

Solutions for Simplified Energy and Carbon Reporting



**Elemental
Consulting
Group**

insight. data. intelligence. education



What is the SECR Legislation?

The Simplified Energy and Carbon Reporting (SECR) requirement is a new legal requirement introduced as part of **The Companies Act (2006) amendment The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018**.

SECR introduces the requirement for companies to:

- Disclose within their Companies House Annual Return Energy Use (including Transport) and Carbon Emissions that are *consistent with the financial statements* for the company accounting year.
- Include within the disclosure expression of the organisation's emissions by way of at least one intensity ratio (i.e. TCO₂ / £ Turnover or TCO₂ / Production)
- Include within the disclosure a narrative of Energy Efficiency Action that is being taken by the organisation to reduce Energy and Carbon Use
- Detail the methodology of how Energy Use and Carbon Emissions have been calculated

Who is Captured by the SECR Legislation?

The SECR requirement applies to accounting periods that start after April 2019, meaning the earliest financial period that will need to comply with the new legislation will be 1st April 2019 to Year Ending 31st March 2020.

Companies who meet **two** of the following three criteria must disclose:

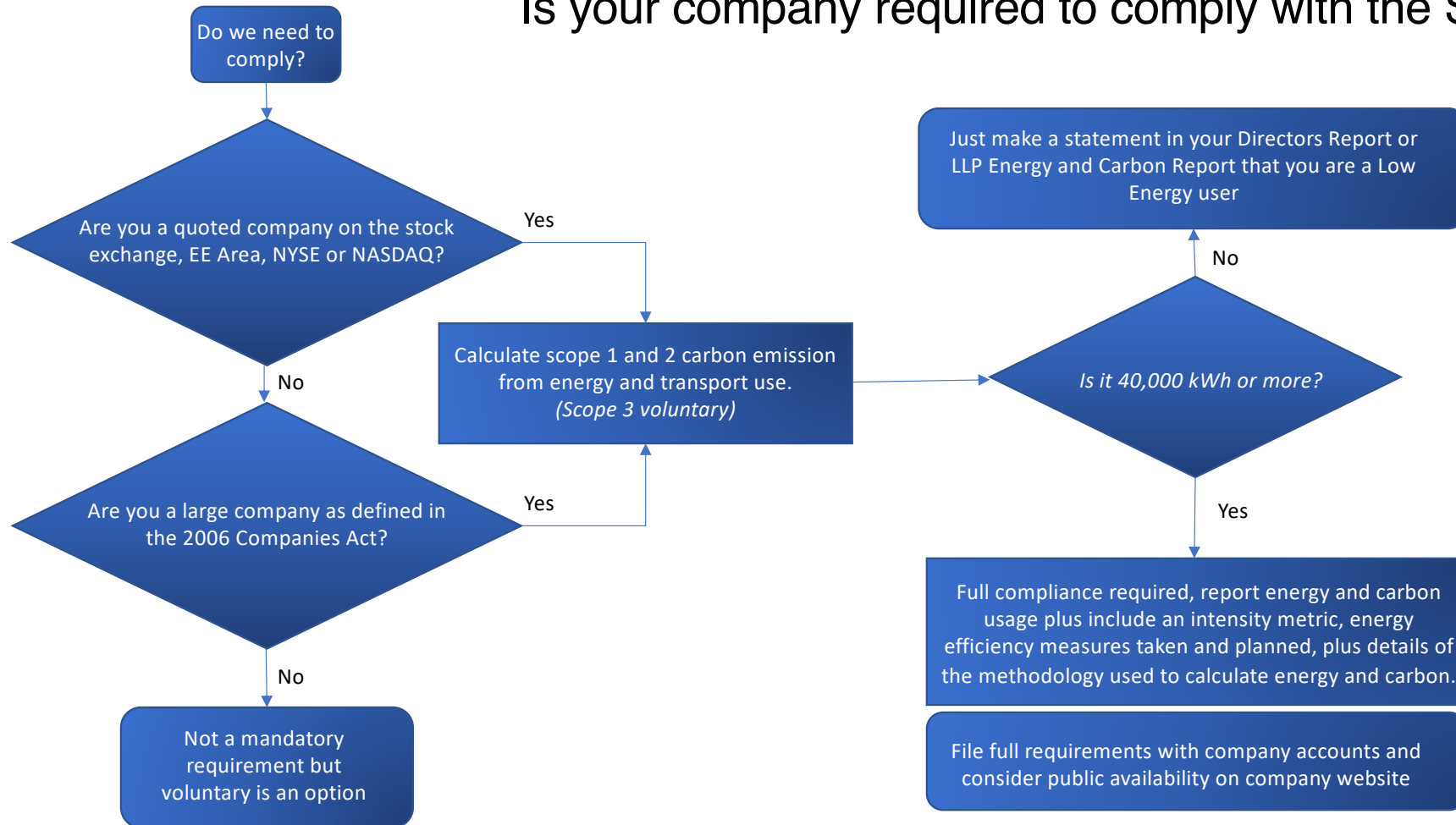
- Annual Turnover in excess of £36 million
- An Annual Balance Sheet value in excess of £18 million
- In excess of 250 employees

And

Have a **Total Energy Consumption (TEC)** across the organisation of more than 40,000 kWh

The company is considered a low energy user and exempt from SECR if their Total Energy Consumption from all sources (including Transport) is below the 40,000 kWh threshold.

Is your company required to comply with the SECR?



What is the penalty for non-compliance?

In theory, any penalty that is applicable under the Companies Act 2006 could apply for non-compliance of the SECR requirements. These include a variety of fines and even potential imprisonment of an officer of the company for a maximum of two years.

However, the Department for Business, Energy and Industrial Strategy (BEIS) has stated at numerous public events that they “do not see penalties as a key driver for action” preferring to follow the line that making business aware of the financial benefits of Energy Efficiency and Carbon Reduction being sufficient to encourage compliance.

Following the example of BEIS the biggest penalty for non-compliance would be loss of profits to energy suppliers who only continue to increase their profits with increased demand.

Business can benefit from accurate Energy and Carbon Accounting by being able to quantify the financial benefit of energy reduction.

SECR Compliance Solutions from Elemental

At Elemental we have two approaches to meeting the compliance requirements, both with the same outcome of legal compliance but with different features and added benefits in each approach.

Solution One: End of Year Compliance – Just Comply

At the end of the accounting year our analysts will collate a file of all energy sources, gather utility invoices, fuel purchases and relevant intensity information to produce a detailed report energy and carbon report. This will be assembled with a narrative of energy efficiency actions written following interviews with relevant key staff into a SECR statement to be included within the company accounts.

A separate audit document will be provided as supporting evidence of the methodology implemented by Elemental in the collation of reporting. Whilst an audit of the compliance is not required under the legislation it would be seen as good practice to maintain a trail by the body employed to produce and audit your company financial accounts.

SECR Compliance Solutions from Elemental

Solution Two: Monthly Energy and Carbon Accounting

A more robust approach would be to engage in the the monthly collation of information and production of monthly accounts as would be the case with financial accounting.

Our analysts would establish a process aligned with your business operation to gather utility invoices, metered consumption, fuel purchase and use each month direct from suppliers, receiving a copy of billing or self serving via online portals with your authority. All data would be collated in a database where monthly reporting will be produced, either aligned with your financial reporting standards or in an alternative format agreed beforehand.

A dedicated analyst would form relationships with key individuals within your business to enable access to intensity data.

With solution two not only would consumption and carbon emission be collated but also cost. This provides the advantage of monthly visibility of trends, progress against budget and an accurate forecast of year end consumption and cost.

SECR Compliance Solutions from Elemental

Solution Two: Monthly Energy and Carbon Accounting (continued)

At the end of the accounting year our analysts would be readily armed with a full 12 months of data ready to collate without any delay placing the focus on the year ahead rather than the past.

As with solution one a separate audit document will be provided as supporting evidence of the methodology implemented by Elemental in the collation of reporting. Whilst an audit of the compliance is not required under the legislation it would be seen as good practice to maintain a trail by the body employed to produce and audit your company financial accounts.

Benefits of monthly energy and carbon accounting include

- Include an accurate utility and fuel forecast in budget preparation for the following year
- Identify impact of energy reduction projects with accurate figures
- Automatic readiness for Energy Saving Opportunity Scheme (ESOS) Compliance
- Automatic entry level Bill Validation included, be able to identify incorrect billing and peaks in consumption in time to react and address
- Reduce the internal administration burden in the collation of energy data



Elemental Consulting Group

insight. data. intelligence. education

- email: hello@elemental.org.uk
- Tel: 02475 701974
- Web: www.elemental.org.uk

Internal: Quoting SECR Solutions

Need to know:

1. Company Boundary. Single registration or group of companies
2. Details of Energy Consuming Assets - i.e. buildings, factories, transport and data (meter) points associated with them covering all fuels
3. Details of suppliers by assets, common contract, multiple contracts, contract dates
4. Details of how suppliers in three make information available – i.e. paper, pdf, portal, or?
5. Details of billing frequency – monthly, quarterly, ad hoc order or purchased and reclaimed
6. Possible intensity metrics and details where data may be collated from i.e. A person or a system
7. Resource available working on energy efficiency measures – Dedicated role, part of FM or engineering or other?
8. Action planning (if any) around energy efficiency