



## Council of Social Service of New South Wales

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26 October 2004

The Committee Manager  
Public Accounts Committee  
Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Sir/Ms

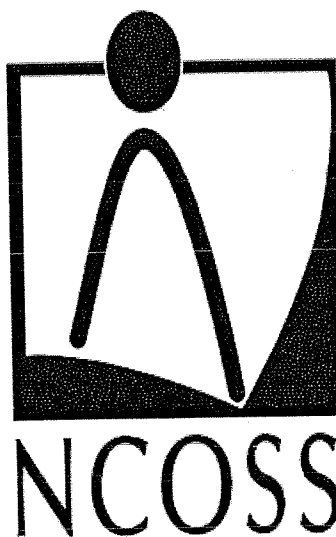
Please find enclosed a submission from the Council of Social Service of NSW (NCOSS) in relation to the Inquiry into Sustainability Reporting in the NSW Public Sector.

I hope that this submission is useful for the Committee's deliberations. If further information is required, please contact Michelle Burrell, Deputy Director, Policy on tel 9211 2599 ext 112 or email at [michelle@ncoss.org.au](mailto:michelle@ncoss.org.au)

Yours sincerely

  
Gary Moore  
Director

**Submission to the Inquiry into Sustainability Reporting in the  
New South Wales Public Sector**



**October 2004**

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## **About NCOSS**

The Council of Social Service of NSW (NCOSS) is an independent non-government organisation and the peak body for the non-government human services sector in NSW. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in New South Wales.

It was established in 1935 and is part of a national network of Councils of Social Service, which operate in each State and Territory and at Commonwealth level.

NCOSS membership is composed of community organisations and interested individuals. Affiliate members include local government councils, business organisations and Government agencies. Through current membership forums, NCOSS represents more than 7,000 community organisations and over 100,000 consumers and individuals.

Member organisations are diverse; including unfunded self-help groups, children's services, youth services, emergency relief agencies, chronic illness and community care organisations, family support agencies, housing and homeless services, mental health, alcohol and other drug organisations, local indigenous community organisations, church groups, and a range of population-specific consumer advocacy agencies.

## **Background**

NCOSS welcomes the opportunity to make a submission to the Inquiry. As the peak body for the non government human services sector, we have a strong interest in economic, social and environmental sustainability. In particular we are keen to explore how sustainability reporting can contribute to better integration between the fiscal and social justice aims of government.

Central to this will be establishing social performance reporting as an inherent feature of government in our state. This is in regards to both evaluating results and also in ensuring that sustainability reporting, including social performance indicators, is linked to resources and actions within and across government agencies.

## **Current sustainability reporting in NSW**

NCOSS is aware of the work being undertaken by the Communities Division, Department of Community Services (formerly the Strengthening Communities Unit, NSW Premier's Department)) to finalise a Sustainability Survey of NSW Government Agencies on behalf of the Senior Officers Group.

Unfortunately that report has not yet been released and so we cannot provide any detailed comment on that project or its findings.

We note however that the Government Senior Officers' Group has emphasised the need to develop good practice principles and examples of sustainability that are producing results in disadvantaged communities. As the peak body representing the interests of such communities we welcome this emphasis.

We also welcome the articulation of the NSW Government's priorities of fiscal responsibility, economic development, social justice and environmental protection within a reporting framework. However, there is no clear evidence as yet, as to how those four priorities are being integrated either within or between public sector agencies. In this regard, we eagerly await the publication of the findings of the Government Senior Officers' Group.

In the absence of those findings the current state of reporting in NSW appears to be skewed very heavily towards fiscal, and to a lesser extent environmental reporting. Compared to other jurisdictions in Australia and overseas, NSW has a significant way to go to establish an effective system of social performance reporting. If sustainability is to become the foundation of public policy in NSW then the challenge of integrating economic, social and environmental strategies becomes urgent. This challenge cannot be met if government does not give due emphasis to social performance reporting in the near future.

Historically, government has reported primarily against fiscal measures, principally through the annual State Budget as required by *Public Finance and Audit Act* 1983. This has a high degree of legislative scrutiny through the Estimates Committee process. We also note the governments commitment to eliminating public debt under the *Debt Elimination Act* 1995, This has become a very important measure of fiscal performance even if it operates as a hindrance to social performance, for example by preventing government agencies borrowing to finance ongoing service provision (eg the Department of Housing).

In this regard it would be fair to argue that fiscal performance and reporting currently has primacy within the four pillars of government. Environmental reporting is growing in importance, and the interconnections between environmental and economic sustainability appear to have become better understood by government and the community in recent years. The relationships between economic, environmental and social justice outcomes seem less well understood.

State of the Environment (SoE) reporting as required under the *Protection of the Environment Administration Act* 1991 has been an important step in developing the culture of environmental reporting across government agencies. We note that SoE 2003 is structured round six themes, with 72 core indicators based on internationally agreed principles.<sup>1</sup>

Using scientifically valid indicators that have been subject to community consultation and available for application across several jurisdictions is a positive development. It allows for interstate comparison but also meets the good practice requirement of engaging the community in the development of the measures against which performance will be measured.

We note the contribution that the Global Reporting Initiative (GRI) has made to developing globally applicable *Sustainability Reporting Guidelines*.<sup>ii</sup> Although voluntary and primarily targeted at the private sector, the principles contained in the guidelines are applicable to public and community sector organisations, and potentially to whole of government initiatives.

Although the GRI social indicators are less well advanced than the economic and environmental indicators, the GRI model is a very useful work in progress.

The GRI Guidelines highlight several benefits of sustainability reporting that have resonance for improving government responses to issues of social exclusion and injustice, principal amongst which is the need to promote the capacity for whole of government policy making and service delivery. 'Sustainability reporting is a vehicle for linking typically discrete and insular functions... (it) opens internal conversations where they would not otherwise occur'.<sup>iii</sup>

GRI is an external reporting framework that enables organisations to communicate actions taken to improve the triple bottom line (economic, social, environmental performance), the outcomes of these actions and future strategies.<sup>iv</sup> The framework put forward by GRI applies a mix and core and additional indicators. In this way the 'footprint' or impact of the organisation upon the community can be measured and activities regarded as leading practice can be included in the reporting methodology.<sup>v</sup>

We also note and endorse the key principles of the GRI framework which include:

- Transparency as means of maximising accountability;
- Inclusiveness and involving stakeholders in the development of reporting structures;
- Audibility and external verification;
- Accuracy;
- Completeness in regards to scope of factors being reported on;
- Relevance of factors being reported on;
- Timeliness;
- Neutrality – fair and factual presentation;
- Comparability and benchmarking;
- Context (how best to link organisational performance to macro level concerns)
- Clarity (includes both how understandable the information is, and its usefulness).<sup>vi</sup>

NCOSS considers that these principles should inform any future public sector sustainability reporting in NSW.

As NSW now has a results-based logic budgetary process the need for, and the opportunity to incorporate social performance reporting, is at hand. The withdrawal of the Social Justice Statement from the budget papers is further evidence of the need for meaningful measurement and reporting against social justice outcomes.

Although the Social Justice Statement was only an ad hoc report based on expenditure, and did not operate within a strategic framework, it was one of the few mechanisms available in NSW.

As we have learnt from the increasing use of Triple Bottom Line reporting in the private sector, sustainability, economic performance and social progress go hand in hand. It can therefore be reasonably be argued that the NSW Government should move towards incorporating social performance reporting into its core functions. Further, international and interstate experience shows that this can be implemented at relatively low cost if currently collected information is used as the primary source of data against which reporting takes place.

A brief summary of social performance reporting in other jurisdictions is included as an appendix to this submission

### **A potential model for measuring sustainability of the NSW public sector**

NCOSS considers that economic, environmental and social sustainability needs to be embedded in the way government operates, across its various functions and structures. These can be summarised as:

- Government as a business entity;
- Government as a legislator, policy maker and planner;
- Government as a regulator;
- Government as a service provider;
- Government as a conduit for civic participation.

In each of these roles core sustainability indicators should be applied across the whole of government. Additional indicators could then be developed for specific agencies or agency clusters that are appropriate, proportionate and give added value in terms of promoting best practice or innovation in how government conducts its core business and engages with the community.

NCOSS considers that in order to ensure consistency, maximise results and promote long term sustainability, reporting on core indicators should apply to the whole of the NSW government, regardless of organisational status. Therefore, sustainability practices and reporting should apply to state owned corporations, trading enterprises, government departments and agencies and devolved structures such as Area Health Services.

### **Government as a business entity**

The NSW government is one of the largest purchasers, suppliers and employers in the NSW economy. A practical commitment to sustainability necessitates that good practice is observed in how government conducts its business.

In its role as a purchaser, the NSW government should act sustainably by only purchasing from entities who themselves undertake sustainability reporting. This supply chain approach would make a significant contribution to promoting triple bottom line reporting in NSW by creating strong economic incentives for the private sector to participate. Compliance against this standard should be reported against as a core sustainability indicator across government.

As an employer, the NSW government should adopt best practice in regards to work and family practices, childcare support, promotion of diversity, equal opportunity in employment, health and safety, career development etc. All of these should be reported against as a core sustainability indicator.

### **Government as a legislator, policy maker and planner**

Currently NSW does not have an integrated mechanism within budgetary or programmatic processes for identifying the opportunity or avoidance costs of particular social policies or activities. Nor does government consider the multiplier effects of social spending through either the public or non government sectors.

A recent study by Jay Martin, Director of Child Care Policy and Planning in the Commonwealth Department of Family and Community Services, for example, of the contribution which child care spending makes to the Australian economy indicated that every dollar spent generates over \$12 in economic benefits.

This means that when considering whether or not to act, government agencies and Treasury in particular has only part of the story.

Further, in its role as a community builder, and contributing to regeneration and social capital, there is little measurement of the opportunity costs to government of not investing in communities.

NCOSS considers that the NSW Government should expand its investment in, and the priority it gives to, community development type programs, given the significant impact that higher social cohesion has on the correlations of disadvantage indicators as outlined by Vinson in *Community Adversity and Resilience* (2004).

To this end, Cabinet and its various committees should be provided with a social and environmental impact report for all legislation, significant policy, regulatory or resource decisions put before them. Only then, will the triple bottom line, including the economic contributions of human services be built into government deliberations in any meaningful way.

Compliance with this measure could be included as a core indicator in a sustainability reporting model for NSW.

It should be noted that the *Environmental Protection Act*, in its current form, does not successfully grapple with headline social impact assessment. This is one of the reasons why the current approach to sustainability has remained fragmentary.

For example, because social impacts do not lie at the heart of the EPA and associated SEPPS there is not enough legislative force to make significant gains on affordable housing. This issue is one of the most serious impediments to sustainable economic growth facing our state, yet forceful action has not been taken because the legislative framework provided by the EPA does not encourage integration between social, economic and environmental factors.

By amending to the EPA to better take into account social impacts, a stronger framework for action, to complement sustainability reporting could be developed.

### **Government as a regulator**

As a regulator, social and environmental impacts should be always be considered. Currently social impacts are often only considered if the community agitates, for example, in relation to liquor deregulation and licensing. Or social impacts are regarded as secondary to fiscal impacts, for example, in relation to the balance between electronic gambling machines revenue and harm minimisation. Social impact statements should no longer be a tail end process. They should lay at the heart of the regulatory process.

Therefore Cabinet, government cluster committees and regulatory bodies should be provided with a social and environmental impact report for all regulatory decisions put before them.

### **Government as a service provider**

The NSW government is the single largest service provider in the State's economy. Often these services are delivered in partnership with the non government human services sector. The sustainability of the service system is reliant upon a number of factors, including:

- Purchasing arrangements with the non government and private sectors;
- Equity considerations
- Accessibility and affordability of services



- Quality
- Consumer protection
- Community development principles
- The avoidance of unintended consequences
- The development of a long term vision beyond the usual four year fiscal cycle
- A focus upon results rather than throughputs.

Equity considerations must be paramount in any sustainable system. For example, a desire to reduce power consumption in the interests of the environment needs to be delivered through a demand management process that is mindful of distributional impacts. The most obvious equity consideration here would be to avoid pricing as the only means of managing demand as this could have the unintended consequence of creating fuel poverty.

This is not to say that environmental and social sustainability are mutually exclusive, in fact the opposite applies. Low income households would benefit by innovative mechanisms to reduce electricity consumption, for example through access to no interest loans to purchase environmentally efficient whitegoods. Equally they would benefit from efficient, well located and affordable public transport and so reduce green house emissions through decreased reliance on motor vehicles.

The first step in promoting equity considerations in government decision making would be to require all government agencies to report against their activities and performance in regards to outcomes for population groups, outcomes for locations (including rural, regional and remote) and outcomes for income groups.

Implementation of accessibility and affordability principles in service delivery and infrastructure provision should also be measured within a sustainability framework. Existing policies such as the Ethnic Affairs Priority Statement (EAPS) could be integrated into a core indicator in this area. This would put downward pressure on compliance costs and reduce duplication but still place a commitment to diversity and equity at the heart of the model.

Similarly, access and equity auditing of public sector agencies would be both a useful process and a comprehensive performance measure. Consideration of affordability impacts, for example turn away rates due to fees should also be included as a core indicator here.

Quality of service and consumer protection principles also need to apply to government as a service provider, as do principles of civic engagement and consultation. Robust complaints systems, how agencies deal with Freedom of Information requests, referrals to the Ombudsman etc are all simple measures of performance in this area. Certification under acknowledged, independent quality systems is also a critical factor.

Community development and contributions to community capacity building are also key concepts in social sustainability. Measures here might include the how well public agencies share facilities and public buildings with communities, skill sharing, enabling of community consultation mechanisms etc.

It is interesting to note that the Victorian government has recently released an associated report, *Indicators of Community Strength in Victoria*. This includes a set of social indicators based on the Victorian Population Health Survey questions around social capital including the extent of peoples' social networks and amount of social contact.

These indicators relate directly to the key objectives of the Department of Communities. It is a good example of how core sustainability indicators can be complemented by additional indicators as per the GRI guidelines and of using existing data collections to measure results.

This report acknowledges that 'the absence of indicators can mean that important issues drop of the radar. In the case of community strengthening, the lack of indicators has meant that opportunities have been lost to focus policy debates on community strengthening'.<sup>vii</sup> This is a salient message for all governments who are committed to focusing public policy on social justice outcomes.

Clearly, goods and services delivered by public agencies should not be environmentally damaging. Although environmental groups will have valuable insights into these issues it is important to also note the historical convergence of poor environmental outcomes and disadvantaged communities. The poorest communities often live close by to heavy industry or transport corridors carrying heavy traffic, Aboriginal communities are often located close to the edges of towns and closer to environmental hazards, public housing built in the 1960's still contains asbestos etc.

Government service delivery and hence sustainability requires a commitment beyond the immediate budgetary cycle. Rather than thinking in terms of the next three or four years, government needs to consider the outcomes it wishes to achieve over the next ten and twenty years.

To link sustainability with anti poverty outcomes, it is imperative to develop a vision focused on measurable social outcomes that are reported against by all government agencies and to recognise that investment in communities is needed for longer than the current two or three year project based approach.

#### **A comprehensive reporting model - a mix of core and additional indicators:**

NCOSS recommends that core social sustainability indicators, to be reported on by all government agencies should include measures of sustainable purchasing and procurement, employment practices, consumer protection, standards of service, civic engagement, community development and contributions to building community capacity.

Equity considerations including diversity, location and income groups would also be included in the reporting mechanism as a core indicator.

Indicators regarding Cabinet Committee and Cabinet and public sector agency decision making being subject to the tabling and consideration of social impacts statements for all legislation, significant policy, regulatory or resource decisions would complete the core set.

These would be supplemented by additional indicators relevant each public sector agency or cluster of agencies. For example human services clusters would benefit from have specific indicators on consultation with communities in service planning under the broader core indicator of civic engagement.

Allowing for additional indicators would give the model increased flexibility and allow it to evolve over time in response to emerging needs. Additional indicators would also allow innovation and best practice to be canvassed without risking compliance with any core indicators.

#### **Annual reporting and integration of existing measures:**

NCOSS would propose that public reporting and accountability be ensured through the requirement that each agency, including devolved structures such as Area Health Services, publish performance results against the core indicators, once a year, as part of their duty to provide Annual Reports.

Further, the *Public Finance and Audit Act* 1983 should be amended to both include sustainability reports into the annual Budget, and also to empower the Auditor General to verify and audit sustainability reports. This will necessarily involve additional resourcing of the Office of the Auditor General.

Existing reporting measures, including EAPS and where relevant, information collected for the Productivity Commission Report on Government Performance could be integrated into the new sustainability reporting structure.

#### **Integrating sustainability measures into all aspects of government:**

Linking sustainability reporting to the annual budget cycle is an important part of an integrated approach to sustainability. This needs to be complemented by a series of sustainability processes that would apply within and between government agencies, principal amongst which is the requirement discussed above for Cabinet, committees and Director General's of public sector agencies to consider a social impact statement in their decision making.

Such statements should include reference to equity impacts upon income groups, location impacts, for example upon rural, regional and remote communities and population groups. These groups would include people from culturally and linguistically diverse communities, people with disabilities and Aboriginal and Torres Strait Islander people.

In order to ensure transparency and accountability, performance agreements with Director Generals of public sector agencies, or Chief Executive Officers of devolved structures such as Area Health Services should contain measures regarding sustainability practices. These should align with the core indicators recommended above and any additional agency specific indicators that may be applicable.

Finally, the development of detailed indicators, both core and additional, will need to be undertaken through a participatory process that engages the community, including disadvantaged communities. Despite being best practice, such a process would also give practical expression to the NSW governments stated commitment to social justice by ensuring the voices of marginalised groups are heard in developing the sustainability measures. Without that input, there is a significant risk that the current imbalance between fiscal, environmental and social measures will remain.

## **Conclusion**

NCOSS considers that any future social reporting activities need to be fully integrated into the government's decision making processes in order to redress the current imbalance towards fiscal considerations having almost complete primacy in the way in which we are governed. We look forward to working with the NSW government in the future to develop a comprehensive and accountable model of sustainability for NSW.

## Appendix 1

### Social performance reporting in other jurisdictions

#### United Kingdom

The UK government produces an annual sustainability report, also available on the web that reports on a range of sustainability objectives. 15 headline sustainability indicators are measured under three broad principles of sustainability: Economic Growth, Social Progress and Environmental Protection.

The headline indicators are:

- Economic output; investment; employment;
- Poverty and social exclusion; education; health – men’s and women’s, housing and crime, and;
- Climate change; air quality; road traffic; river water quality; wildlife; land use and waste.

These are intended to raise public awareness of sustainable development, to focus public attention on what sustainable development means, and to give a broad overview of progress.<sup>viii</sup> To this end the report includes progress measures on performance over time, since 1970, since 1980 and since 1990.

The legislative base of the UK social performance reporting model is the *Poverty and Social Exclusion (National Strategy) Act* 1999. This requires the production and implementation of a national strategy on poverty and social exclusion, and includes monitoring and evaluation via annual reports to the Parliament. This correlates with one of the principle recommendations of the Senate Community Affairs References Committee Inquiry into Poverty and Financial Hardship.<sup>ix</sup>

The UK model organizes benchmarks/key indicators against life cycle, for example, Children and young people, people of working age, older people. There are also indicators for communities’. The associated premise is that life events, particularly transition events (ie. from school to work) can contribute to entrenched cycles of poverty

Each year the Secretary of State for Work and Pensions provides a report to Parliament on progress against targets to tackle social exclusion and inequality. This report is by far the most comprehensive of social performance reports in Western Europe.

Much of the data for the report is commissioned by the government. The Social Exclusion Unit (SEU) completes specific reports, and sits within the Office of the Deputy Prime Minister, alongside the Neighbourhood Renewal Unit, and the Homelessness Directorate.

The SEU has four main roles, including undertaking long term strategic reviews of major areas of policy; undertaking studies of cross cutting policy issues; working with departments to promote strategic thinking and improve policy making across government and; provide strategic leadership to social research.

It should be noted that each of the devolved administrations of Wales, Northern Ireland and Scotland also have their own social performance reporting mechanisms based on the UK model.

### **United States of America (USA)**

The United States budget includes a brief social and environmental performance report each year. This includes factors such as living standards; economic security; employment; air quality; water quality; families; safe Communities; health; learning and participation. This creates a clear link between budget allocations and social, economic and environmental reporting.

On a state by state level, many jurisdictions of America also utilise forms of sustainability reporting including Seattle; Oregon. City based reporting also occurs in places such as Charlotte; Jacksonville; Georgia; Long Island; Boston; Silicon Valley; and Chicago. Each jurisdiction has a different emphasis depending on what data is available and in terms of the community consultation processes undertaken to determine the measures and benchmarks.

Other Countries including New Zealand, Canada, and the Scandinavian countries also have social performance reporting.

### **Commonwealth of Australia**

As members of the Committee will be aware the Productivity Commission produces an annual Report on Government Performance. This provides a state by state comparison of performance against indicators in a number of portfolio areas. Although a very useful report, the indicators used are largely throughput based. There is no comprehensive measure of results or outcomes within the current structure.

### **Tasmania**

*"Tasmania Together"* is a very community based model both in its development and in terms of ongoing monitoring.

Because Tasmania has a relatively small population a very inclusive process was realised.

Each household was given feedback cards on which they wrote their concern for Tasmania, and the information collated and categorised into 24 goals and 212 benchmarks, separated into community, economic, cultural, democratic and environmental goals. The Tasmanian model is a fairly aspirational model. The concept is of a twenty year vision for the state, with targets along the way.

The resulting reporting framework is overseen by an independent statutory authority. The *Tasmania Together Progress Board Act 2001* details the membership of the Board. The Tasmania Together Progress Board has subsequently entered into a partnership agreement with the Tasmanian Council of Social service (TASCOSS). This establishes a joint enterprise approach to promote the achievement of the Tasmania Together benchmarks.

Tasmania uses response data as well as social indicators. This means it reports on specific initiatives (with budget allocations included) as actions against the priority benchmarks/goals. In some policy areas of the report (including poverty – ensuring a reasonable standard of living) specific data collections or surveys are resourced by the government to supplement existing ABS data. In some cases these surveys are undertaken by the non government sector on a contractual basis.

## Victoria

“Growing Victoria Together” is a policy document and is not legislatively based. It identifies a balance between economic, social and environmental goals and states that these priorities will inform budgetary decisions and policy choices. The first report was released as an appendix to the State Budget 2003/ 04.

The Victorian Premier identified four ‘overarching themes’ of the model as: financial responsibility; revitalizing democracy; restoring services; and growing the whole state, not just part of it. To this was added three main concerns or aims: providing decent and responsible government; getting the basics right- good schools, quality healthcare, more jobs and safe streets, and; leading the way to a better Victoria with education and lifelong learning as the key.

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<sup>i</sup> <http://www.environment.nsw.gov.au/soe/index.htm> ( accessed 20.10.2004)

<sup>ii</sup> <http://www.globalreporting.org/guidelines/2002/contents.asp> ( accessed 20.10.2004)

<sup>iii</sup> N2 at 4

<sup>iv</sup> <http://www.globalreporting.org/guidelines/2002/a11.asp> (accessed 20.10.2004)

<sup>v</sup> <http://www.globalreporting.org/guidelines/2002/a15.asp> (accessed 20.10.2004)

<sup>vi</sup> <http://www.globalreporting.org/guidelines/2002/> at b22asp : b28asp (accessed 20.10.2004)

<sup>vii</sup> Department for Victorian Communities: Indicators of Community Strength in Victoria, 2004., p7

<sup>viii</sup> <http://www.sustainable-development.gov.uk/indicators/headline/index.htm> (accessed 21.10.2004)

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<sup>ix</sup> *Senate Community Affairs References Committee Inquiry into Poverty and Financial Hardship, March 2004*