



Legislative Assembly, NSW – Public Accounts Committee
Inquiry into Sustainability Reporting in the NSW Public Sector

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a) Review the current requirements for sustainability reporting: whether compliance with these requirements is mandatory, and how compliance is monitored;

Following six years of employment as the Manager, Environmental Reporting with the former NSW Environment Protection Authority (now part of the Department of Environment and Conservation (DEC)), it is apparent there is no requirement for comprehensive sustainability reporting in the NSW public sector.

In 1997, the then NSW EPA published a “How and Why” guide to voluntary corporate environmental reporting. The guidance document was considered a useful point of reference for both private and public sector organisations intent on reporting their corporate environmental performance. The guidelines however, did little to increase the level of corporate environmental reporting at the time.

By mid 1999, the Commonwealth Government’s interest in encouraging consistency at the national level resulted in Environment Australia producing Public Environmental Reporting guidelines. These were intended for application by both corporate and public sector organisations but there was a view at the time that despite the consultants best efforts the new publication hardly advanced the discussion beyond the previous 1997 guidelines. Around that time, the NSW EPA left leadership of the issue to the Commonwealth Government putting its resources into producing an organisational performance statement of its own.

Since then, the Commonwealth Department of Environment and Heritage (DEH), (previously Environment Australia) has also released draft indicators for use in environmental performance reporting. These draft indicators were considered more important to those involved in preparing reports due to the often lengthy processes organisations go through identifying a robust indicator framework for reporting purposes. What was positive about the DEH document was its apparent attempt to commence alignment with indicators established internationally by the Global Reporting Initiative (GRI). The GRI commenced as a pilot report around 1997 as a corporate reporting guide and template for interested organisations. Following regular reviews and modifications achieved by those applying the guidelines, the GRI has evolved into possibly the most accepted sustainability reporting guidelines. GRI representatives have discussed take-up of relevant aspects of these guidelines with NSW agency representatives.

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Despite this shift both nationally and internationally, there is no specific requirements for environmental or sustainability reporting for NSW public sector organisations. As with the private sector nationally, the most effective reporting occurs on a voluntary basis and as a result is carried out by a very small, although quite committed number of NSW agencies. The efforts and leadership of these agencies probably deserve more acknowledgment than they currently receive. My experience included participation in review and feedback processes established by these organisations at various times.

These agencies include in particular, Sydney Water Corporation (SWC), State Forests of NSW, more recently Landcom, and to a lesser extent the Roads and Traffic Authority (RTA) and perhaps one or two other agencies. Even in the wake of its own 1997 guidelines, the NSW EPA has only produced a rather limp Environmental Performance Statement based on a small number of selected performance indicators and is included in each of the Authority's annual reports. This has been improving only incrementally over time due to the commitment of Corporate Planning processes established previously by the Department.

What is potentially relevant to this inquiry and is often overlooked is the requirement of section 11 of the *Protection of the Environment Administration (PoEA) Act 1991*. This legislation has provided the NSW EPA (now a part of the new Department of Environment and Conservation) with the capacity to advise on performance targets or benchmarks of public authorities relating to environment protection. Section 11 also enables the EPA to "*report on the achievement of performance targets set by public authorities and is required to do so in respect of any public authority which has failed to publicly report on its achievement of those performance targets*".

Section 10 of the same Act requires triennial State of the Environment (SoE) reporting by the NSW EPA which includes a provision to, "*review the programs and activities of public authorities and of the public sector related to environmental protection*", and include "*any general recommendations for future legislative or other action which the Authority considers appropriate to discharge responsibilities with respect to environment protection.*"

While these provisions couch the Authority's involvement around environmental protection there is an opportunity to apply these more clearly to public sector performance monitoring and reporting that includes or encompasses sustainability matters. The expansion of this reporting role as it relates to sustainability within the NSW SoE reporting have been raised on numerous occasions by independent and expert members of the NSW SoE Advisory Council appointed by the Minister for the past two reporting cycles.

In the absence of agency benchmarks or targets by public authorities the EPA appears to have been reluctant to pursue this function for the organisation or apply these provisions in either a specific or general capacity.

b) Present information on the extent of sustainability reporting within and across NSW Government agencies with particular reference to the whole-of-government approach to sustainability reporting initiated by the Premiers

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Department;

Coordinated whole-of-government efforts across NSW agencies which commenced under the auspices of the Premiers Department almost two years ago has failed to produce any guidance material applicable to sustainability reporting on a consistent basis by those agencies. This may partially reflect the very diverse range of core environmental, social or economic responsibilities of these agencies and also the very time and resource-intensive nature of such a task.

Although the recent results likely to be presented by Premiers Department on sustainability activities may provide some form of comprehensive case-study history and categorisation of agency activities, the Department has offered very little in the way of consistent reporting criteria for agencies to apply or to usefully convey via reports to a general or a specialist audience. This is unfortunate as there is certainly a pattern of strong and potentially remarkable activities that could be packaged under a sustainability banner in NSW, but with no clear criteria or policy framework, it is difficult to ascertain their relevance to delivering a set of priority sustainability objectives or goals.

Sustainability objectives or perhaps pseudo-criteria are potentially usefully defined under section 6 of the PoEA Act 1991, especially as they relate to "ecologically sustainable development" or ESD which is how the concept is presented in the legislation. Similar objectives are often mirrored in related NSW legislation enacted since 1991. It may be appropriate to revise or review these objectives if an in depth examination of sustainability were to be prescribed for application by public sector agencies monitoring or reporting on sustainability performance. This is potentially important in order to take into consideration new government settings and current community expectations (community intended here as including government, business, industry and conventional community considerations).

Other States and Territories in the meantime have considered and applied a more contemporary integration, statutory or strategic application of sustainability concepts. It is probably true to say, NSW has lost a number of important opportunities to take a lead or achieve a similar level of integration or application in this regard. For instance, it may be a lesser known fact that The Cabinet Office (TCO) established a Greenhouse and Sustainability Unit some years ago, but the function and the resources allocated allowed very little advancement of those important issues at a time when agencies were grappling with the concepts and how they related to their core business activities. Likewise, a NSW Sustainability Advisory Council established under the planning mantle, took on a very narrow application of sustainability matters when many of the players in public and private sectors were crying out for greater coordination and leadership. NSW SoE reporting has included chapters on sustainability since 1997 but has resulted in little whole-of-government coordination or integration in any practical sense. As mentioned the independent SoE Advisory Council raised on a number of occasions the potential for NSW SoE reporting to either expand into or broaden its consideration and inclusion of sustainability issues including specific agency performance. Reports by the Council on the Cost of Government, the NSW Audit Office and non government organisations have raised the sustainability reporting issue on a number of occasions to little avail in NSW.

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Meanwhile other jurisdictions have faced at least equal challenges and have commenced efforts to incorporate or integrate sustainability across the diverse function and business of government and their agencies. For example, Western Australia with its ambitious Sustainability Strategy, South Australia and the Australian Capital Territory's Offices of Sustainability, and Victoria with specific Commissioner for Environmental Sustainability legislation.

As mentioned above, integrated sustainability or 'triple-bottom-line' style of reports has had a very low take-up amongst NSW agencies and instrumentalities. Their success or take-up seems very dependent upon either a specific or dedicated sustainability "champion" ie. the CEO or an equally specific corporate requirement that the organisation makes itself accountable in terms of sustainability principles or goals. This seems to be reflected in the commitment demonstrated by organisations such as Sydney Water, State Forests of NSW, RTA, Landcom and Integral Energy.

c) Consider whether sustainability reporting should be linked to other reporting mechanisms in Parliament;

If a commitment was made for agencies to account for their organisational impacts and behaviour through a robust sustainability reporting framework, then it would be appropriate for these reports to be linked to Parliamentary type reporting mechanisms. This could be via content or summaries presented in either the triennial NSW State of the Environment (SoE) report now to be prepared by DEC or through specific performance audits conducted by the NSW Audit Office (AO).

As with other jurisdictions, it may also be appropriate to have new reporting efforts coordinated and verified by either a new Office of Sustainability or at least as part of the annual reporting requirements imposed upon agencies.

An interesting example may also be seen in the accountability requirements of local government, required under the local government regulations to incorporate findings of their local SoE reports into the annual management or business plan of Council. This tends to ensure some sense of 'closing-the-loop' on report findings or key outcomes that require some form of follow-up or reflection in subsequent reports.

A number of other jurisdictions also require a follow-up report by their respective government to their jurisdictional State of the Environment report. Each of these approaches have mixed levels of success but the process at least builds in a stage that attempts to demonstrate a level of accountability and follow-up to the environmental issues that emerge as priority matters within individual reports.

d) Consider appropriate processes for verifying or validating sustainability reports;

In 2002, the NSW Audit Office (AO) published its first audit specifically on the organisational environmental performance of a NSW government agency. As part of

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this examination of the RTA, the Audit Office developed a comprehensive environmental performance questionnaire which it considered applicable and appropriate for any NSW agency to apply and use to measure its own performance and environmental impact.

The questionnaire has been available on the AO website since but appears to have had little application or take-up by other agencies. A strong signal was sent out to agencies that the questionnaire may be applied to them at some future time. There was a perception at the time that gaps exposed by agencies completing or applying the outcomes of the questionnaire would raise the ire of any agency CEO, Executive or external Board. Arguably though, the questionnaire was intended to raise the bar and enable agencies a view of their environmental performance and so signal the need to modify corporate behaviour as required.

One of the few very clear and strong examples of verification in sustainability reporting is demonstrated by Sydney Water and to some extent more recently by State Forests of NSW. Their willingness and capacity to subject their reporting systems and the data assembled as part of the report, to external scrutiny is courageous to say the least. Very commendable in comparison to others who balk at even delivering the most basic of other organisational performance monitoring and reporting requirements.

As with financial auditing, it is clearly appropriate for agencies to open up their reporting processes and their corporate behaviour and performance to scrutiny by qualified and independent third party organisations and have those organisations comment on their findings. As with financial auditors, there is a strong need to demonstrate objective and unbiased follow-up of reports or statements and penalties being considered for failing to show independence and impartiality. Many of the larger auditors are already geared up for these forms of transactions around sustainability reporting itself or verification of results.

e) Consider how effectively sustainability reporting is linked to actions within or across agencies;

One of the major criticisms acknowledged by reporting practitioners across the spectrum of public and private reporting, perhaps moreso as it relates to state-of-environment (SoE) reporting, is the inadequacy or lack of follow-up to report findings and outcomes. This has been recognised by advisory bodies, ngo's and others, each often keenly aware of the difficulties in undertaking performance monitoring of organisations and reporting on the results.

One of the observations made informally by the NSW Audit Office in its environmental performance of the RTA was the lack of a comprehensive NSW Strategy enabling organisations to measure and report on its contribution to the wider environmental goals sought across the whole of NSW government. Without a strategy, it appeared doubtful that any organisation could report meaningfully on its own performance or what may be reasonably expected of the organisation outside of its own portfolio or sector. For example, the RTA makes roads, but questionably more

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road making may contribute to poorer environmental outcomes for some issues or across certain regions, even if the roads that are being constructed are made from high volumes of recycled material, are heavily landscaped, minimise resource use and waste generation etc.

Alternatively, or in the interim, to a wide and comprehensive Statewide strategy, which would take a substantial period of consultation and decision, organisations may be able to define and report against appropriate corporate sustainability targets. While the process of determining adequate and meaningful targets is likely to be enormously complex and follow the protracted task of determining the "indicators" to be reported, it really comes down to, the sooner the task commences, the sooner some form of reporting and accountability becomes possible. As is often raised about the environment and equally applicable to sustainability, "How can you manage, what you can't measure?", there is a related question relevant to targets, "How can an organisation track its progress toward sustainability without some form of clear and measurable targets?"

This is perhaps where section 11 of the *Protection of the Environment (Administration) Act, 1991*, becomes relevant to measuring and reporting on the progress of actions or programs underway. The Department of Environment and Conservation could commence a process to work with selected agencies, the Premiers Department and / or the NSW Audit Office to set benchmarks and targets and then monitor and report on the performance of those targets for selected and eventually all NSW agencies. If DEC is not appropriately resourced to undertake the task then clearly the legislation should be amended and an existing or new agency could be undertaking that responsibility or function as it would relate to sustainability reporting.

It may be useful to consider the Office of Sustainability models of other jurisdictions, or that established by the NSW Natural Resources Commission whose responsibilities include the auditing of natural resources outcomes of the recently established Catchment Management Authorities in NSW.

An interim or alternative measure may be to expand the triennial NSW State of the Environment reporting undertaken by DEC to more deliberately incorporate agency performance reporting and report on outcomes relevant to desired environmental or sustainability outcomes. It can easily be argued that section 10 of the PoEA Act 1991 already requires these matters to be incorporated within the environmental context but broadening explicitly to matters pertaining to sustainability may require legislative amendment or a stronger commitment or direction by Government.

f) Review the adequacy of current central agency tools to assist individual agencies in applying sustainability reporting.

As a recent practitioner of environmental reporting and recent knowledge of its overlap and synergy with sustainability issues, it is really a long stretch to acknowledge any recent history of central agency tools relevant to sustainability reporting. The senior officers group established under the auspices of the Premiers

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Department was a well-intentioned but under-resourced effort, almost entirely informal, while the small unit referred to earlier operating within The Cabinet Office achieved nothing of consequence across agencies as it related to sustainability matters and outcomes.

An immediate step might be for central agencies to work with DEC to maximise NSW agency compliance with the spirit of section 11 of the PoEA Act 1991. That is, to set performance targets and have DEC monitor achievement or otherwise of these targets as they relate to environmental outcomes or wider sustainability goals.

The single most powerful enabler of sustainability reporting is neither strategic or policy driven, but statutory. If agencies were rewarded for placing a greater emphasis on attempting to integrate agency reporting outcomes along the lines of so-called 'triple-bottom-line' (TBL) or sustainability reports, it is very likely that more agencies and their Executives might be willing to justify or allocate sufficient resources to change to a more integrated reporting product. The most fundamental reward or incentive for agencies would be to enact amendments that could reduce the existing and onerous annual reporting requirements for those agencies willing to forge ahead with their own TBL style of reports. This could initially be modelled on the GRI or commence by agreeing on a check-list or a criteria from a questionnaire similar to the earlier one presented by the NSW Audit Office.

On the one hand, the recent reforms in NSW resulting in fewer but larger agencies may make it more possible for broader sustainability reporting goals to be achieved, although challenges would remain for many reporting cycles to ensure all the required data and information is available across the organisation.

Results of early agency or other examples, could be used to provide a reporting template that would include appropriate generic indicators and issues for each agency to report. This might eventually feed into legislative amendments for new sustainability reporting provisions and replace the currently, singularly-focussed annual reporting requirements which tend to apply across public sector entities in all jurisdictions.

Other forms of assistance from central agencies might include leadership by example (eg. Preparation and learning experience passed on for their own reports), high level coordination and commitment at Executive or CEO level, and presentation of case-study examples and learning experiences from the Global Reporting Initiative, other jurisdictions or other private sector reports such as that prepared by Westpac, mining organisations or utilities.

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a) Consider sustainability reporting initiatives within the public sector in Australia and in international jurisdictions;

As mentioned previously:

- Victoria's Commissioner for Environmental Sustainability Act 2003 requiring the new Commissioner to audit the environmental performance of public sector

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- agencies on an annual basis;
- Section 516A of the Commonwealth's Biodiversity and Environmental Protection Act 1999, requiring Commonwealth agencies to report on their efforts at achieving ecologically sustainable development;
- Setting up of the Office of Sustainability or similar in the ACT and in South Australia;
- The Victorian EPA's partnership with TBL Victoria and industry organisations to develop templates and reports that incorporate relevant social, environmental, economic and governance issues; and
- The Victorian EPA's ecological footprint pilot projects, where various community, public and private sector organisations are measuring their 'footprint' to identify resource consumption and waste generation.

b) Study the processes agencies are using to achieve integration between the dimensions of economic, social and environmental sustainability and core principles of sustainability;

It is not difficult to see the challenges facing organisations when attempting to equalise economic performance reporting with social or environmental outcomes. This is exacerbated by the degree of detail required and reported when it comes to economic information which is not matched when it comes to environmental data or indicators to collect information and data relevant to social responsibilities and outcomes. There is much work to be done to bring social and environmental information up to the level of detail available on economic activities and outcomes.

Cultural perceptions relate within and external to the organisation when it comes to equalising these reporting elements.

c) Examine the value of core indicators across all public sector agencies versus development of indicators which are agency specific;

The process of establishing indicators per organisation is likely to be protracted and difficult especially for organisations with very little history or previous interest in such reporting.

In the interim, as mentioned above, it may be more appropriate to define more generic indicators applicable across all public sector agencies. These could be readily accessed from reporting approaches such as the GRI, or the public reporting guidelines published by the Commonwealth Department of Environment and Heritage. A number of the sustainability indicators identified and reported by the Australian Bureau of Statistics through its *Measuring Australia's Progress* publication may also be applicable or useful at the organisational level.

A smaller set of indicators in the early stages is more likely to keep the reporting task manageable for agencies in the first instance until a more comprehensive set can be established and agreed upon.

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d) Discuss processes by which sustainability reporting practice is communicated and discussed within and across agencies and to Parliament

The model for the Victorian Commissioner for Environmental Sustainability may be appropriate as might a broader consideration of normal annual reporting requirements for NSW agencies. Section 6 objectives defined in the PoEA Act 1991 may also provide a useful starting point for challenging the cultural perceptions of agencies, their staff and their management. The publication, *A Just and Sustainable Australia*, prepared by the Australian Collaboration, representing a number of national non government organisations around 2001, also establishes some important key principles and approaches for discussion and communication within and across agencies.

If NSW SoE reports were considered an appropriate vehicle for summarising or reporting on wider sustainability matters or agency performance reporting it is useful to note there is already a well established process of liaison and communication across and within agencies, with the final NSW SoE report required to be tabled in both houses of Parliament by the relevant Minister.