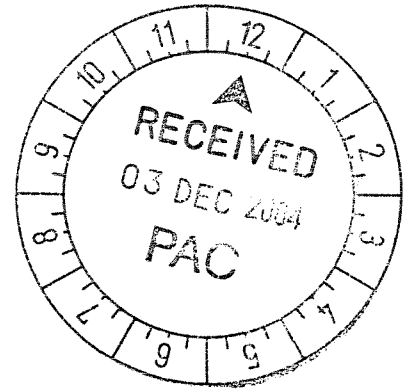




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Treasurer of New South Wales  
Australia



Mr M Brown MP  
Chairman  
Legislative Assembly Public Accounts Committee  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW 2000

1 DEC 2004

Dear Mr Brown

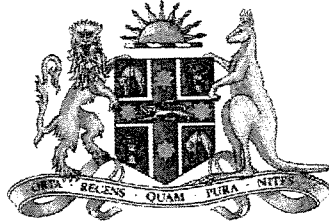
I refer to your letter of 14 September 2004 inviting submissions from government agencies to the Public Accounts Committee's Inquiry into Sustainability Reporting in the NSW Public Sector.

I am pleased to provide the attached submission on behalf of the NSW Government, and I look forward to receiving a copy of the Committee's final report.

Should you require further information or clarification, staff at the Inquiry's secretariat should contact Mr Mark Pellowe, Principal Adviser (Financial Management), in NSW Treasury (ph. 9228 4050).

Yours sincerely

Michael Egan  
Treasurer



**NSW GOVERNMENT**

**SUBMISSION**  
**TO THE**  
**PUBLIC ACCOUNTS COMMITTEE**  
**INQUIRY INTO SUSTAINABILITY REPORTING IN**  
**THE NSW PUBLIC SECTOR**

**November 2004**

## 1. Introduction

The NSW Government welcomes this opportunity to comment on the terms of reference for the Public Accounts Committee Inquiry into Sustainability Reporting in the NSW Public Sector.

The purpose of this submission is to put forward the Government's views on the concept of 'sustainability reporting' and to clarify current reporting practices in both the General Government Sector and in selected Government businesses.

This submission draws on available research findings and information gleaned from the World Forum on Key Indicators, '*Statistics, Knowledge and Policy*' which was recently convened by the OECD (November 10 -13, 2004, Palermo, Italy).

## 2. The Definition of Sustainability Reporting

There is no single, accepted definition of 'sustainability reporting'. Different organisations choose to describe sustainability reporting in different ways. For example, some organisations view it principally in terms of environmental outcomes, whereas others view the concept more broadly.

The Global Reporting Initiative (GRI) has probably the most widely recognised definition:

*"Sustainability reporting is an organisation's public account of its economic, environmental and social performance in relation to its operations, products and services<sup>1</sup>."*

This definition is consistent with the concept of the 'triple bottom line' accounting.<sup>2</sup>

Defining and measuring performance in terms of economic, environmental and social outcomes within an integrated sustainability framework has potential advantages – for example, it can improve transparency and accountability.

However, it also poses some significant difficulties.

For example, there is no agreement on suitable measures of 'sustainability'. Many of the performance indicators reported by organisations are particular to their business at hand and cannot be consolidated to provide a 'big picture'.

Readily available indicators are often used, rather than fully appropriate ones, sometimes resulting in reports that are of limited practical value. Data can often be difficult to access, analyse and present in a consistent, meaningful way within an integrated reporting framework.

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<sup>1</sup> Global Reporting Initiative, *Introducing the 2002 Sustainability Reporting Guidelines*, [http://www.globalreporting.org/guidelines/2002/gri\\_companion\\_lite.pdf](http://www.globalreporting.org/guidelines/2002/gri_companion_lite.pdf), p1.

<sup>2</sup> Elkington J, *The Ecology of Tomorrow's World*: 1980.

Depending on the reporting methodology selected, reporting on economic, environmental and social outcomes can be complex and onerous to the point where the cost of sustainability reporting can outweigh its benefits.

## 2.1 Sustainability Reporting Overseas

At the OECD World Forum on Key Indicators, there appeared to be a consensus that while consistency in reporting is essential to the provision of information, the topics about which information is sought evolve and change. Sustainability is now seen as a concept that can be applied to many dimensions of activity, and there is no general consensus on a set of finite sustainability indicators.

While some indicator sets, particularly those developed over five years ago, are built around the concept of sustainability (particularly in Europe and the US), the scope of such sets differ beyond the common thread that they all include an attempt to summarise economic, social and environmental progress.

Particular conference sessions were devoted to reporting of economic, environmental and social statistics, but there were no sessions addressing sustainability *per se*.

The consensus seems to be that key economic indicators are well established, with per capita Gross National Product as the basic economic indicator of progress. This is because the diverse nature of economic activity has been measured in common units (money) allowing for its aggregation.

There seemed to be less agreement in the environmental area, although there has been some progress on the development of international standards for corporate environmental reporting. Reporting methodologies are reasonably well advanced for some areas such as greenhouse gas emissions, however, reliable, summary measures are less developed for other dimensions of environmental sustainability, such as river health and land degradation.

The social area is perhaps the most conceptually complex. Papers at the conference explored concepts of social capital (including social support, social equity and social inclusiveness), civil society, gender statistics, health care performance, and governance, all of which are included in some approaches to measuring the social dimensions of sustainability. Many of these topics are best measured and applied at the local or regional level; they lose meaning when aggregated beyond this level.

The Government Accounting Office in the US recently undertook a review of the state of practice in developing and implementing comprehensive key indicator systems in the US and around the world.<sup>3</sup> The Office sees sustainability as a “cross cutting issue” that is applicable to all dimensions of reporting.

The Government Accounting Office found that comprehensive indicator systems are active, diverse and evolving. Most comprehensive systems pull together only the most essential indicators on a range of economic, environmental and social and cultural issues.

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<sup>3</sup> Refer to the Government Accounting Office website ([www.gao.gov/cgi-bin/getrpt?GAO-05-1](http://www.gao.gov/cgi-bin/getrpt?GAO-05-1)).

At the United Nations World Summit on Sustainable Development in Johannesburg in August-September 2002, the New Zealand Prime Minister called for the global community to add a 'fourth pillar' - the cultural - alongside the economic, environmental and the social pillars of sustainability.

In June 2003, the publication, *Ethical Investor*, reported that the New Zealand Government has sought to include the so called 'fourth pillar' in its Sustainable Development Programme of Action. It also appears that, at the local level, legislation introduced in 2003 requires councils to plan and work on the basis of the 'quadruple bottom line' approach and carry out quadruple bottom line reporting – considering social, economic, environmental and cultural impacts.<sup>4</sup>

## **2.2 Sustainability Reporting in Australia**

The available research in Australia<sup>5</sup> indicates that sustainability reporting is becoming increasingly common among very large companies. However, cost and resource constraints are the most frequently identified impediments to producing a sustainability report and its verification. From the information at hand, the proportion of companies in Australia producing sustainability reports is still very low.

In September 2004 an informal survey of reporting practices in Australian states, as well as the Commonwealth Government, indicated that while most jurisdictions have specific sustainability reporting initiatives, none has a formal triple bottom line style reporting framework.

## **3. Reporting in the NSW Public Sector**

### **3.1 Background**

The NSW Public Sector as a whole is committed to managing its resources efficiently and effectively. This means better targeting of services, obtaining the best value for money, and ensuring transparency and public accountability.

In August 2002, the Premier of NSW announced the establishment of a senior officers' group to investigate options for how the NSW Public Sector could incorporate 'sustainability' into its operations. As part of this process, the Premier's Department conducted a sustainability survey of Government agencies to identify common issues and challenges faced by these organisations.

More recently, in August 2004, the Premier's Department convened a whole-of-government sustainability seminar for agencies to learn about and discuss the tools for evaluating and communicating sustainability initiatives, issues and practice.

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<sup>4</sup> *Ethical Investor*, June 2003, Issue 22.

<sup>5</sup> The State of Sustainability Reporting in Australia 2004, *Commonwealth Department of the Environment and Heritage*, June 2004

Although the issue of sustainability reporting *per se* was outside the scope of the Premier's Department project, the findings have been used as an input to the Government's broader consideration of options for improving public sector reporting generally.

### **3.2 Current Practice**

In view of the conceptual and practical difficulties stated in Section 2, the NSW Public Sector does not have a single sustainability reporting framework at this time.

However, the consideration of economic, environmental and social factors and outcomes is inherent in all Government decision-making processes, including policy development, regulation and service delivery. This is our core business.

By way of example, proposals put to Cabinet for consideration must address the economic, environmental and social benefits and costs of proposed new initiatives, and anticipated impacts on stakeholders.

There is also a statutory requirement, under the *Subordinate Legislation Act 1989*, for the Government to prepare a Regulatory Impact Statement before a principal statutory rule is made. The Regulatory Impact Statement must include an assessment of the costs and benefits of the proposed new regulation and of each alternative option, including the costs and benefits relating to resource allocation, administration and compliance.

Overall, the reporting requirements that are currently in place seek to balance the dual aims of maximising public disclosure and managing the costs of reporting on individual agencies, especially the smaller ones.

There are three primary levels of reporting that demonstrate transparency and accountability beyond the traditional finance dimension:

- i) Reporting on individual agency activities in terms of economic, environmental and social objectives;
- ii) Cross-portfolio reporting on a single policy area (eg. environment); and
- iii) Reporting that provides a consolidated picture of the performance of the NSW public sector.

A brief description of each level of reporting follows. Attachment A lists examples of the wide range of reports that NSW Public Sector agencies prepare which incorporate issues of sustainability, at each of the three levels.

#### **3.2.1 Reporting at the Agency Level**

Agencies are required to report to Parliament each year on a range of matters under the *Annual Reports (Departments) Act 1985* and *Annual Reports (Statutory Bodies) Act 1984*. This includes a summary review of their operations, discussion of their management and activities.

The Annual Reports legislation has been the primary framework for agency reporting to Parliament. However, as detailed herein, this Government has supplemented and improved the framework.

All agencies are now required to report at least annually on their: financial performance; adherence with the Government Energy Management Policy; Waste Reduction and Purchasing Policies; on their workplace safety performance; and diversity programs, amongst many other indicators. These provide information on key sustainability indicators relevant to all public sector organisations.

The NSW Government is currently exploring opportunities to provide a single reporting framework for reporting on agency environmental performance. Areas that could be incorporated include energy, water, vehicle use and waste.

As part of the Budget process, all agencies in the General Government Sector are required to address key strategic issues using the 'Results and Services' approach. When agencies report, they need to articulate the link between the resources used and the outcomes achieved (i.e. the economic, social and/or environmental dimension) using key performance indicators. The Results and Services Plans prepared by agencies are Cabinet documents.

### **3.2.2 Cross-Portfolio Reporting**

The NSW Government regularly reports on key policy issues across portfolio areas at the state-wide level, indicating the performance of the public sector. Some of these reporting arrangements are outlined below.

#### **i) Environmental sustainability**

The *State of the Environment Report*, which is produced by the Department of Environment and Conservation, is a comprehensive attempt to monitor the extent to which environmental assets are conserved and to monitor the contribution of NSW Government agencies to environmental goals.

This report is produced every three years and emphasises continuity in reporting to enable comparisons from period to period.

The report monitors environmental sustainability in terms of human settlement, atmosphere, land, water and biodiversity. The report is based on the framework used by the Commonwealth in its State of the Environment report.

#### **ii) Economic sustainability**

Publications by NSW Treasury, including the Budget Papers and the 'Performance of Government Businesses' report the NSW Government's contribution towards the achievement of economically sustainable goals, including the balance between revenue and expenses, and the reduction of public debt and unfunded liabilities.

### **iii) Social sustainability**

A range of publications are produced by the Government that report on social outcomes. By way of example, the Premier's Department in conjunction with the Department of Aboriginal Affairs, produces the report titled, '*Programs and Outcomes Relating to Aboriginal People in NSW*'. In addition, the NSW Government agencies providing services to Aboriginal people have developed *Two Ways Together*, a plan to achieve outcomes for Aboriginal communities by improving the social, economic, cultural and emotional well-being of Aboriginal people. This plan includes key indicators of progress in achieving sustainable Aboriginal communities.

There is also an annual audit of agencies' progress in meeting the Government's commitments to women titled, '*NSW Government Action Plan for Women*'.

### **3.2.3 Whole-of-Government Reporting**

The Council on the Cost and Quality of Government produces the *Overview of NSW Government Services*, which includes summary indicators of community trends. This information provides the context for Government service provision and the efforts and accomplishments achieved by Government agencies.

It is widely recognised that a range of agencies may contribute to a particular high level outcome. For this reason, the *Overview of NSW Government Services* report includes indicators covering relevant social, economic and environmental trends in each of nine broad policy areas and includes specific chapters on environmental services, social and community services and economic services.

The *Report on Government Services*, produced each year by the Productivity Commission under the auspices of the Council of Australian Governments, provides indicator data and benchmark comparisons for public services in each Australian jurisdiction in the areas of justice, education, emergency management, health, community services and housing. NSW provides data and other information that is included in this Report.

## **4. Comments on Government Businesses**

The secretariat of the Public Accounts Committee has expressed an interest in obtaining information on sustainability reporting by selected NSW Government businesses, including Sydney Water, Integral Energy, Landcom and Forests NSW (part of the Department of Primary Industries).

These Government businesses operate under a different management framework to those agencies providing core Government services, funded through the Budget process.

Government businesses operate within the *Commercial Policy Framework*, which is a suite of policies aimed at replicating within Government businesses the disciplines and incentives that lead private sector businesses towards efficient commercial practices. A fundamental objective is to maximise the return to shareholders – namely, the people of NSW.



Having said this, Government businesses also need to ensure that the social and environment factors are addressed - to ensure that the business is sustainable in the long term and to demonstrate good corporate citizenship. Under the *State-Owned Corporations Act 1989*, Government corporations have a statutory obligation to, *inter alia*, exhibit a sense of social responsibility by having regard to the interests of the community in which it operates, and where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development.<sup>6</sup>

A number of Government businesses have produced high quality sustainability related reports. For example:

- **Forests NSW** - A recent report on “triple bottom line reporting” produced by Ernst and Young for the Group of 100, an Association of Australia’s Senior Finance Executives, listed Forests NSW as the leading Government agency for sustainability reporting, based on its 2003 *Seeing* report - a sustainability report covering social, environmental and economic values.
- **Sydney Water** - In 2002, Sydney Water was the joint winner in the Association of Chartered Certified Accountants Australian awards category for Best Environmental Reporting, and in 2003 was joint winner in the category for Best Sustainability Reporting.

Appendix B lists examples of sustainability reports produced by Government businesses.

Government businesses can also have a range of industry specific reporting obligations. For example, Forests NSW has a responsibility to report under the Montreal Process on the Conservation and Sustainable Management of Temperate and Boreal Forests (international agreement), the Regional Forests Agreement, the *State of the Environment Report* and the *State of the Forests Report*.

## 5. Concluding Comments

At this stage, the NSW General Government sector does not have a single reporting framework that integrates economic, environmental and social performance.

That said, we are continually improving the quality of reporting overall, highlighting known sustainability issues and establishing clear linkages between Government objectives and economic, environmental and social outcomes. We are also seeking to consolidate and streamline existing reporting requirements to the extent possible.

This current approach is the most efficient and practical way forward for the General Government sector, rather than embarking on an entirely new management reporting tool for its own sake.

In so far as the Government businesses are concerned, it is important that they retain the flexibility to adopt reporting practices that are most suited to their own industry circumstances.

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<sup>6</sup> Refer to the principal objectives of statutory SOCs, section 20E of the *State-Owned Corporations Act 1989*.

## ATTACHMENT A

### Examples of Current NSW Public Sector Sustainability Reporting

Policy	Reporting Requirement
<b>1) Individual agency activities</b>	
<b>A) Integrated</b>	
Results and Services Plans (RSPs)	High level business plans that help agencies to demonstrate the relationship between the services they deliver and the results that they are working towards.
<b>B) Social</b>	
NSW Disability Policy Framework	Agencies must prepare Disability Action Plans (every third year) and report on their progress against performance measures in their annual reports, with relevant section submitted to DADHC each year.
Equal Employment Opportunity (EEO) Program	Agencies report on the progress and success of their EEO program in an Annual EEO Report to the Director of Equal Opportunity in Public Employment. This is done in the Annual Report, and through the collection of detailed statistics from agencies.
Ethnic Affairs Priorities Statement (EAPS) Standards Framework	<p>All agencies are required to report on their EAPS in their Annual Reports, including progress made in implementation and key ethnic affairs strategies proposed for the following year/s.</p> <p>Key agencies must also provide a self-assessment report against the EAPS standards framework for the past year.</p>
NSW Government Action Plan for Women	All agencies affected by the plan must report in relation to women's interests in specific areas in which the agency operates and against specific goals and strategies which have been committed to by that agency.

<b>C) Environmental</b>	
Government Energy Management Policy (GEMP)	Agencies report key information in their Annual Reports, including their goals for the next year and also report more broadly to the Department of Energy, Utilities and Sustainability.
Learning for Sustainability - NSW Environment Education Plan 2002-2005	State Government agencies are required to report annually to the Council on Environmental Education on their contributions to implementing the Plan.
Waste Reduction and Purchasing Policy (WRAPP)	All WRAPP agencies are required to report progress in implementing their WRAPP plans periodically. Currently agencies must report every two years, including updating the schedules to their reports. Refer to Premier's Memorandum 97-20 and Memorandum 99-19.
<b>D) Economic</b>	
Monthly and annual reporting of finances	Required as part of the Budget process.
Total Asset Management (TAM) Plans	Introduced to achieve better planning and management of the State's assets, both existing and newly acquired. TAM is a strategic approach to physical asset planning and management, including major infrastructure. All Government departments, statutory authorities, trusts and other Government entities are required to produce plans annually.
<b>2) Wider Reports on a Single Area</b>	
<b>A) Social</b>	
Partnerships: A New Way of Doing Business with Aboriginal People <i>Department of Aboriginal Affairs</i>	An audit report will be published annually of Government success in delivering the undertakings contained in this Plan.  Reports under this policy have set goals and targets that agencies must report on annually for coordination by central agencies.
Equal Employment Opportunity (EEO) Program <i>Office of Employment Equity and Diversity</i>	The highlights of agency reports are included in the Director's report to the Premier and the Director's regular reports throughout the year to the Premier on the progress of EEO throughout the NSW Public Sector. Statistics are also presented on their website.
Ethnic Affairs Priorities Statement (EAPS) Standards Framework <i>Community Relations Commission</i>	The Community Relations Commission prepares an annual Community Relations Report which is tabled in Parliament.

<b>B) Environmental</b>	
Government Energy Management Policy (GEMP) <i>Department of Energy, Utilities and Sustainability</i>	Government-wide goals are set and a sector-wide public report is prepared annually by the Department of Energy, Utilities and Sustainability.
Learning for Sustainability - NSW Environment Education Plan 2002-2005 <i>Department of Environment and Conservation</i>	Council on Environmental Education uses agency reports to evaluate the effectiveness of environmental education in NSW and to prepare Council's Annual Report to the Government.
Waste Reduction and Purchasing Policy (WRAPP) <i>Department of Environment and Conservation</i>	The Department of Environment and Conservation is required to report on the achievements and progress in the State of the Environment Report. They are also required to report to Government on the value and performance of the WRAPP policy.
State of the Environment (SoE) Report <i>Department of Environment and Conservation</i>	Triennial report on the status of the main environmental issues in NSW. <i>SoE 2003</i> is structured around six major themes: Toward Environmental Sustainability; Human Settlement; Atmosphere; Land; Water; and Biodiversity.
State of the Beaches Report <i>Department of Environment and Conservation</i>	Annual report of water quality monitoring at recreational swimming locations around Sydney.
State of the Parks Report <i>Department of Environment and Conservation</i>	Provides a snapshot of conservation values in key parks and reserves from across NSW.
Air Quality Reporting <i>Department of Environment and Conservation</i>	Monitoring of air quality to assess compliance with the National Environment Protection Measure for Ambient Air Quality (AAQ) Annual Reports are prepared summarising the monitoring results and comparing these results to the AAQ NEPM goals.
<b>C) Economic</b>	
Budget Papers <i>Treasury</i>	Provides information on planned spending for the coming financial year. Includes the Budget Speech, Budget Statement, Budget Estimates (over four years), State Asset Acquisition Program and Appropriation Bills.
Report on State Finances <i>Treasury</i>	Provides a statement of the previous years budget result, the Consolidated Financial Report of the Total State Sector and the Outcomes Report on Government Finances.

<p>Performance of NSW Government Businesses</p> <p><i>Treasury</i></p>	<p>A compilation of the performance of the most significant NSW Government Businesses.</p>
<p><b>3) Integrated Whole-of-Government Reporting</b></p>	
<p>Overview of NSW Government Services</p> <p><i>Council on the Cost and Quality of Government</i></p>	<p>Annual report on the performance of general Government services in NSW, covering the previous five years.</p>
<p><b>4) Other (contributions to national/international reports)</b></p>	
<p>State of the Environment Report (Australia)</p> <p><i>Department of Environment and Heritage (Cth)</i></p>	<p>The <i>Environment Protection and Biodiversity Conservation Act (Cwth) 1999</i> requires a report to be prepared every five years. The national SoE Reports provide information about environmental and heritage conditions, trends and pressures for the Australian continent, surrounding seas and Australia's external territories.</p>
<p>Report on Government Services (Australia)</p> <p><i>Council of Australian Governments</i></p>	<p>Annual report providing indicator data and benchmark comparisons for Government services in six key areas.</p>
<p>Montreal Process Reports</p> <p>Co-ordinated at the Commonwealth level by the <i>Department of Agriculture, Fisheries and Forestry Australia (AFFA)</i> with contribution from <i>Forests NSW</i>.</p>	<p>The seven national level criteria and 67 indicators provide a common understanding of what is meant by sustainable forest management.</p>
<p>Report on Overcoming Indigenous Disadvantage</p> <p><i>Council of Australian Governments</i></p>	<p>The report provides indicators of Indigenous disadvantage that are of relevance to all Governments and Indigenous stakeholders and that can demonstrate the impact of programs and service delivery in seven strategic areas.</p>

## ATTACHMENT B

### Examples of Sustainability Reports Produced by Government Businesses

Department	Report
Waste Service NSW	2003/04 Annual Report – includes an “in accordance report” complying with GRI Guidelines and independently verified under the AA1000 Assurance Standard. Currently preparing their inaugural sustainability report.
Hunter Water Corporation	<p>Operating licence requires it to report annually against a series of Ecologically Sustainable Development (ESD) indicators.</p> <p>Produced a Community and Environment Report which from 2003-04 is incorporated into the Annual Report to provide a single triple bottom line annual report.</p>
Sydney Water	<p>Operating licence requires it to report annually against a series of ESD indicators.</p> <p>Produced an annual Environment Report and a 5year Environment Plan. Now produce “Towards Sustainability” covering environmental, social and economic evaluations.</p> <p>This is now combined with the Annual Report to provide a single triple bottom line annual report. Verified against the AA1000 Assurance Standard and the Global Reporting Initiative’s 2002 Sustainability Reporting Guidelines.</p>
Sydney Ports Corporation	Produced an inaugural Environmental Report in 2002-03 and reports on social indicators in its Annual Report.
Forests NSW (part of the Department of Primary Industries)	Produces “The Seeing Report” covering social, environmental and economic dimensions.
Landcom	<p><i>Landcom Corporation Act 2001</i> includes requirements for environmental sustainability reporting. Landcom’s Annual Corporate Plans have included triple bottom line (TBL) reporting requirements since 2000.</p> <p>Landcom has published annual Sustainability Reports for 2002/03 and 2003/04 based on its TBL reporting requirements. These include 34 sustainability indicators against which all projects are monitored. The Sustainability Reports are independently audited and verified by URS Australia.</p>
Integral Energy	The 2002-03 Annual Performance Report has integrated the previously separate sustainability report and annual report. The report is based on Global Reporting Initiative Guidelines and is broken down into economic, environmental and social performance.