

# Changes to organisational structure – government departments

Guidance on the CRC Energy Efficiency Scheme

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## Changes to organisational structure – government departments

This document describes which organisational changes to government departments you need to notify us of and how to do this.

### List of Abbreviations

|        |                              |
|--------|------------------------------|
| CCA    | Climate Change Agreement     |
| CRC    | CRC Energy Efficiency Scheme |
| CTS    | Carbon Trust Standard        |
| EU ETS | EU Emissions Trading System  |
| NDPB   | Non Departmental Public Body |

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## Who is this guidance aimed at?

This guidance note is aimed at government departments and devolved administration (DA) equivalents that undergo organisational changes. It covers all arms length bodies that are legally part of their parent department or DA equivalent, but not those that are not.

For the purposes of this document we will refer to devolved administration equivalents as departments.

## Introduction

Changes to your organisation can have a significant effect on your CRC emissions and as a result your performance in the performance league table and the resulting revenue recycling payment. For significant organisational changes, referred to as 'designated changes', we will adjust the historical emissions averages and baseline emissions of the organisations involved.

For departments, 'designated changes' include:

- the creation of a new department
- the transfer of part of a department to another department
- a merger of two or more departments.

You must tell us about any designated change within three months of the change occurring. If you fail to do so you may have to pay a fine and the failure to notify the change may be published. You may also be disadvantaged in the performance league table.

This note also describes some organisational changes that you do not need to tell us about during a phase, but which may affect your annual reporting. These are typically changes of a smaller scale than designated changes and for these there will be no adjustment of historical emission averages and baseline emissions. These changes may involve the movement of assets from one department to another.

Section 3 describes issues that departments involved in changes will need to consider such as whether you want to transfer the responsibility for emissions between departments when a change occurs and how to do this.

## Changes to your organisation before you have registered

If your department undergoes a change before you have registered you will need to notify us or register within three months of the change occurring regardless of the pre-determined registration deadline. For more details on how your organisation should register if such a change occurs please refer to [Annex 3 of the registration guidance](#).

# 1. Changes that you must tell us about – ‘designated changes’

The following changes are the only changes to a department that you must notify us of and for which we will update historic emission averages and baseline emissions.

## 1.1 Creation of a new department

**Scenario:** Where parts of existing departments are brought together to form a new department. In this example, part of department A and part of department B join together to form department C.



### Registration:

- In this scenario the newly created department C must apply to register within three months of the change occurring using the online Registry. Departments A and B will not need to re-register. When C registers it will need to list all the half hourly meters the corresponding parts of A and B were responsible for when the change occurred. If these parts did not have separate meters from the rest of the department then it will not need to enter any meters.
- New contacts for managing the CRC will have to be provided as part of C's registration.
- For more information on how to register please refer to the [registration guidance](#).

### Reporting:

After a change occurs there is a period in which emissions are counted both by the new department and by the old departments. This is to minimise the period of time it takes to include a department in the scheme while ensuring that no emissions are lost from the scheme in the process.

New department C, must submit an annual report for the year in which the change happens as if it had existed for the whole of that year. This may require the new department to determine its emissions for that part of the year before it was created. The year after it is created, C will need to submit a footprint and an annual report. If less than 90 per cent of C's emissions are covered by core supplies or supplies covered by the EU ETS, C will need to draw up a residual measurement list (please refer to guidance on residual measurement lists). In subsequent years, C will need to report and surrender allowances in the same way as any other participant.

During the year that the change happened and the year after the change happened, departments A and B will need to continue reporting on the supplies associated with the parts of their department that made department C. Departments A and B must surrender enough allowances to cover these emissions.

Thereafter A and B should amend their residual measurement lists, if applicable, to exclude residual supplies to C, and will not need to report on or surrender allowances for supplies that were the responsibility of the parts of their departments that made C.

## 1.2 Transfer of part of a department to another department

**Scenario:** Where part of a department, a department function, is transferred to another department. This does not include the transfer of assets between departments. In this example, part of department D (E), is being transferred to department F. This scenario includes the movement of all arms-length bodies that do not have a separate legal identity from their parent department such as the movement of most Executive Agencies and some types of non-departmental public body (NDPB) from one department to another.



### Notification:

D and F are required to notify us within three months of this change and as soon as possible provide information on the percentage of D's CRC emissions that are attributable to E. For more information on how to calculate this percentage see Section 3.1 (iv).

### Reporting:

In the year the change occurs, D will continue to be responsible for reporting and surrendering allowances for E's supplies. F will report on its emissions less E's supplies.

In the year after the change occurs F must take responsibility for E's supplies and D will no longer need to report on them. Also in the year after the change occurs, if D has a residual measurement list it should amend it to exclude any residual supplies to E. Where F has a residual measurement list it should update it to include any residual supplies of E that were included in D's list. If F didn't have a residual measurement list it should compile one detailing these residual supplies.

## 1.3 Mergers of departments

**Scenario:** Where two departments are merged together to create a new department. In this example department G and H are merged to create a new department, J.



### Notification:

The new department, J, would need to inform us of this change within three months of the change occurring.

### Registration:

J must make a new registration. Upon receipt of this registration, we will cancel the registrations of G and H for the remainder of the phase.

### Reporting:

J must report as if it had existed for the whole of the year in which the change occurred, such that the emissions of G and H are combined for the whole of the year. Where G or H had residual measurement lists, J must collate these into a single list.

## 2. Changes you do not need to tell us about

The following changes are the only changes to a department that you must notify us of and for which we will update historic emission averages and baseline emissions.

The changes described in Section 1 are significant, or 'designated' changes. For these changes we will update historic emissions averages and baseline emissions. There are other smaller changes that departments undergo that we will not update historic data for. These include:

- a transfer of assets only
- opening / closing of a site.

### 2.1 A transfer of assets only

Transferring a building, site or other asset is not deemed to be a designated change if there is no functional change as well. An example of a functional change would be the movement of an entire executive agency from one department to another. An example of an asset transfer would be the ownership of a building from one department to another. Usually a functional change involves the movement of staff; however a movement of staff can be part of a non-functional change.

Although in these circumstances a designated change is not deemed to have taken place, and you are not required to notify us of the change, you must still record the change in your evidence pack.

If you are unsure whether a change that your department has experienced is an asset transfer or a functional change you can contact us to confirm ([crchelp@environment-agency.gov.uk](mailto:crchelp@environment-agency.gov.uk)).

### 2.2 Opening / closing of a site

If a department opens a new site or closes an existing site, we will not adjust historic emissions averages and baselines. In these circumstances you are not required to inform us of the change but you will need to keep a record of it in your evidence pack.

### 2.3 Closure of a government department

If, as part of a merger, your department legally ceases to exist, you do not need to inform us. However there are obligations on any new departments that are created as a result of a change.

## 2.4 Closure of an NDPB that is part of your department

If an executive agency or other NDPB that is legally part of your department is closed you do not have to inform us but you do need to keep a record of it in your evidence pack.

If you are still unsure about whether the change you have experienced is a designated change or not please contact us to explain the situation.

## 3. What effect will a designated change have?

This section describes what you will need to consider after a particular designated change has occurred and the actions that we will take as a result of the change.

### 3.1 Things that you need to consider

#### Registration

- Is a new registration required?

If a new department is created, due to the combining of parts of two or more departments, or as a result of a merger of departments, it is required to register for the scheme. New departments are required to register for the scheme within three months of being set up regardless of any pre-defined registration deadlines.

- Do you need to change your account representatives?

If we have previously validated account representatives for CRC we will not need to repeat this process. For example following a merging of departments we will already have account representatives on file so we will not require new ones to be validated. However you will need to notify us of which primary, secondary and senior officer contacts you are proposing to use for the new department. These account representatives can be transferred to represent the new department without a charge but as a security measure we will need to write to the senior officer/director contact in order to obtain authorisation to transfer them. There may be a delay before the account representatives can access the new account while we obtain this authorisation. You can, of course, propose completely new representatives, but this will attract a fee as we will need to carry out new validation checks.

## Annual reporting and other compliance considerations

A change to your organisation's structure could have impacts on other compliance obligations:

- Transfer of responsibility for reporting emissions and surrendering allowances

When changes occur, it may be the case that under the supply rules, responsibility for supply does not change at the same time. To allow some flexibility in how emissions are allocated between departments, when parts of existing departments are brought together to form a new department or part of a department is transferred to another department a Secretary of State or devolved equivalent can override the supply rules and may decide to allow the transfer of responsibility for certain supplies between the departments involved in the change.

This declaration must be made in writing as soon as possible after the change has occurred. The declaration must set out the details of the supplies that are being transferred. If this provision is not used it is important that the supply rules are followed.

Following a Secretary of State decision historic emissions averages can be amended to ensure the departments involved are not unfairly disadvantaged.

- Continuing responsibility for reporting emissions and surrendering allowances

If a new department is created from parts of existing departments, the existing departments have a continuing responsibility to report supplies from, and purchase allowances for, the part of their department that moved for the year the change occurred and the year after that.

The existing departments will need to request information from the new department to do this, and the new department should comply with such a request.

It is the responsibility of the departments involved in the change to determine the proportion of the new department's emissions that each of the existing departments should report on. If there is not an obvious division it may be necessary to use a proxy such as proportion of headcount or floor space.

If part of a department is transferred between departments, there is a continuing responsibility for the original parent department to continue reporting supplies, and purchasing allowances for the part of their department that moved for the year in which the transfer occurred. There may be a need for estimation techniques such as those described above to be used to do this.

- It could cause a change in the coverage of any certification under the Carbon Trust Standard (CTS) or Equivalent Scheme.

This could affect your Early Action metric. If an organisation is partly or wholly covered by the CTS or equivalent and then experiences a structural change between the start date of the CTS or equivalent certificate and the end of a CRC compliance year, this may need to be accounted for in an adjustment to the certified emissions reported at the end of the next compliance year. Whoever is responsible for the supply as a result of the structural change will take the benefit of the certified emissions so long as those emissions are still subject to a CTS equivalent certificate at the end of the compliance year.

- Impact on your evidence pack

You must retain details of the change in the changes section of your evidence pack to support the information provided in your notification. You should keep copies of correspondence with us in connection with the notification.

- Impact on your residual measurement list

The supplies detailed in the residual measurement lists of organisations or parts of organisations involved in structural change will need to be reconsidered. If appropriate, these may need to be transferred to another organisation's residual measurement list. For example if part of a department has moved to another department, each department will need to consider amending their residual measurement list to remove/add the residual supplies that the part that moved was associated with in the year following the transfer.

- League table position

If a new department is created from parts of existing departments it will not be given a position in the league table until the second compliance year after the change occurred.

Those involved in any change should consider the impact of the change on their league table position.

## 3.2 Actions we will take

### Changes to historical emissions data

Following a designated change we will update the following historical emissions data:

- Baseline emissions

Your baseline emissions are your total emissions and are used as a basis for the revenue recycling payment. For departments in existence from the start of the scheme this is their total emissions figure for 2010/2011. For those departments that enter the scheme after 2010/2011, their baseline emissions will be their emissions for their first year participating in the scheme. To ensure that each department receives a fair amount of money in its revenue recycling payment we will update the baseline emissions to account for the designated change.

- Five-year rolling historical emissions averages

A five-year rolling average of emissions reported annually is used to calculate participants' performance in the absolute metric of the league table. Until five years of data have been collected the absolute metric will use data available since the start of the scheme.

To track a department's performance in the absolute metric through a designated change we will update emissions data for each of the available years to account for the designated change.

## 4. How and when do I notify a designated change?

Notifications of designated changes between qualification and registration should be made at registration. For more details on how your organisation should register if such a change occurs please refer to Annex 3 of the registration guidance. (<http://publications.environment-agency.gov.uk/pdf/GEH01009BRCU-E-E.pdf>)

Notification of a designated change that occurs in a compliance year can be made by either your primary or secondary contacts or an account representative.

You should use the CRC Registry to notify us of a designated change. Please select 'Notify a designated change' on the CRC homepage in the CRC Registry.

### 4.1 Who must notify us and when?

If a new department is created from parts of existing departments there is no requirement on any of the departments involved to notify us of the change. However the new department is required to register for the scheme within three months.

If a part of a department is transferred to another department, both departments involved must notify us through the Registry as soon as possible after the change.

If two or more departments merge to form a new department the new department must notify us as soon as possible after the change.

### 4.2 What information is needed?

On the notification screen you will need to provide the following information:

- a description of the change and the date it occurred
- information relating to any other departments involved in the change
- the effect of the change – for example, changes to organisational name and legal status
- changes to contact details that are required as a result of the change.

### 4.3 Is there a charge?

There is no charge associated with a designated change except where a new registration or where new account representatives are required.