste arising;
 - waste sent to landfill (e.g. residual waste);
 - waste recycled / reused (recycled, composted, external re-use);
 - waste incinerated / energy from waste (e.g. food waste); and
 - Comparisons for the previous 3-5 years should be included where available.
11. Given that physical quantities for these waste streams will need to be reported for SOGE, the information for this should be available. Financial data for the specific waste streams maybe harder to capture, however, every effort should be made to include financial data for each category. It is appreciated however that SOGE targets exclude the impacts from third parties or contractors working on behalf of the organisation. We would encourage organisations to try and include data from these sources in their waste reporting, and discuss any steps they are taking towards achieving this in the narrative of the report.
12. Where organisations derive income from particular waste streams, this should be offset against any costs to show a net figure.
13. **Example 1** demonstrates how this information could be presented. It uses a graphical representation of the quantitative information, clearly showing annual trends. Where possible, it would be beneficial to report costs and quantities for hazardous waste disposal separately as shown in the diagram. Physical data for



hazardous waste should be readily available. All quantitative figures for waste should be given in metric tonnes per annum, based on your financial reporting cycle.

14. **Example 1** also illustrates how the financial information should be presented. Where possible this should be analysed into the same categories as the physical quantities and show the cost of waste removal and disposal. This is important for demonstrating the financial materiality of the individual waste streams. This information will need to be extracted from existing financial systems. It is likely that this will present a significant challenge, largely because the majority of financial systems are not set up to deliver this level of granularity in terms of cost data. If it is not initially possible to extract individual cost data, then a total waste disposal cost should be presented, leaving the individual sections blank. Progress towards achieving full granularity on the cost data should be discussed in the narrative section. As described previously, this may present a significant challenge as far as third party construction work is concerned. Discussions with the third party organisations should facilitate this, and in the long term inclusion of this information is important.
15. The DEFRA issued guidance 'environmental key performance indicators for business' provides further details on reporting on waste across these categories. (<http://www.defra.gov.uk/environment/business/reporting/pdf/envkpi-guidelines.pdf>).

Standards and Methodologies

16. The following reporting standards exist:
 - Sustainable Operations on the Government Estate (SOGE) – but note this only covers offices (buildings) and estate (land managed) – however the principles may be applied to other categories;
 - DEFRA environmental key performance indicators – reporting guidelines for UK business at (<http://www.defra.gov.uk/environment/business/reporting/pdf/envkpi-guidelines.pdf>);
 - Legal requirements for Hazardous Waste reporting (<http://www.environment-agency.gov.uk/business/topics/waste/32180.aspx>);
 - Public sector signatories to the Construction Commitments: Halving Waste to Landfill report annually their waste and waste to landfill per £100k of construction spend via a web-based portal at <http://www.wrap.org.uk/construction>; and the
 - Global Reporting Initiative – includes aspect EN22 that covers waste reporting (http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3_IP_Environment.pdf).
17. If any estimation methods are used then this should be reported. The SOGE methodology directs readers to HMRC conversion factors for converting volumes to weight, use of these and the SOGE results would be consistent.



Standards and Methodologies in Development

18. The following reporting standards are currently in development and are expected to be issued shortly;
- IPD Environment code (applicable to buildings); and
 - OGC Property Benchmarking Scheme (applicable to buildings).

Reporting against Targets and Tracking progress

19. It is hoped that as part of a general environmental strategy targets will have been set for the majority of environmental impacts including waste. These will commonly be based around a reduction in the overall total volume of waste, or a reduction in a specific type of waste, e.g. landfill, or a reduction in the costs associated with waste disposal. Those reporting through the SOGE mechanism will have specific targets for reductions in waste arising and increases in waste recovery as a minimum.
20. Any targets should be reported clearly, and progress against them stated. See the example below:

“Our 2008-2009 target for total residual office waste is 114 tonnes. We are currently on target to meet this goal, with 72 tonnes in the first half of 2008-2009. We have a target of zero waste to landfill by 2012.”

21. Whilst an organisation may not have specific financial targets, financial information should be presented over 3 years where available. Additional information should be provided in the narrative text, this becomes especially important if you are changing reporting methods or approaches. As described previously, if it is not possible initially to publish full granularity on the cost data then this should be highlighted in the narrative section.



5. FINITE RESOURCE CONSUMPTION: MINIMUM REQUIREMENTS

Purpose

1. The Government has policy objectives to reduce the use of finite resources. It is important that public sector organisations lead the way in monitoring, managing and reporting the use of finite resources.
2. This section sets out guidance for reporting the use of finite resources by public sector organisations. It is split into sections for water, energy and other finite resources. Within each section, further background is provided to the minimum requirements set out in section 2. In addition, each section also provides guidance for best practice reporting that goes beyond the minimum requirements.

Water - Overview

3. Organisations should place the use of water in context, considering the level of use and regulatory requirements. For instance, under current Sustainability on the Government Estate targets, central government departments should reduce water consumption by 25% by 2020 relative to 2004-05 levels on the central government office and non-office estate.
4. In England, the NHS Carbon Reduction Strategy, published in January 2009, asked NHS trusts to report water cost and consumption in their annual reports.
5. The total impact of an organisation's water usage is termed its 'water footprint'. This is divided into direct use and indirect use. As a minimum, reporting must cover direct water use as measured in cubic metres: the measurable consumption from water providers, abstraction and collection.
6. Water sources can be classified in a similar way to carbon emissions, as follows:
 - **Scope 1: Water owned or controlled by your organisation.** This would include water reserves in lakes, reservoirs and boreholes;
 - **Scope 2: Purchased water, steam or ice.** This would include your mains water supply as well as other deliveries of water for the purpose of heating (e.g. CHP), water coolers, ice; and
 - **Scope 3: Other indirect water.** This would include embodied water emissions in products and services (upstream) as well as the products, services and policies that you contribute to water use (downstream).
7. The minimum source reporting requirements for organisations is to cover the use of water from Scope 1 and Scope 2 water sources.

Direct water use (minimum requirement)

8. Direct water use should be reported in cubic metres, broken down by source (water from a 3rd party supplier, abstracted water, and where data exists, collected water).
9. Public sector organisations should ensure that KPIs and reported results conform to the common reporting requirements set out above. This includes disclosing where



KPIs are changed between years and including normalisation of water use by the organisation's total £ expenditure. This also includes reporting expenditure on water.

10. The reporting of indirect or "embedded water", water that is embodied in assets, will follow in future guidelines as accounting standards are developed. As a minimum, in line with the requirements in Section 2, a narrative on the indirect use of water should be included in the sustainability reports of all public sector bodies.

Other Finite Resources

11. In addition to the mandatory requirements to report on water consumption, public sector bodies should at a minimum consider whether there are any other finite resources whose use has a material impact. To determine whether the use of a finite resource is material, organisations should first consider the role areas of finite resources play in the delivery of their strategic policy objectives.
12. Organisations must then consider these priorities in the context of their operational activities and their wider requirements as public sector bodies. It may be that the use of particular resources is at such a low level that reporting is not judged necessary. On the other hand, regulatory requirements from Government may dictate that reporting of particular resources is necessary regardless of their level.
13. Defra's Environmental Reporting Guideline key indicators should be used to assist the above process. Chapter 4 provides suggested areas of reporting for different types of organisations, including those in the public sector. Information on how the use of other selected finite resources is provided in chapter 3. <http://www.defra.gov.uk/environment/business/reporting/pdf/envkpi-guidelines.pdf>.
14. The Global Reporting Initiative (GRI) provides further guidance on the reporting of the use of several finite resources not currently addressed by the above Defra document. The metrics and methodologies of these indicators should be used for finite resources other than water and energy where no guidance is provided by the Defra Environmental Key Performance Indicators. The GRI information can be found on their website at http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3_IP_Environment.pdf.
15. For example, several public sector organisations, including the Highways Agency, have determined that the use of metal aggregates constitutes a material finite resource to their organisation and will begin reporting its use in line with the above standards. Additionally, organisations with significant landholdings may determine that the biodiversity indicators provided above would be useful to the readers of their sustainability report.
16. In addition, Public Sector organisations should consider including reportable environmental incidents. If an organisation determines it should report the use of another finite resource, the same format and content should be provided as other areas, including targets where available, normalisation by total expenditure, expenditure on the reported resource, industry benchmarks where available and a commentary on indirect use.

6. BACKGROUND TO SUSTAINABILITY REPORTING

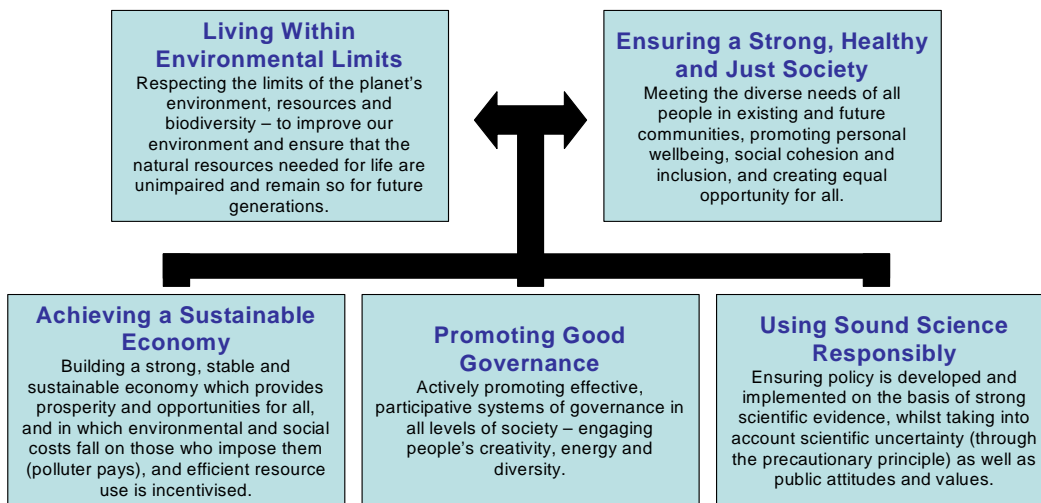
The Government's Sustainable Development Strategy

1. The achievement of sustainability is supported through 'Sustainable Development', a term which was first used by the Brundtland Commission² and provider of what has become the most often-quoted definition of sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs."
2. Corporate social responsibility (CSR) and sustainability are closely linked. The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, defined CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". The Government's vision for CSR is "to see UK businesses taking account of their economic, social and environmental impacts, and acting to address the key sustainable development challenges based on their core competences wherever they operate – locally, regionally and internationally."
3. Securing the Future (March 2005)³ sets out the UK Government's sustainable development strategy with the overarching aim to 'enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations'. The guiding principles of sustainable development, which the UK Government's Strategy proposes should underpin all of its policy, are shown pictorially in the following diagram.

² 'Our Common Future' published by Oxford University Press in 1987

³ <http://www.defra.gov.uk/sustainable/government/publications/uk-strategy/>

**HM Government
UK Sustainable Development: Guiding Principles**



'Securing the Future': The UK Government Sustainable Development Strategy (Cm 6467), DEFRA March 2005

4. The lead government department, Defra, chairs a Programme Board to oversee delivery of the Strategy, but the public sector as a whole shares responsibility for making sustainable development a reality. The strategy was followed in 2006 by the publication of the Stern Review on the Economics of Climate Change⁴, which presented the global economic case for taking action on climate change – a key issue in the approach towards a more sustainable business model.
5. The strategy recognises the importance on government leading by example on all aspects of sustainability performance – both on operations and procurement and on integration into policy making. As a first step, the strategy committed all central Government departments and their executive agencies to produce Sustainable Development Action Plans (SDAP). These are scrutinised by the government's independent advisor on sustainable development, the Sustainable Development Commission that acts as watchdog on government progress.
6. In Wales, Welsh Ministers have a duty under section 79 of the Government of Wales Act 2006 to make a scheme setting out how they propose to promote sustainable development in the exercise of their functions. The Welsh Assembly Government's sustainable development scheme, One Wales; One Planet, confirms that WAG aims to be an exemplar organisation in the way that it mainstreams sustainable development as its central organising principle.

Business Drivers: Sustainability targets

7. The Government has introduced a range of drivers for both public and private sectors, and central and local government and Devolved Administrations.

⁴ <http://www.occ.gov.uk/activities/stern.htm>



8. These include:
 - **Sustainability on the Government Estate (SoGE) Targets.** The Government has set targets to reduce carbon emissions on the Government Estate and these are monitored and reported annually. New targets were announced in March 2010 and will come into effect when the current targets expire in 2010/11. Details of the current and new targets can be found at <http://www.defra.gov.uk/sustainable/government/gov/estates/index.htm>; and
 - **Sustainable Development Action Plans.** These plans are in place for all central government departments and agencies and include activities to improve sustainability in line with the 'Securing the Future'.
9. The Welsh Assembly Government has its own Environmental Management Policy Statement, which commits WAG to minimise its own ecological footprint in line with its Sustainable Development Scheme.

Climate Change and Carbon Management

10. The Government has a firm commitment to reduce the risk of climate change by mitigating its causes, primarily through working to reduce human-induced emissions of greenhouse gases in the atmosphere. It is vital that both central and local government bodies lead the way in monitoring, managing and reporting emissions of GHGs measured in terms of carbon dioxide equivalents (CO₂e).
11. On 26th November 2008, the Climate Change Act 2008 received Royal Assent. Key areas of the Act are:
 - **Carbon Targets.** Legally binding targets to reduce national greenhouse gas emissions by at least 80% by 2050, and reductions in CO₂ emissions of at least 34% (revised from 26%) by 2020, against a 1990 baseline. This has since been further developed through the UK Low Carbon Transition Plan (at http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.asp) which plots out how the UK will meet the cut in emissions;
 - **Carbon Budgets.** The Act required the Government to set targets which cap emissions over successive five-year periods, beginning 2008-2012, with three budgets set ahead at any time. An independent Committee on Climate Change has been established to provide advice to Government on the level of carbon budgets. The Committee published its advice to Government on the level of the first three carbon budgets on 1 December 2008.⁵ The Government has announced the levels at the 2009 budget, in agreement the Climate Change Committee's advice. These were published at the following link
http://www.hm-treasury.gov.uk/d/Budget2009/bud09_carbon_budgets_736.pdf
 - **The CRC Energy Efficiency Scheme (CRC).** The Act provides enabling powers to set up domestic emissions trading schemes (via secondary

⁵ *Building a low-carbon economy – the UK's contribution to tackling climate change.* Available at www.theccc.org.uk/reports



legislation) to help meet some of the ambitious legally binding targets on greenhouse gas emissions. Formerly called the Carbon Reduction Commitment (CRC), the CRC Energy Efficiency Scheme is a mandatory UK-wide carbon trading scheme, targeting large, non-energy intensive business and public sector organisations commencing 1 April 2010. It requires the purchase of allowances, by both public and private sector participants, in relation to their energy consumption. Details have been published on the DECC website at

http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx.

12. The Act also required the Government to develop a carbon accounting methodology. As a result Defra have since published guidance to assist organisations on the measurement and reporting of GHG emissions. This can be found on the Defra website at <http://www.defra.gov.uk/environment/business/reporting/index.htm>.
13. The Welsh Assembly Government has a target to reduce greenhouse gas emissions by 3% a year by 2011 in those areas where WAG has devolved competence. It is currently consulting on a detailed programme of action in support of this target.

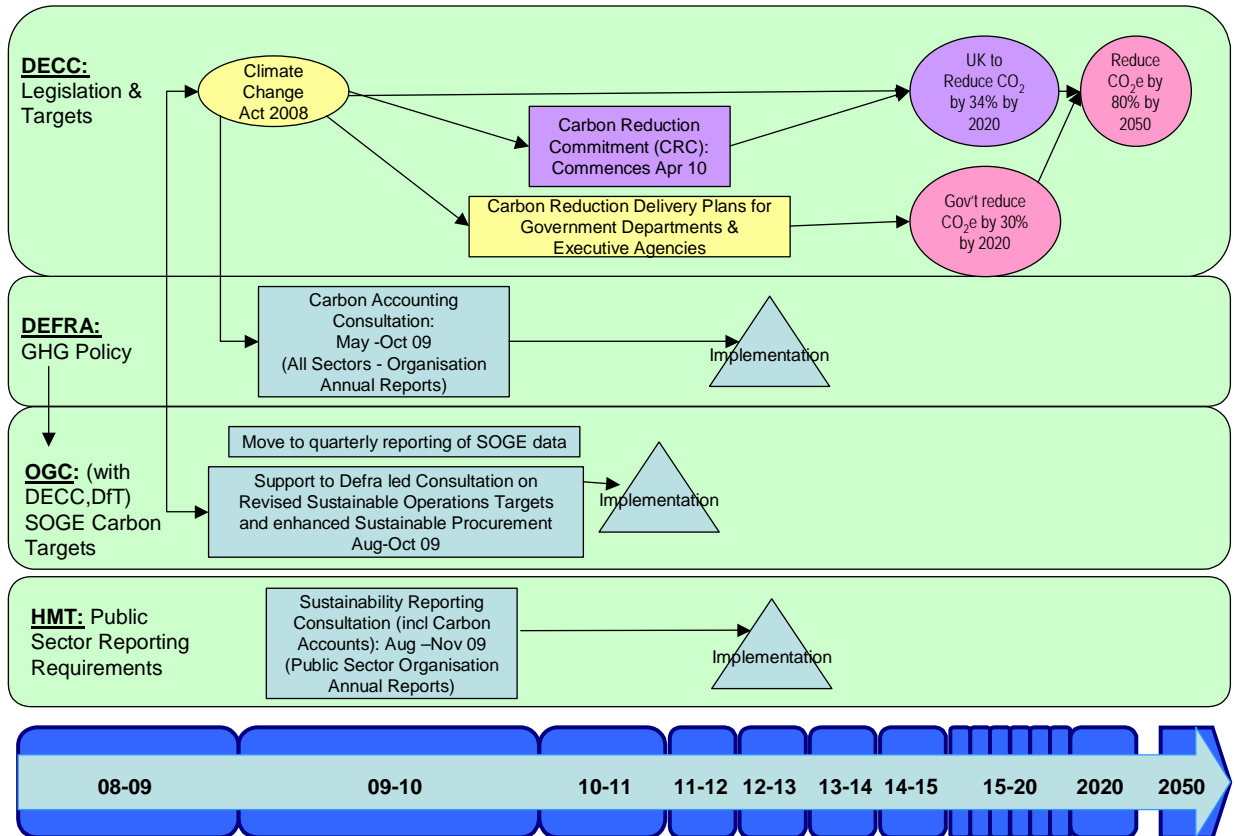
Implementation of public sector Sustainability Reporting

14. The format adopted for public sector use has been derived from the 'Connected Reporting Framework' developed by The Prince's Accounting for Sustainability Project. This Project was set up by HRH The Prince of Wales in 2006 and its Mission Statement is to work with businesses, investors, the public sector, accounting bodies, NGOs and academics to develop practical guidance and tools for embedding sustainability into decision-making and reporting processes. The Connected Reporting Framework was the output of a work stream set up to encourage and facilitate clear, concise and comparable reporting, connecting sustainability with more traditional accounting measures. The framework is designed to reflect the broader and longer-term consequences of decision-making on an organisation's performance and financial condition than is discernible from historic financial statements alone. The framework encourages organisations to report the interconnected impact of environmental, social, governance and financial factors most relevant and material to the performance of the organisation. Further background to this work can be found at <http://www.accountingforsustainability.org/>.
15. It is recognised that, in practice, sustainability reporting may be difficult to implement as organisations will need to implement new information gathering processes, potentially involving detailed supply chains and changes to systems such as the Chart of Accounts. Initially, therefore, HM Treasury is mandating a minimal amount of reporting around sustainability covering greenhouse gas emissions (including energy), waste management and disposal and finite resource consumption (including water) – see Section 2.



- 16. Linkages between the different sustainability accounting requirements (e.g. SOGE, CRC and Carbon Budgets) are shown in the simplified diagram below.

Sustainability Accounting Cross-Government Linkages



- 17. Note that there are targets (subject to consultation) for carbon (in the form of carbon budgets to cover scopes 1, 2 and business travel), for water, waste (including construction waste) and recycling and for sustainable procurement – that will apply to central Government departments, Executive Agencies, Non-departmental Public Bodies and non-Ministerial departments. The CRC will apply to all central Government departments regardless of whether or not they meet the qualification criteria, and this captures energy from buildings.
- 18. Departments should note that in preparing their Sustainability Report they should, where possible, use the same data used for Sustainable Development in Government (SDiG) reporting purposes, thereby avoiding any requirement for new data and any duplication of effort.
- 19. Some organisations will be in a position to report more than the minimum reporting requirement and guidance is needed to ensure that they do so in a manner that is consistent and supportive of any future developments. This guidance is, therefore, analysed into two main areas: Minimum reporting requirements for implementation from 2010-11 onwards (dry run), and more detailed guidance to cover organisations, which are more advanced in sustainability reporting.

7. FURTHER VOLUNTARY REPORTING

Extending reporting beyond the minimum requirements

1. The reporting boundaries for environmental information must follow financial reporting guidelines. The minimum reporting requirements include all scope 1 and 2 emissions of the reporting entity, and scope 3 emissions relating to business travel only. However, as organisations become more proficient in managing their own internal performance on sustainability, they should then consider how they could seek to improve the sustainability in areas where they have an influence. One such area in the public sector is influencing performance through procurement; another is through policy.
2. The scope of reporting of sustainability performance within the annual report set out in this guidance is restricted to Greenhouse Gas Emissions, Waste Minimisation and management, Finite Resource Consumption, Biodiversity Action Planning (commentary overview) and Sustainable procurement (commentary overview). As set out in Section 2, it is recognised that there are many other aspects to sustainability that have not been given coverage in the minimum requirements. More advanced organisations may wish to add on additional sections, for example how delivery of the body's strategy is supported by, and reliant on, actions taken to respond to economic, environmental and social factors. Through this analysis, the body may also describe how performance relating to social or other material environmental impacts is linked to financial outcomes.

Producing a detailed Carbon Account

3. Organisations more advanced with carbon accounting coverage may decide to publish a detailed account of their carbon emissions often referred to as an 'inventory'. An example of how such an account might look is shown at **Example 2** at the end of this Section.

Accounting for non-travel Scope 3 Emissions – General Advice

4. These tend to be the most difficult areas to be able to account for as they usually relate to work done on behalf of the organisation but out with its normal organisational control. However, such emissions can be considerable in size and organisations may have a high degree of influence in respect of financial control through procurement. As a first step organisations are suggested to liaise with suppliers concerning emissions to establish if they have their own reporting mechanisms. Over time it is expected that organisations will increasingly use Scope 3 carbon emissions as a factor in both supplier suitability and tender assessment.

Accounting for Scope 3 – Supply Chain Emissions

5. The public sector has a vast supply chain and potentially significant influence over the way it operates in terms of its emissions. This covers only those



emissions that would factor under the Public Sector Sustainability Reporting Accounting Boundary – i.e. over which the public sector has budgetary control.⁶

6. Scope 3 supply chain emissions of the entity reporting under this guidance include all emissions arising from the related activity of its suppliers, regardless of whether they would be classified and reported separately as scope 1, 2 or 3 emissions by the supplier themselves. To collect this information an organisation will need to liaise closely with its supply chain to ascertain information. [A cross-Government approach to Scope 3 supply chain emissions is being considered for central government departments (though the scope may be widened at a future point to the wider public sector) on engaging with suppliers on supply chain emissions reporting].

Accounting for Scope 3 - Embodied Carbon Emissions

7. All physical assets will have some measurement of carbon dioxide equivalents which have been emitted as a result of raw materials extraction, transport and/or manufacturing. Whilst embodied carbon is not mandated for reporting under the GHG Protocol, it is important that these emissions are considered and eventually accounted for in some way by public sector organisations to:
 - Encourage less waste (and therefore further carbon emissions) through non-essential asset consumption;
 - Encourage lower carbon emissions in raw material extraction and manufacture through public sector procurement; and
 - Reflect the true cost to an organisation or a project in terms of CO₂e emissions from asset consumption for carbon budgeting purposes.
8. Such assets can either be consumed immediately upon use or they may be used over a number of years. Under present public sector financial accounting policies, the value of the assets can be spread over their 'useful economic life' through depreciation. However, this accounting treatment would be difficult to implement in relation to embodied carbon assets as it would involve the development of an inventory of the embodied carbon for all assets currently being utilised by an organisation – akin to developing a carbon balance sheet in financial accounting terms. Hence, initially organisations undertaking accounting for embodied carbon should account for it upon purchase. Details of the organisations accounting policy in this respect should be maintained on the website – particularly where embodied carbon in only certain assets is being accounted for.
9. Publicly Available Standard (PAS) 2050 provides advice on producing a lifecycle carbon footprint for a product. This provides a detailed methodology to calculate the full lifecycle emissions of a product or service. PAS 2050 can be expensive to implement, however there are methods for apportioning emissions to products and services that can be usefully adopted here.

⁶ The Public Sector Sustainability Reporting Accounting Boundary is the reporting boundary for sustainability reporting, as defined by reference to financial reporting boundaries for central government in the minimum requirements Section 2, paragraph 22.



Other GHG Emissions Accounting Guidance

10. The following organisations also provide broader information about carbon accounting, *but this should not be used as an alternative* to the above guidance:
- **Carbon Disclosure Project** (an independent not-for-profit global organisation) is supporting a **Climate Disclosure Standards Board (CDSB)**. The CDSB is a consortium of seven business and environmental organisations that has been formed for the purpose of jointly advocating a generally-accepted framework for corporations to report climate change-related risks and opportunities, carbon footprints, and carbon reduction strategies and their implications for shareholder value in mainstream reports. Presently their advice is to follow the GHG Protocol. More details can be found at www.cdproject.net/standards-board.asp;
 - The **Global Reporting Initiative (GRI)** provides guidance to organisations about disclosure of their sustainability performance, and also provides stakeholders a universally applicable, comparable framework in which to understand disclosed information. More details can be found at www.globalreporting.org/Home. There is no detail on carbon accounting policy; and
 - The **International Standards Organisation (ISO)** publishes advice on standards for carbon foot printing, including ISO 14064-1, which is their corporate carbon foot printing standard.

Further Waste Reporting

11. Whilst it is intended that waste reporting should include waste from all sources, there is clearly a focus on waste from offices in the guidance. Construction, demolition and excavation (CD&E) waste will clearly be significant for some public sector bodies. Reporting data on this will often present unique challenges, often as a result of third parties being involved in this work. The Waste & Resource Action Plan (WRAP) website at www.wrap.org.uk can provide useful information on how to capture and report waste arising from CD&E work. Specific reporting guidance is available at - <http://reportingportal.wrap.org.uk/Downloads/CDEW%20Reporting%20Guidance.pdf>.
12. In addition to reporting financial data on the waste disposal and removal costs it would be useful to include the value of the products and materials being disposed of. This would help to demonstrate efficient use of resources.

Further Finite Resources Reporting - Indirect water use

13. For many public sector organisations, indirect water use will comprise the majority of their 'water footprint'. To address this water use, these organisations may wish to go beyond the minimum reporting requirements for the use of water set out above. These organisations should analyse and report in narrative the material indirect effects on water use caused by organisational activities and policy. Public Sector organisations should consider two forms of indirect impacts on the use of water: the effects of policy on water use and the use of embedded water by an organisation.



14. When considering the use of embedded water, organisations should analyse both the levels of water used by suppliers and the source of water used by suppliers. A high volumetric water footprint does not necessarily mean high impacts and vice versa. Importing goods with a high water footprint from areas with high rainfall and good water management may be preferable to importing goods with a lower water footprint from areas where water is scarce. This adds an additional layer of complexity to developing appropriate tools to measure water footprints.
15. Organisations could report on engagement with their suppliers to reduce their consumption of virtual water. This would include steps taken to obtain data from significant suppliers on the level and source of their water use and steps taken to encourage more sustainable water use by suppliers.
16. To provide an effective breakdown of the impact of policies on water use that is consistent with best practice in the private sector, organisations should consider the following three types of water in their disclosure of targets and performance:
 - Blue: water from rivers, lakes, aquifers;
 - Grey: water polluted after agricultural, industrial and household use; and
 - Green: rainfall to soil consumed in crop growth

Emerging Water Accounting Standards

17. The development of water accounting standards for individual entities that include indirect use of water is several years behind those for carbon emissions.
18. There is substantial activity underway to develop a method to assess the amount of water embedded in a product. This is in chief being led by the Water Footprint Network (WFN) – an initiative based in the Netherlands. The WFN was founded by University of Twente, WWF, UNESCO-IHE, The Water Neutral Foundation, WBSCD, The International Finance Corporation (part of the World Bank) and the Netherlands Water Partnership in October 2008. The network's mission is to promote the transition towards sustainable, fair and efficient use of fresh water worldwide. It is undertaking research to further develop methods to measure water footprints. In addition a working group is to be established by ISO to examine the development of a standard in this area. This will take some time to do as these processes can typically take between 3 to 5 years.
19. In July 2009 Defra has commissioned a food research project to understand the specific challenge posed by virtual water contained in food. It will analyse a set of commodities grown in the UK and abroad, with the aim of understanding the associated impacts. Warwick Horticultural Research International, a department of the University of Warwick, leads the study.

Embodied finite resources

20. Physical assets, both current and non-current, require the use of natural resources in manufacturing and distribution. This is the equivalent to GHG Protocol "Scope 3 emissions" in carbon accounting. Ultimately, it is important that embodied water, energy and other resources are accounted for in some way by public sector organisations to:



- encourage less waste (and therefore further use of finite resources) through non-essential asset consumption;
 - encourage lower resource use in asset manufacture and raw material extraction through public sector procurement; and
 - reflect the true cost of an organisation or a project in terms of the use of finite resources.
21. In the short term, due to difficulties in calculating the resources used in creating an asset—particularly those already acquired—and the lack of relevant accounting standards, quantified reporting of accounted embodied resources will not be required. Progress on achieving this is more advanced in the field of carbon accounting than in the areas discussed in these guidelines, with the exception of energy.
 22. As standards are developed for water and other finite resources, the FREM should adopt their use. This will enable consistency among those organisations that report embodied resources on a voluntary, and eventually mandatory, basis.
 23. The lack of accounting standards for embodied resources does not preclude reporting in this area. The Public Sector Sustainability Report allows for narrative reporting of indirect sustainability impacts to take place alongside numerical financial and non-financial information. Public sector organisations wishing to follow best practice should set concise, measurable targets designed to capture activities that will reduce the indirect use of finite resources. Annual reports should then include these targets and report on progress achieved against them.
 24. One form of reporting is supplier engagement. For instance, central government departments could target and report on stages reached in implementing the sustainable procurement task force's Flexible Framework, or any successor scheme, as recommended by the Government's Sustainable Procurement Action Plan. This will involve engagement with suppliers to improve data quality pertaining to embodied finite resources in newly acquired assets.
 25. Organisations may also be aware of particular current or non-current assets that have high levels of embedded natural resources, are widely used by the organisation and have a clearly material impact on its footprint in the consumption of a particular resource. Organisations can set targets to reduce the use of these assets even if accounting standards do not yet allow for an exact translation of their use into units of a material finite resource.
 26. Public sector bodies may have policies that affect third party use of finite resources. Those organisations following best practice could set targets over third party resource use that is impacted by their policy areas, assess these impacts and report them annually.



EXAMPLE: Public Sector Carbon Account Format

Department/Agency Yellow Carbon Account For the Year ended 31 March 20XX	20XX-XX Tonnes CO ₂ e	20XX-XX (Prior Year) Tonnes CO ₂ e
ADMINISTRATIVE EMISSIONS (Related to Admin Expenditure Activity – See Note 1 below)		
SCOPE 1 EMISSIONS		
Fuels combustion (e.g. boilers, furnaces or turbines)	XX	XX
Owned Transport		
Admin vehicles	XX	XX
Process Emissions (e.g. waste processing)	XX	XX
Fugitive Emissions		
Air conditioning	XX	XX
Refrigeration	XX	XX
TOTAL SCOPE 1 GROSS ADMINISTRATIVE EMISSIONS	XXX	XXX
SCOPE 2 EMISSIONS		
Purchased Energy Consumption		
Office Electricity Consumption	XX	XX
Office Gas Consumption	XX	XX
TOTAL SCOPE 2 GROSS ADMINISTRATIVE EMISSIONS	XXX	XXX
SCOPE 3 EMISSIONS ACCOUNTED FOR		
Administrative Travel		
Private Vehicles use for Duty purposes.	XX	XX
Hire Vehicles	XX	XX
Taxis	XX	XX
Bus/Coach	XX	XX
Rail/Underground	XX	XX
Air	XX	XX
Embodied Carbon in Resources Consumed		
Office Water Usage	XX	XX
Non Recycled Waste	XX	XX
Recycled Waste	XX	XX
Aggregates	XX	XX
Cement	XX	XX
Other Administrative Emissions	XX	XX
TOTAL SCOPE 3 GROSS ADMINISTRATIVE EMISSIONS	XXX	XXX
TOTAL GROSS ADMINSTRATIVE EMISSIONS	XXX	XXX
Reducing Factors		
Permitted reduction from purchase of Renewable Energy	(XX)	(XX)
Purchased Offsets for Administrative Air Travel through the GCOF	(XX)	(XX)
NET ADMINISTRATIVE EMISSIONS	XXX	XXX
OPERATIONAL EMISSIONS (Related to Programme Expenditure Activity)		
SCOPE 1 EMISSIONS		
Operating a Service		
Fuel Consumption by owned operational vehicles	XX	XX
Process Emissions (e.g. operational waste processing)	XX	XX
TOTAL SCOPE 1 GROSS OPERATIONAL EMISSIONS	XXX	XXX
SCOPE 2 EMISSIONS		
Operational buildings, including outbuildings and compounds.		
Electricity Consumption	XX	XX
Gas Consumption	XX	XX
Op Technology Electricity Consumption (Lighting, CCTVs, etc)	XX	XX
TOTAL SCOPE 2 GROSS OPERATIONAL EMISSIONS	XXX	XXX



SCOPE 3 EMISSIONS

Embodied Carbon in Uniformed Service Activities				
Vehicles & equipment – embodied carbon	XX		XX	
Maintenance Activities through contractors		XXX		XXX
Embodied carbon in assets consumed	XX		XX	
Fuel Consumption in maintenance activities	XX		XX	
Maintenance Vehicles & equipment – embodied carbon	XX		XX	
Improving the Managed Assets through contractors				
Resource Consumption				
Electricity Consumption in construction	XX		XX	
Gas Consumption in construction	XX		XX	
Water Usage in construction	XX		XX	
Non Recycled Waste in construction	XX		XX	
Other	(XX)	XXX	(XX)	XXX
Embodied Carbon in Construction Materials used				
Aggregates	XX		XX	
Cements	XX		XX	
Metals	XX		XX	
Plastics	XX		XX	
Timber	(XX)	XXX	(XX)	XXX
Construction-related travel				
Private Vehicles use for Duty purposes.	XX		XX	
Hire Vehicles	XX		XX	
Taxis	XX		XX	
Bus/Coach	XX		XX	
Rail/Underground	(XX)	XXX	(XX)	XXX
Other Operational Emissions		XX		XX
TOTAL SCOPE 3 OPERATIONAL EMISSIONS		XXX		XXX
TOTAL GROSS OPERATIONAL EMISSIONS		XXX		XXX
Reducing Factors				
Permitted reduction from purchase of Renewable Energy	(XX)		(XX)	
Recycled Waste	(XX)		(XX)	
NET OPERATIONAL EMISSIONS		(XX)		(XX)
		XXX		XXX
TOTAL GROSS EMISSIONS	XX		XX	
TOTAL REDUCTIONS	XX		XX	
TOTAL NET EMISSIONS		<u>XXX</u>		<u>XXX</u>

Notes

Classification of administrative and programme emissions to relate to the public expenditure classification (confirms to the HM Treasury definitions as laid down in 'Managing Public Money').



8. EXAMPLES OF REPORT STYLES/APPROACHES

This annexe provides a number of examples of existing styles of sustainability reporting included within annual financial statements that maybe useful when preparing your own reports. The styles of report included in here are not designed to be exhaustive.

Example 1: Environment Agency 2008-09 Annual Report and Accounts

Waste			2006-2007	2007-2008	2008-2009
Non-Financial Indicators (t)	Total waste		-	-	365
	Non hazardous waste	Hazardous waste	-	-	14
		Landfill	174	165	143
		Reused/Recycled	-	348	707
	Incinerated/energy from waste	-	-	19	
Financial Indicators (£k)	Total disposal cost		2,205	1,694	1,927
	Hazardous waste - Total disposal cost		1,237	853	395
	Non hazardous waste - Total disposal cost	Landfill	968	1,041	1,532
		Reused/Recycled	-	-	-
	Incinerated/energy from waste	-	-	-	

Year	Waste volume	Target
2006/07	~200	-
2007/08	~170	-
2008/09	~140	-
2009/10	~110	~100

TARGETS AND COMMENTARY
We have a target of reducing waste to landfill by 80% by 2012 and for 80% of the office waste we do produce to be recycled. In 2008-2009 we generated 143 tonnes of residual office waste.

DIRECT IMPACTS COMMENTARY
We undertake regular waste audits as well as providing opportunities to recycle up to 20 different waste streams from our offices. We have also implemented a range of additional local initiatives that include a "waste to energy" scheme for our food waste across a number of sites. Our figures for absolute volumes of waste are based on data from our buildings and offices, and exclude quantities from our construction projects which we look to include in future reports. Our financial indicators cover both office and construction waste.

OVERVIEW OF INDIRECT IMPACTS
The Environment Agency is able to place certain quality objectives on its suppliers in terms of their waste disposal performance. By working to minimise the volumes of waste throughout the procurement process we hope to reduce the amount of waste throughout the supply chain.

Energy			2006-2007	2007-2008	2008-2009
Non-Financial Indicators	Energy Consumption (million kWh)	Electricity: Non-Renewable	-	-	-
		Electricity: Renewable	68.1	57.7	55.6
		Gas	11.9	10.3	12
		LPG	-	-	-
		Other	2.2	3.3	-
Financial Indicators (£k)	Total Energy Expenditure		6,246	5,028	6,918

Year	Buildings Energy	Other Energy
2006/2007	~68.1	~11.9
2007/2008	~57.7	~10.3
2008/2009	~55.6	~12

TARGETS AND COMMENTARY
Our energy key performance indicator (KPI) is based on energy used within our buildings, and for 2012 is 30.5 million kWh annual consumption. This year we have used 41.5 million kWh in our buildings. Efforts to achieve a more significant cut were hampered by the cold weather we experienced this winter. We have an action plan in place to deliver our 2012 target.

DIRECT IMPACTS COMMENTARY
Our main areas for buildings energy consumption are lighting, heating and cooling our offices. As previously described, our overall energy consumption, which includes operational pumping data, is highly dependent on the weather. We are working to ensure that operational equipment we use, and our usage of it, is as energy efficient as possible. A recent project to install voltage optimisation systems at our major offices should result in significant reductions in buildings energy consumption for 2009-2010.

OVERVIEW OF INDIRECT IMPACTS
As the Government's principal advisor on the environment, we promote wiser, sustainable use of natural resources by working through partnerships and voluntary schemes to encourage business to improve their resource and energy efficiency. We have reduced our own energy consumption, and, through our sustainable procurement activities, we work to encourage our suppliers to reduce their energy and resource consumption.

Example 2: Highways Agency 2008-09 Annual Report

Figure I: Greenhouse gas (GHG) emissions by scope



Figure II: Waste

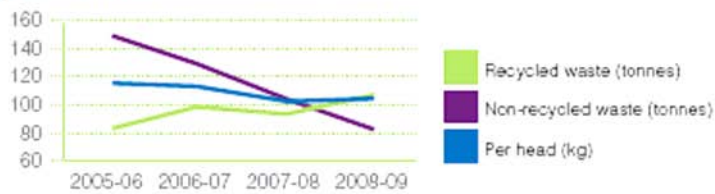


Figure III: Water consumption (4 offices, m³)

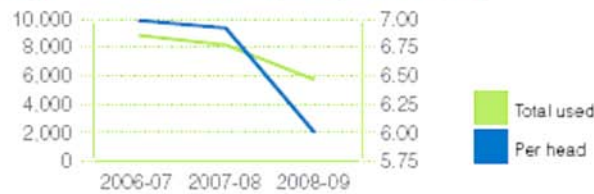


Figure IV: Electricity consumption (5 offices, '000 kWh)

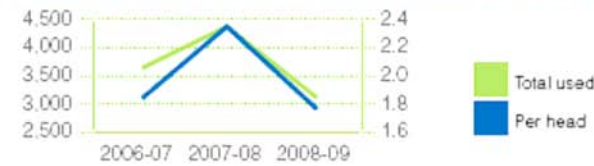


Figure V: Gas consumption (four offices, '000 kWh)

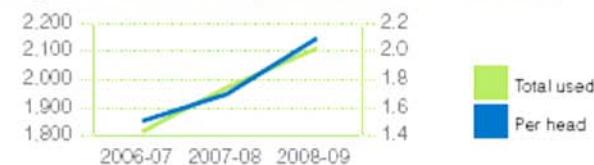
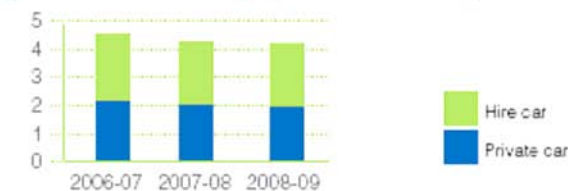
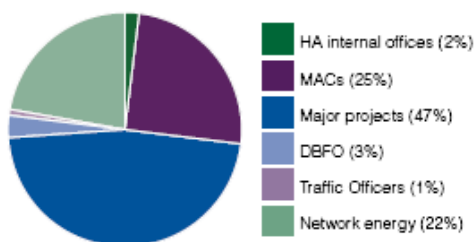


Figure VI: Vehicle mileage (million road miles)



Emissions by business area



Emissions by major source

