

Sustainability Reporting: getting through the roadblocks

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Since the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, it has been understood that governments from local to national need to consider more than the economic bottom line when preparing their budgets and reporting on their activities. Furthermore, a growing constituency of voters is trying to reduce its own ecological footprint and wants to know that their governments are taking into account the environmental and social impacts of their policies and actions especially as these are often a barrier to their own efforts. Increasingly, governments are heeding that call. How prepared they are to move beyond the rhetoric is the subject of this paper which focuses on efforts in the ACT to introduce budgets which measure progress towards sustainability.

This is a matter for Public Accounts Committees if ever there was one, and I look forward to hearing from the NSW delegates who recently concluded an Inquiry into Sustainability Reporting in the NSW Public Sector.¹ Their recommendations are of use to all PACs and I thank them for their contribution to this discussion.

I note too that Victoria's Environment Protection Authority produced a report around the same time, conducted by the Centre for Public Agency Sustainability Reporting, which looked broadly at Australian and international forms of sustainability reporting. I wish that I could add the ACT to the list of organisations actively pursuing questions related to establishing best practice sustainability reporting, but the point of my presentation today is to let you know how important it is for politicians to keep this topic on the agenda, if we want any change in reporting practices. Perhaps it doesn't surprise anyone here to know that triple bottom line (TBL) accounting is not high on most Treasurers' agendas. This is not because Treasurers don't care about the world; it is because sustainability reporting is quite a new concept and there is, as yet, no definitive model, making it very hard to implement. Add to this the training of our economists and accountants, which rarely encompasses the social and ecological aspects of economic decision-making, and it becomes clear that they need all the help they can get.²

In the ACT, Greens MLAs have been asking the government to implement TBL reporting since the late 1990s. When I entered the Assembly in 2004, I received a letter from the Treasurer saying that he had received no feedback on a discussion paper his Government released with the 2004-2005 budget, proposing a framework for future budget presentation underpinned by TBL principles.³ This first foray by

¹ NSW Legislative Assembly Public Accounts Committee 2005: Sustainability Reporting in the NSW public sector, Report No 15/53 (158) November 2005

² There is a growing stream of work on the cultural determinants of sustainability. While relevant and fascinating, this paper does not address this dimension of sustainability; see Dixon, Jane 2005: The quadruple bottom line: monitoring the cultural determinants of sustainability in Furnass et al, op cit.

³ ACT Government 2004: Budget 2004-2005; Supplementary Paper – Framework for future budget presentation – Discussion Paper, presented on May 4, 2004 by Ted Quinlan, ACT Treasurer

Treasury indicated an understanding of the need for triple bottom line reporting and the broad parameters of the form it might take, but was up in the air on performance indicators. Perhaps the electoral cycle could be blamed for the failure of MLAs to respond, but it could be evidence of the difficulty most have in grappling with this subject. The Treasurer's letter indicated that Treasury had moved to the next stage and produced an exposure draft of proposed changes which were then implemented in the 2005-2006 budget; again he sought comment.⁴ The second discussion paper took the issue little further, reasserting the aspirations of the governments in regard to TBL, but vague on the form that performance indicators should take. At that stage I considered myself too new to the Assembly to comment, as I hadn't yet been through a budget cycle.

Consequently, I entered the Estimates process with lots of questions about the indicators and performance measures used by various departments in their evaluations and as justifications for appropriations. I certainly observed different approaches and uneven standards of reporting from department to department. This is clearly a work in progress. Interestingly, the Auditor General made similar observations in her report into Reporting on Sustainable Development last year.⁵ Her office's study focused on Annual Reports rather than on budgets, but the findings are nonetheless indicative. In summary, these were:

- There is scope for considerable improvement to the ecologically sustainable development (ESD) guidance and information contained in annual reports;
- The ACT Government guidance was of little assistance to agencies;
- The majority of information in agencies' annual reports provided little indication of their progress against ESD requirements;
- There was little evidence that decision-making processes take ESD principles into account.

These comments could be applied to a number of aspects of annual reports, which the PAC found to be uneven from department to department, although all had the advantage of the Chief Minister's annual reports directions. As the primary means by which ordinary members of parliaments can scrutinise agencies' performance, some comparability between reports is desirable and most particularly so in the case of sustainability reporting.

Defining Sustainability

One of the first problems I encountered was the lack of a shared understanding across government of the meaning of the word 'sustainability'. When I asked for Treasury's definition of 'sustainability' as a Question without Notice, the Treasurer himself was unable to reply on the spot but came back to me a week later with the following definition:

⁴ ACT Government 2005: Framework for Future Budget Presentation – A further discussion paper, February 2005

⁵ Auditor General's Office of the ACT 2005: Reporting on Ecologically Sustainable Development, Report No 3/2005, Public Services Publishing, ACT

“Sustainability for the ACT Government, its agencies and authorities, is about providing for people. Protecting our place and creating prosperity – now and into the future.”

This is a very weak variation of the Brundtland definition which guided 1992 deliberations: that development should meet the needs of the current generation without compromising the ability of future generations to meet their own needs. The Brundtland definition was considered too anthropocentric by those who give higher priority to ecological considerations. They argue that physical sustainability is essential to the realisation of social and financial sustainability.⁶ This is not the view of the ACT Government.

In a presentation to a conference on Making Canberra Sustainable, held in October 2005, the Chief Minister (and then also Minister for the Environment) Jon Stanhope said that:

To give an example, when the ACT Government speaks about the need to rebuild sustainable communities in the villages obliterated in the 2003 bushfires, it isn't just speaking of environmental sustainability, but social and economic sustainability. It is talking about a systems approach, where one or other of these forms of sustainability might be traded off against each other, for a myriad of reasons, but where the aim is to achieve an ultimate, long-term balance.⁷

I don't find this a particularly helpful comment when I apply the standard political test: in whose interests are decisions being made? The test of sustainability by even the weakest definition is how it will affect future generations, and it seems to me that today's political exigencies do not usually include this as a baseline criterion. This observation is reinforced by the slow 'progress' of the ACT Government towards triple bottom line budgeting.

Getting there

The process of reporting on ecologically and socially sustainable development began almost ten years ago, triggered by the two Greens Members elected in 1995. The ACT's Environment Protection Act 1997 stipulated that all government 'administrative units' must report on how their actions accord with the principles of ecologically sustainable development, identify how the outputs contribute to ecologically sustainable development, document impact on the environment and identify actions taken to minimise environmental impact and mechanisms for reviewing and increasing the effectiveness of those measures.

While each year reporting on ESD has improved, there is still work to be done as the Auditor General's observations cited earlier suggest. MacKenzie's analysis of indicators used by ACT Government agencies in the most recent budget to report progress to sustainability found that core objectives of government are called 'sustainability indicators'.

⁶ MacKenzie, Andrew 2005: *Sustainability is not really a local issue, but how we live is about sustainability?* in Furnass, Bryan, Sebastian Clark and Penny Ramsay (eds): Making Canberra Sustainable, Manning Clark House, Ginninderra Press, Canberra

⁷ Stanhope, Jon 2005: Making Canberra Sustainable in Furnass *et al*, *op cit* p 13

This is also the case for Canberra, where policy documents concerned with sustainability cover a staggering array of performance indicators from police responsiveness to crimes, infant mortality rates, natural gas consumption, crisis accommodation and recycled waste... This bundling of policy issues under the one umbrella fails to provide evidence of the success or otherwise of maintaining a commitment to sustainability. ... This 'bundling' strategy also means that government can claim that core functions that predate the sustainability debate can be benchmarked against national averages, and interpreted as successful sustainable development.⁸

Perhaps this is a by-product of the silo approach to government; yet I doubt that throwing a number of departments together will lead to better annual reports. This doesn't equate to a whole-of-government approach. It is, as the Auditor-General points out, a matter of leadership and if Government is serious about sustainability reporting, it will empower and resource an agency to take that role.

In the ACT, an Office of Sustainability was established during the first period of the Stanhope Government. It was a reflection of its seeming importance to the ACT Government that it was placed in Chief Minister's Department (CMD), indicating potential to influence broad processes of governance. Significantly, the Commissioner for the Environment was given no role in the work of the Office, and the Commissioner's resources have remained static and inadequate to the tasks of that office, while the areas under the purvey of the Office of Sustainability have increased. This may reflect the Chief Minister's view that environmental issues need to be traded off in his view of sustainability. In the Stanhope Government's second term, in which it has enjoyed the unprecedented luxury of holding a majority in the Assembly, a number of appointments from Treasury have been made in the Office of Sustainability, leading, in my view, to a further dilution of environmental considerations in the output of the Office.⁹

While this agency seems ideally placed to play a central role in the development and adoption of sustainability indicators in budgets, it has not been given this role, and thus, its competency at the task cannot be assessed. In a Cabinet reshuffle last week, the Office of Sustainability was moved from CMD into the Department of Municipal Services under a different Minister. It is too early to assess whether this reflects a downgrading of the Government's interest in sustainability. The Chief Minister has taken on the role of Treasurer, while relinquishing the Environment portfolio, so we can anticipate that the trading off will continue.

Clearly we are far from a whole-of-government approach to sustainability in the ACT. But this is not the core difficulty in developing indicators to measure our progress towards it. As MacKenzie points out, the primacy of economic growth in government policy precludes any real commitment to the idea of physical sustainability – and explains Stanhope's comment on the need to trade off environmental considerations against social and economic priorities. Recent statements warning the ACT electorate of a 'horror' budget which will cut community services indicates that social considerations must, like environmental concerns, give way to the economic bottom line.

⁸ MacKenzie in Furnass *et al*, *op cit* p 67

⁹ The most recent evidence of this was the ACT Government's draft energy and greenhouse strategies, for which the period of public consultation is drawing to a close.

If, however, we were using true TBL accounting, longer term interests would be looked after. At a time when we are overwhelmed by evidence that climate change is now a reality, it is ironical that the commitment of state, territory and federal governments to assessing its impact on the physical environment at local, regional, national and global levels seems to be weakening. I look forward to evidence from other jurisdictions that there are exceptions to this depressing observation.

Recommendations

Many of my recommendations are adapted from the sources I have relied so heavily upon in the rest of my presentation. They are tentative and open to comment; clearly we are embarked upon a collaborative process here. Report no 15 of the NSW PAC suggests to me that there is a strong role for Public Accounts Committees in monitoring governments' budgets and holding them to their rhetoric on sustainability and assisting with strategies to measure progress towards it.

The issues are strongly related to governance. Consequently, I suggest that the Australasian Council of Public Accounts Committees could provide the leadership that governments need to make progress towards measuring and initiating sustainability accounting. PACs can set and signal to governments the issues they should be focusing on in sustainability reporting. I hope that this ACPAC mid-term conference proposes that the 2007 Biennial Conference include sustainability reporting as an agenda item. I endorse the recommendations of the NSW PAC, but highlight here some of particular relevance to the ACT. These might inform discussions at the biennial ACPAC conference.

- Governments should empower - and resource - a lead agency to provide guidance on sustainability reporting, working with each agency and relevant community organisations to develop appropriate indicators and performance measures. In the ACT, this includes the Office of Sustainability, the Commissioner for the Environment and Environment ACT and consumers' groups whose work is related to the different sectors of government.
- Treasury officers should be trained and supported in understanding the relevance, importance and implementation of triple bottom line reporting.
- State, Territory and Federal Treasuries should take issues related to sustainability reporting to a subcommittee of COAG to increase its status and facilitate information flow.
- The role of Office of the Commissioner for the Environment should be expanded and backed by appropriate resources to enable it to work with Treasury and the Office of Sustainability so that each agency understands the environmental aspect of sustainability reporting.
- To this end, the Office of the Commissioner for the Environment should be empowered to chair a cross-agency group to develop and monitor reporting mechanisms for each agency, using the Global Reporting Initiative as a commencement point.
- The Sustainability Expert Advisory Group should be given a stronger role so that its advice to Government is made public and reported against.¹⁰

¹⁰ Currently, the ACT's SERG meets and writes reports which are not publicly available and may be rejected by government without the community's knowledge of their content.

- At the broader jurisdictional level, PACs could discuss the feasibility of establishing a roundtable in each jurisdiction to formulate the broad parameters for sustainability governance from which future development, implementation and evaluation and modification can evolve.

In conclusion, I want to reiterate my gratitude to the NSW PAC for its substantial contribution to this topic. As is stated in its report, and in the Victorian document, there are just a few jurisdictions with a sophisticated and comprehensive approach to sustainability reporting. That makes it all the more important that national and regional gatherings of PACs continue to have the topic on our agenda so that we can share lessons, understandings and advance the political necessity for governments to take this topic seriously. The situation in the ACT indicates that even the rhetoric on sustainability is weakening – so our efforts to improve the practice are doubly important.