

# FACTSHEET: Why small businesses should consider the environment

Small businesses, those with up to 50 employees, contribute over 50% of UK GDP and employ more than 58% of the private sector workforce. This is a significant amount of economic activity and comes with a significant amount of environmental impacts. Small businesses account for 20% of UK greenhouse gas emissions. The good news is that if you are a small business owner there are many positive reasons to address environmental impacts.

The primary reason for considering the environment is to help protect it. Our environment is the only one we have and is our legacy for future generations. Nature is exciting, gives us real experiences and should be respected in its own right. Greenhouse gases, pollution and habitat destruction are damaging the environment; in the UK we face more heat waves, droughts, flooding and disease bearing insects.

But if the environment itself doesn't float your boat, what about the business case?

Public attitudes are changing. The Carbon Trust reports that 64% of consumers are more likely to use a business that claims to have a low carbon footprint. Procurement policies of many large buyers including councils and businesses require suppliers to have a sound environmental policy. Whether your customers are consumers, public sector or other businesses you can reach an expanded market through your environmental policies.

No-one ever created a great business by shaving a few percentage points of overheads. However rising costs of electricity (up 78% since 2003), gas (74%), fuel (36%) and water (24%) mean that efficiencies in these areas help balance the books as well as reducing climate change.

The efficiencies don't stop at costs savings. For example paperless systems give quick access to information. Taking the train instead of driving frees up valuable reading and working time. Maintaining or refurbishing equipment rather than replacing can avoid expensive down time, installation and training.

Businesses that take on an environmental outlook have seen staff morale, teamwork and productivity increase across the workforce. A MORI poll has found that 92% of workers think that their employer's responsibility to society and the environment is important. People feel confident and proud to be working for an employer that puts addressing climate change and community ahead of large cars and multiple foreign holidays for the executives.

The government are also encouraging businesses to take up the environmental challenge. Cars emitting less CO<sub>2</sub> per km are treated favourably by the tax system. Schemes encouraging employees to use public transport and bicycles are tax efficient. Enhanced capital allowances and interest free loans are available when purchasing equipment that saves energy or water. Climate change levy is avoided by purchasing renewable source electricity and landfill tax is avoided by recycling.

By taking simple actions and recording your progress through simple carbon accounting systems and environmental policies you can reduce environmental impacts, grow your business, reduce costs, save tax and improve the morale of your workforce. In a competitive market, and that includes tougher trading conditions which may be on the horizon, considering the environment will help any small business prosper.

The following pages go into further detail on why small businesses should consider the environment.

## Reduced Pollution

There are four very good reasons for protecting our natural world:

- It's a great place to be: nature is fun, exciting and real.
- It's the only one we have: air, water and food are vital.
- It helps us: the world provides mega resources for our use.
- It's our legacy: future generations rely on us to preserve it.

We are qualified in environmental conservation, but we are not professors of climate change or ecological experts. What we do know is that scientific evidence clearly shows that climate change, pollution and habitat destruction are causing thousands of species to become extinct, and it is affecting nature right here in the UK.

By reducing our carbon emissions, resource usage and waste, and by buying from companies that do the same, every business can make a difference.

Individuals, local authorities, government and other countries can all do more, but that does not stop us from taking positive actions.

And no, it's not too late. There is huge scope for protecting valuable habitats, for reducing carbon emissions and shifting to a sustainable way of living for everyone.

By considering your business activities in terms of environmental impact you can make a difference to the world. Just like voting, cheering a football team or paying your tax: when each individual takes a small positive action, the effect is enormous.

## Business Growth

The fundamental reason for reducing your business environmental impact is to reduce habitat destruction, resource usage, pollution and climate change.

The most direct and immediate benefit your business will see is an expanded market for your goods and services.

### Consumers

In a survey published by the Carbon Trust\*:

- 74% of people think businesses are not doing enough to cut their carbon emissions and tackle climate change
- 64% are more likely to use a business that claims to have a low carbon footprint
- 67% are more likely to buy a product with a low carbon footprint

\*Survey conducted amongst 1159 consumers from across the UK by GfKNOP in October 2006

Attitudes are changing, and therefore by definition not everyone is yet concerned or proactive in terms of the environment. But many millions will be inspired now that powerful figures such as Rupert Murdoch and his huge media empire are beginning to show their green credentials.

We believe that individuals that are unnecessarily driving huge 4x4 vehicles or “super cars”, flying more than once per year and purchasing air conditioning before insulation are suffering a 20th century hangover.

So, will your business be up to the challenge? Reducing your environmental impact will help you grow your business now and survive in the future.

### Contracts and tendering

Public attitude affects your business even if you do not supply directly to the public. Many organisations at all levels throughout the UK now require their suppliers to have an environmental policy. This may be because the organisation is operating an environmental standard or actively discouraging profligate business practices. Every supply chain ultimately provides goods or services to the public.

## Stakeholder Motivation

### Employees

Many companies face increasing pressure to recruit, retain and motivate the staff they want. Staff resources are often a limiting factor in expanding a business. Genuine concern for the environment creates a positive staff culture from a sense that employers are caring and have long term goals.

Staff turnover is hugely expensive. Each time an employee leaves and a new employee is taken on there has to be some sort of handover period. This disrupts work, unsettles colleagues, creates the need for more training and generally reduces the efficiency of your business.

By addressing your businesses environmental policies you are very likely to be improving your employees' attitude to your business. You will often find that staff are keen to help take part and promote your businesses environmental activities.

Ask staff to switch off monitors, car share and use recycled paper. Commit your business to counting its carbon emissions. These are just a few small examples that really can help bond your team and motivate your number one resource: your employees.

### Banks and investors

Banks and external shareholders want to invest in sound businesses. By future proofing your business and showing your commitment to running a well managed operation you are showing intent that permeates throughout your business activities. This will help encourage investment when it is needed.

### Customers

It is important to your customers that your business is on a sound footing and will be around in the long term. Your commitment to responsible business practices will send this message.

Some businesses worry that “green business” has a negative image in terms of price. This is overcome by highlighting the costs savings that can be passed on to customers, and by ensuring your customers know your price structure in clear and unequivocal terms.

### Tenants and landlords

A business' property and working environment is vital to its success. Your working relationship with your property landlord, if you have one, and with any tenants or sub tenants you may have is crucial to a smooth running operation. Attitudes and integrity form the basis of these relationships, and are shown amply in your environmental policies.

## Cost Savings

All successful businesses have good control over their finances. It stands to reason that money is not wasted by businesses on unnecessary expenditure. It is possibly true that every business could save a little here and there if they really tried to. However as experienced accountants, we will not insult you by suggesting that you will have a significantly better business if you can save 5% of your electricity costs or 10% of your stationery costs.

The focus of many businesses is, quite rightly, placed on customers. This includes customer service, marketing, pricing and consideration of the products and services provided.

However, what if gas, electricity and fuel costs were to continue to rise significantly? What if all of your suppliers had to pass such costs on to you? Likewise waste, what if land fill costs rise again? And water rates continue to spiral? These costs, all related to the environment, are the very items that are increasing at a rapid rate.

By addressing your business' environmental impact you are likely to reduce fuel, energy, water, waste disposal and print costs. And whilst the savings may be relatively small now, the benefits in the medium and long term could be a lot larger than you may think. By getting into a mindset of a little extra care in these areas, and taking some of the measures we suggest, you will better placed in the future, compared to businesses that ignore these issues. And if you insist that your suppliers also address environmental issues, then they will have less price increases to pass on to you.

Environmental matters also closely relate to business efficiency. Paperless (or nearly paperless) systems not only reduce stationery costs but also allow much quicker retrieval of information. Taking the train to central London is often quicker than the car, needs no parking and gives you time to catch up on reading or telephoning. Reusing and refurbishing existing equipment may allow work processes to continue without the need for expensive down time, installation and training. Reducing staff turnover is a huge efficiency boost.

Considering business environmental impacts can save money and increase efficiency. This is particularly so in light of the rapid increase in costs of utilities and services. Addressing your own business' impacts, and looking at your suppliers' environmental statement, are two areas that will benefit your business.

## Tax Savings

You can reduce your tax bill by taking sensible actions encouraged by the government.

Our stance with regards to tax is simple. We expect our clients to pay as little tax as they are legally entitled. We find most businesses agree.

### Cars

Cars are perhaps the most common area where taxes can be reduced by taking positive actions. Enhanced capital allowances, reduced benefits in kind, cheaper road fund licence (road tax) and less petrol duty can all be enjoyed by using a car emitting low CO2 per km.

### Travel

Interest free loans to employees that are used to purchase season tickets for public transport do not attract a tax or national insurance charge. Salary sacrifice schemes can be used to enable bus travel to be paid for from gross salary saving tax and national insurance. Bicycles can be purchased by a business for its employees and directors with no tax or national insurance charge even if the cycle is used for pleasure, so long as the main use of the bicycle is commuting. Generous employers can provide employees with tax free meals and refreshments on "cycle to work" days.

### Capital Allowances

Enhanced capital allowances are available on energy saving devices. This allows businesses to have up front relief for 100% of the cost of certain energy efficient plant and machinery that would otherwise only attract 18% allowance in the first year and a reduced amount each year thereafter.

Similarly 100% up front capital allowances are available on water saving equipment. This includes many practical devices that will reduce environmental impacts, save money and save tax.

### Climate change levy

The climate change levy is a tax paid by every business. It is charged on energy, including electricity and gas, supplied to businesses and not to domestic consumers. Your business can reduce this tax charge by using less energy and, in the case of electricity, purchasing from a certified renewable source such as Good Energy.

### Landfill tax

Landfill tax is charged at £80 per tonne of waste. Although most businesses do not see this tax being paid specifically, they are effectively paying it. The collectors of landfill waste such as SITA and Biffa have to pay this tax and necessarily pass this on to your business. By reducing your waste, and recycling as much as possible, you will be reducing the amount of landfill tax that you pay.

### Donations

Finally, a very useful action in reducing environmental damage is campaigning. Unfortunately (or perhaps fortunately) you cannot have tax relief for standing outside of No 10 imploring the government to divert some of the defence budget towards conservation. You will however obtain tax relief if you donate to charity, and you may want to choose a charity that will campaign on environmental issues.

## Business Respect

Is your business well run? Do you put customers first? Are you organised and effective? Most importantly, do potential customers and clients believe that you are capable of delivering the service they need? These are big questions that go to the very heart of success in business.

When you select a supplier one of your criteria will be your assessment of their ability to deliver their promise. One of the ways you will judge this is how they deal with their own affairs. If a supplier's reception has junk lying around, their letters contain mistakes or they answer telephones with a grunt, you might feel that if that is how they run their business, mistakes may occur when they are supplying goods or services to you.

For many potential customers the environmental outlook of a business works in a similar way. Increasingly customers, whether individuals, other businesses or public bodies, consider a supplier's approach to the environment as a factor when assessing how they believe they will perform generally. This selection on environmental policy may be done subconsciously, actively or even through formal tender processes.

By taking positive environmental action, and making appropriate reporting, you will present your business as not only modern and ethical, but also as responsible and well managed. A business with a sound environmental policy that is taking reasonable steps to reduce their environmental impact will also be diligent in meeting the needs of their customers.

A business that has no regard for the environment is likely to be inward looking, out of touch and will provide the bare minimum of service. At least that's the view that many prospective customers will take.

Considering the environment in your business decisions will enhance the respect, brand and standing of your business.

## Long Term Survival

Can environmental policies ensure your business' long term survival? Well, no, of course they can't. There are many factors that will influence how your business will perform in the long term. Your skills in your particular sector; customer service; financial awareness; ambition and motivation; management skills and marketing will all play a role.

Can a lack of environmental policies contribute to your business' demise? Certainly this is more possible. Consumers, business customers and public sector will increasingly require their suppliers to be responsible with regard to the environment. There are no fixed time scales, but eventually market forces will curtail the operations of businesses that act in a profligate and thoughtless manner.

Costs for utilities, fuel, energy, water and waste disposal are likely to continue to rise more rapidly than inflation. The result will be that businesses with tight control on the use of these resources will benefit. Those which disregard environmental matters will suffer reduced margins, or will increase their prices and suffer reduced demand.

Taxation policies are likely to continue to penalise wastage. The landfill tax, set at £80 per tonne in the 2015/16 and is likely to continue to rise. This tax is administered by waste disposal companies, but passed on to all businesses in proportion to their non-recycled waste through waste disposal prices. Climate change levy is a direct cost that is paid by all businesses in proportion to their use of non-renewable energy use. As the environmental charges increase, and more ecotax charges and incentives are implemented, the businesses with a sound foundation of environmental policy will gain competitive advantage.

To address your environmental policy now makes business sense at every level.