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Sustainability Reporting by the Public Sector:

Momentum Changes in the Practice, Uptake and Form of Reporting by Public Agencies

Robyn Leeson and Joanna Ivers

Dr Robyn Leeson is Director and Joanna Ivers is Manager of The Centre for Public Agency Sustainability Reporting™. This paper is the result of primary research funded by EPA Victoria (Australia) and undertaken in 2005 by Debbie Dickenson who was a project officer with the Centre at that time.

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The practice of sustainability reporting by the public sector is, arguably, in its infancy, particularly when compared to the uptake, forms and practice in the private sector. However, recent shifts in momentum within the public sector have seen an increasing interest and engagement in the practice of sustainability reporting by public agencies.

The drivers for public agencies to become more engaged in sustainability reporting have emerged, in part, from the growing recognition of the benefits of sustainability reporting and growing pressure from relevant stakeholders, including business, for public agencies themselves to disclose their own progress towards more sustainable outcomes. The case for sustainability reporting by the public sector, however, needs to be more clearly articulated. The motivations for the public sector to engage in sustainability reporting require greater consideration and consolidation. These will become evident as a larger variety of agencies experiment with reporting and join in what has become a global discourse.

The range and significance of drivers in the public sector may ultimately vary from those of the private sector. However, at this stage the mandate

and relative impact of the public sector already necessitates a more active engagement with sustainability reporting and the demonstration of leadership. The Global Reporting Initiative (GRI) has noted, 'as significant employers, providers of services, and consumers of resources, public agencies also have a major impact on national and global progress towards sustainable development . . . [and] are expected to lead by example in reporting publicly and transparently on their activities to promote sustainability'.¹ As one of the world's largest sectors, the operational impact of public agencies alone may justify the pressure for reporting.

The GRI has both responded to, and encouraged, the expansion of sustainability reporting into the public sector by developing a sector supplement for public agencies (the Public Agency Sector Supplement — PASS). Simultaneous to the launch of the PASS was the launch of a new Centre, the Centre for Public Agency Sustainability Reporting™ (the Centre), which aims to improve the sustainability performance of public agencies through the practice of reporting.²

The Centre is a not-for-profit entity, which seeks to build capacity in public agencies to undertake

¹ *Global Reporting Initiative, Sector Supplement for Public Agencies (Pilot Version 1.0; Amsterdam: Global Reporting Initiative, 2005): 7-8.*

² *The Centre for Public Agency Sustainability Reporting™ is a collaboration of: the Global Reporting Initiative, ICLEI: Local Governments for Sustainability, the City of Melbourne and the State of Victoria. See www.publicagencyreporting.org.*

sustainability reporting and facilitate the development of best practice in sustainability reporting by public agencies. The Centre has an international remit and is based in Melbourne, Australia. A number of public agencies in Australia and New Zealand have become pioneers, notably the Commonwealth Department of Family and Community Services (Australia), the Commonwealth Department for the Environment and Heritage (Australia) and the Ministry for Environment (New Zealand) which are among the first public agencies worldwide to produce sustainability reports using the GRI Framework.

The Global Reporting Initiative and the public sector

Very few public agencies to date have embraced the form of sustainability reporting represented by the GRI Framework. This necessitates that agencies embrace a 'corporate' style of reporting, based on indicators that focus primarily on internal or organisational performance. The PASS, developed specifically for use by public agencies, includes new disclosures around public policies in sustainable development as well as GRI's established indicators of internal performance. This is a key disclosure for public agencies as it is essentially a core business. The PASS

acknowledges that the GRI Framework chiefly addresses what is described below as corporate-based reporting and that the PASS now adds a layer of policy-based disclosures. However, GRI also acknowledges that public agencies may be reporting on community-based data as well and currently does not provide direction on that style of reporting activity. Such reporting is common across all tiers of government from State of the Environment Reporting (SoE) to the development of headline indicators to which tiers of government contribute data (e.g. the European Common Indicators). The model outlined in Figure 1 is adapted from the PASS and uses energy consumption as an example. It points to a suite of sustainability reporting activity by the public sector. The extent to which they require reconciliation is not yet clear.

Information on organisational performance can be reported through the use of performance indicators, such as those that form part of the GRI Guidelines. The second type is information on externally focused public policies and implementation measures of the agency that relate to sustainable development and their performance. The third type is information on economic, environmental or social parameters,

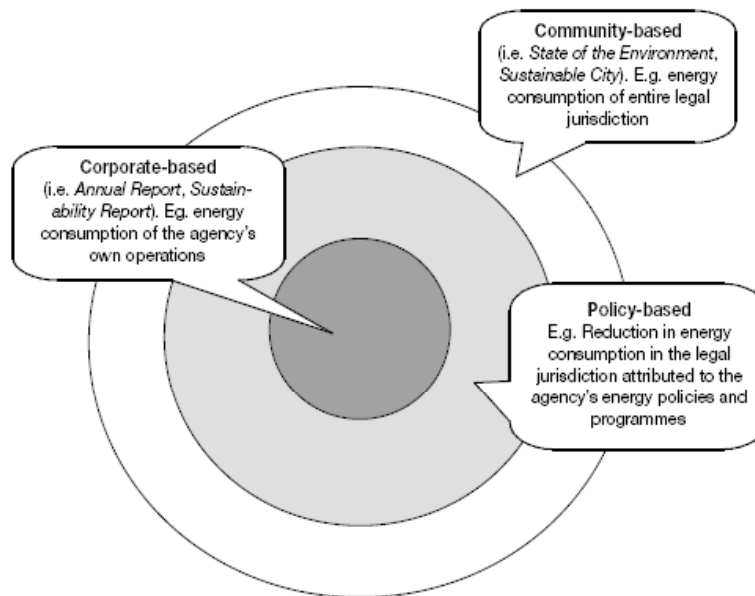


Figure 1: Relationship between corporate-based, policy-based and community-based reporting

Source: Adapted from Global Reporting Initiative, *Sector Supplement for Public Agencies* (Amsterdam: Global Reporting Initiative, 2005)

which may be the focus of public policies and implementation measures. GRI recognises that this type of information may appear in a GRI-based sustainability report as the context or community in which an agency operates. The content of the PASS has been developed recognising these three types of information. However, the focus of PASS is to

provide reporting guidance on the first and second types of information.

According to GRI, understanding organisational performance for a public agency draws on all three types of information and seeks to create a framework that enables the reporting organisation to:

“The GRI encourages organisations to use the Framework as a basis for reporting and supports an incremental approach to disclosing sustainability performance”

- Outline their vision and strategy for sustainable development and explain the organisation's position in the broader national and international context of sustainability;
- Identify key internal and public policy objectives and goals for the agency;
- Provide qualitative and quantitative information on operational performance; and
- Outline public policies, implementation measures and progress in terms relevant to the goals and mission of the organisation and the conditions that it seeks to influence.

This approach or framework does not exclude agencies from reporting information that may further assist report users to understand sustainability performance in the context in which the agency operates (e.g. State of the Environment reporting, community indicator and headline indicator projects). The GRI encourages organisations to use the Framework as a basis for reporting and supports an incremental approach to disclosing sustainability performance. Many businesses, for example, expand reporting through an increasing scope or boundary. Many public sector agencies, however, are accustomed to gathering and reporting

data on the community in which they operate but are less inclined to report the impact their own operations and policies have on that community.

A number of governments globally are grappling with the use of the GRI Framework for performance reporting and a variety of responses are starting to appear. A number of individual agencies have commenced using GRI to produce their annual reports or a stand-alone sustainability report. Water and energy utilities, which may or may not be publicly owned, have led the way in some parts of the world and acted as a bridge for public sector understanding of the value of reporting. Interest in the application of GRI to ‘whole of government’ reporting is also high. This approach tends to involve the application of a small set of GRI indicators to an existing reporting requirement related to a treasury function, a ‘greening of government’ programme or an environmental management system. In 2004, the New South Wales (Australia) Legislative Assembly, for example, commissioned an inquiry into sustainability reporting in the public sector. The Public Accounts Committee responsible for the inquiry released its final report in November 2005. The report made a number of key recommendations including mandatory sustainability reporting for

“To successfully encourage the expansion of sustainability reporting into the public sector, it is essential to understand the form such reporting takes, its uptake and the frameworks that are of greatest use to the practice”

all agencies against a whole-government framework and the use of common indicators based on the GRI for internal agency performance reporting.

Research: a snapshot of sustainability reporting in the public sector

To successfully encourage the expansion of sustainability reporting into the public sector, it is essential to understand the form such reporting takes, its uptake and the frameworks that are of greatest use to the practice.

In 2005, the Centre was commissioned by EPA Victoria (Australia) to research these questions and provide a snapshot of public sector sustainability reporting practices internationally.

Addressing these questions responds to, and partially addresses, a serious gap in the current research about public-agency involvement in the sustainability reporting discourse. The lack of available literature largely reflects the newness of the field. Accordingly, the research represents one of the first attempts to assess the scope, form, boundaries and uptake of sustainability reporting by public agencies internationally.

Research methodology

The Centre’s research methods were largely empirically based. The principal method was an international survey of public sector practice as well as desk-based research and analysis.³

The survey’s questionnaire was used to:

- Assess the uptake of sustainability reporting by public agencies, internationally;
- Gauge the extent to which reporters are making use of the GRI framework; and
- Identify what elements organisations are including in their sustainability reporting with the intent to highlight any notions of best practice.

Key findings

A complete version of the research paper *Sustainability Reporting by Public Agencies: International Uptake, Forms and Practice* (including expanded results and interpretations) can be accessed through the Centre’s website, www.publicagencyreporting.org.

The findings of the research are presented in this paper according to:

- Respondents’ demographic data;

³ A total of 60 valid responses were returned. In conjunction, data from these organisations was supplemented by more detailed qualitative data, drawn from informal discussions with a further 22 organisations.

- The presence or absence of a sustainability report in their organisation;
- Elements included in their sustainability report;
- Perceived strengths and weaknesses of the sustainability report;
- Relationship of their sustainability report with GRI and other reporting frameworks;
- Commitment to producing future sustainability reports; and
- The reporting practices of environmental regulation agencies.

The results are not wholly representative of international public sector sustainability reporting practices. As mentioned above, they provide a 'snapshot' of some public agencies' experiences in sustainability reporting. The nature of the research methods (i.e. a voluntary questionnaire) suggests the subject pool may have been biased towards those who have a particular interest in sustainability reporting. These limitations do not, however, undermine the validity of the results, which must be understood in the context of these limitations.

Respondents' demographic data

The highest response was from local authorities, which constituted 58% of

survey respondents. National or federal agencies (30%) and state or regional agencies (15%) followed. There were no responses from agencies with a supranational mandate. Australia and New Zealand were the regions most represented in the survey responses, with 55% and 23%, respectively, of responses from those countries. Europe and North America each represented 10% of responses, and 2% from Asia. There were no responses from South America or Africa. This pattern may reflect the Centre's Melbourne base and early networking through one of its collaborators, ICLEI: Local Governments for Sustainability.

The presence or absence of a sustainability report

Approximately 67% of agencies that returned surveys had completed a report that they perceived could be identified, either internally or externally, as a sustainability report. Thirty-three per cent responded that they had not produced a sustainability report. The reasons cited for not preparing a report were commonly based on insufficient resources (i.e. time, finances and staff).

Responses to this question indicate that there is a lack of clarity in the understanding of what constitutes

sustainability reporting by the public sector. The questionnaire allowed respondents to self-identify what constitutes sustainability reporting rather than provide a definition from which they would assess their work and provide an answer. Respondents therefore identified a range of reporting activities that, to them and their audiences, represents sustainability reporting. This includes policy-based and community-based reporting activities as outlined in Figure 1 above.

As many readers are aware, the GRI defines sustainability reporting largely through a triple-bottom-line (TBL) perspective, i.e. the inclusion of social, environmental and economic information.⁴ It is also used synonymously with citizenship reporting, social reporting, triple-bottom-line reporting and other terms that encompass the economic, environmental and social aspects of an organisation's performance.⁵

Reporting by the public sector may represent a new challenge to this definition as policy-based and community-based reporting activity also represent a public agency's performance.

The research also sought to establish insights into reporting practice. The results showed that environment units

most frequently prepare sustainability reports. Other units (such as corporate planning) are also known to prepare reports and the use of cross-corporate reporting teams was also cited. National or Federal agencies were more likely to use an environment unit to prepare a report. However, there are no other significant correlations by tier, suggesting a relatively random pattern whereby one group of report preparers is not favoured over another, across tiers. There is a moderate level of turnover of report preparers with nearly 20% of respondents noting that the current report preparer would not write future reports. There is also a link between the preparation of sustainability reports and other reporting frameworks. This also suggests that sustainability reports are being prepared as an extension of environmental reporting activity such as SoE reporting.

Elements included in a sustainability report

The research showed that a range of elements were included within the public sector sustainability reports. The most common was indicators/data as nominated by 65% of respondents. However, data and indicators appear to exist in isolation. Fewer respondents nominated that they

⁴ *Global Reporting Initiative, Sustainability Reporting Guidelines (Amsterdam: Global Reporting Initiative, 2002).*

⁵ *Global Reporting Initiative (2005), op. cit.: 16.*

“Optimistically, challenges such as data collection and indicator selection appear to have become easier over time as reporters adopt a continuous improvement approach and more robust mechanisms for internal data collection are in place”

included targets for the future, or trends (although the lack of trend data may reflect that many organisations are still new reporters). There is a low level of disclosure around public policy performance and high levels of confusion regarding its relevance and inclusion. Levels of verification and assurance of reports were low.

Encouragingly, organisations noted that they report as a means to monitor performance. It appears that reporting is internally motivated although demand for reporting from elected officials and/or stakeholders was moderately low. This suggests there is an internal pressure for reporting, which is driven by performance management or organisational learning needs. The perceptions of a sustainability report's value appear to be equivalent between organisational perception and external perception.

Perceived strengths and weaknesses

Some of the main strengths identified by respondents in their sustainability reports included:

- material relevance assessment and detailed report on key challenges;
- transparency;
- risk management; and
- continuous improvement.

The presence of indicators, data and targets was frequently identified as strengths for many organisations. The linkage between reporting and planning and management frameworks were also nominated as a strength. This is encouraging when determining the relative value of sustainability reporting as a process to facilitate change.

Respondents identified challenges in reporting which are similar to those reported by the corporate sector, including:

- data collection;
- targets;
- indicator selection;
- verification;
- stakeholder engagement;
- gaining and retaining support; and
- reporting boundaries and supply chain inclusion.

Optimistically, challenges such as data collection and indicator selection appear to have become easier over time as reporters adopt a continuous improvement approach and more robust mechanisms for internal data collection are in place.

“the expansion of the GRI Framework into use by the public sector represents a number of challenges”

Relationship with GRI and other reporting frameworks

Respondents were aware of a range of reporting systems, frameworks and practices that facilitate reporting. After GRI, the highest awareness was with the ISO 14000 series and the work of UNEP/SustainAbility. Approximately 70% of respondents had heard of the GRI Guidelines and 50% of respondents had referenced GRI in their reports. Fewer had heard of, or referenced, the PASS (27% and 8%, respectively).

The GRI Framework was perceived to represent best practice reporting. By association, respondents noted that referencing best practice would increase the chance of their report being well regarded. Respondents also nominated that the GRI framework ‘provided good information’. When referencing the GRI Guidelines, respondents tended to do so at polarised levels: that is, either as a general guide or full disclosure.

Local agencies were less likely than State or Federal agencies to have heard of the GRI Framework. This suggests that local agencies are approaching sustainability using their own methods, perhaps focused at the level of community indicators or SoE reporting. State agencies were more

likely than Local or Federal agencies to reference the GRI Framework.

Commitment to producing future sustainability reports

Approximately 68% of respondents noted they would produce a sustainability report again. Most of these are likely to be produced annually. Respondents also reported seeking external reporting assistance on a range of issues and are likely to continue to do so.

Conclusion

Our research found that approximately 70% of the public sector respondents had an awareness of the GRI Framework and 50% had referenced the GRI Guidelines themselves in their reporting practices. Most respondents also reported an ongoing commitment to producing sustainability reports. However, the expansion of the GRI Framework into use by the public sector represents a number of challenges.

First, the case for sustainability reporting by public agencies is only starting to be articulated. Although many of the key drivers for reporting at work in the corporate sector easily translate, public agencies face a unique set of pressures which are just

entering the global discourse on reporting.

Second, the definition of sustainability reporting itself may well be challenged by the current and evolving practices of the public sector. While the GRI Guidelines occupy an organisational performance space, the new sector supplement for public agencies clearly moves into reporting on policy performance but leaves open the area of community-based or contextual reporting. Public agencies, by their nature, have a stake in reporting across all three of these areas. How this will be reconciled in future reporting practice is unclear.

There is an ongoing need to clarify the scope and practice of sustainability reporting by public agencies. Success in the field is partially contingent on building the capacity of agencies to engage in the reporting field and continue to expand on the international best-practice frameworks. The Centre exists to build capacity through key projects. It is the Centre's intention to replicate the research in future years to assess changing trends and reporting practices.