



**Address by Paul McLeay MP, Vice-Chairman, Public Accounts Committee at *Measuring Social Performance* Seminar, Council of Social Service of New South Wales, Sydney School of Mechanics and Arts, 280 Pitt Street, Sydney. 21 March 2005**

***Approaches to measuring social performance***

“Sustainability is, in every sense, the building block for what we are setting out to do.”

- Hon Bob Carr, Premier of New South Wales, April, 2004

One of the challenges of sustainability is that it means different things to most people. To some it means addressing the long-term capacity of our environment to accommodate human impact. To others it means spending on services at a level taxpayers will continue to bear. Broadly it means behaving in ways that don't jeopardise your future responsibilities.

With a thousand people a week extra to govern for in NSW, long term sustainability is fundamental to all our programs. Smaller class sizes and reading recover help create the skilled workers of tomorrow. Our ambitious national parks program secures biodiversity for future generations. New residential developments will have innovative approaches to water, power and transport provision.

NSW alone is adopting Kyoto standards. We have a Greenhouse Gas Abatement Scheme to ensure industry in NSW will be ready when a future federal government ratifies the protocol. At an agency level, it means ensuring the provision of services in NSW is accomplished in a way that is socially, environmentally and financially responsible.

It's for this reason, the Public Accounts Committee of the New South Wales Parliament initiated an Inquiry In September 2004 into Sustainability Reporting in the NSW Public Sector.

I've been asked to talk about what the Committee is learning about measuring social performance. The Committee has a Charter under the *Public Finance and Audit Act 1983* to inquire into and report on activities of the Government reported in Total Sector Accounts and the accounts of the State's authorities. Some agencies prepare sustainability reports but there are no whole-of-government requirements for them and little consistency or external scrutiny. While current efforts are fledgling, one private sector organisation which produces an independently-verified sustainability report recently commented that the scrutiny accorded to social and environmental reporting by auditors undertaking that process was far greater than for traditional audits!

Both taxpayers and shareholders are increasingly interested in sustainability issues.

Both private sector organisations and governments are working to integrate economic, social and environmental accounting.

We have a significant challenge to develop the right measures for this new reporting. Getting the balance wrong will jeopardise the services our community depends on.

For instance if we insist that environmental factors are weighted too heavily in the provision of medical, housing or transport services we will undermine the social objective of providing enough hospitals, housing and transport.

Among the measures we are considering is the *Global Reporting Initiative*. Last year, GRI developed draft Sustainability Reporting Guidelines for public sector agencies. These guidelines include ways of developing meaningful sustainability performance indicators linked to an agency's vision and strategy. For example:

- employee benefits beyond those legally mandated
- policies and programs for lifelong learning
- evidence of compliance with accredited occupational health and safety management systems
- procedures for identifying and engaging in dialogue with community stakeholders, and so on.

The NSW Parliament's Public Accounts Committee has a particular duty to ensure a focus on sustainability reporting that is robust. Sustainability reports need to be audited and verified, they should drive performance improvements and should link to other reporting mechanisms to Parliament.

We are studying examples both within the NSW government sector and elsewhere.

A couple of strong performers are:

(1) Integral Energy – this State Owned Corporation has a strong track record of producing independently audited Sustainability Reports. Integral recently merged its Sustainability Report and Annual Report, with identified economic, social and environmental performance directions and measures. These actions are over and above reporting requirements of the legislation.

Integral includes performance indicators such as electrical network reliability, performance of the capital and maintenance programs, customer satisfaction, source emissions, water consumption, lost time due to injury, staff training and development, labour/management relations. Both good and poor performance is reported. The report also identifies ways of engaging with customers and communities, and initiatives such as the agency's workplace giving program, which supports charities like "Just Enough Faith" (a group preparing meals for homeless people).

(2) Western Sydney Regional Organisation of Councils developed 'headline' sustainability indicators addressing themes such as natural environmental heritage, breathing space, community diversity, transport, and living waterways. The indicators were developed in consultation with the community, and sharpened to a 'measurable edge' together with academics, Local Governments and State government agencies. It is a remarkable partnership that all parties to the process have signed on to!

## **Integration**

The Committee wants to investigate how the nature of social sustainability reporting is *integrated* wholly with the other strands of economic and environmental reporting for government agencies. In the past, the isolation or 'silo' treatment of these reporting strands has made them seem weak and ineffectual. For instance, State of the Environment reports have been dismissed by some because they are not linked to actions within and across organisations. However, SoEs are important because they are measuring outputs, and because they were one of the first reporting processes to establish a framework: the Pressure-State-Response reporting model.

Local Government has shown leadership in making linkages, with its approach to Integrated Local Area Planning (ILAP). This integrates physical, social, environmental, economic and cultural planning at the local scale. At the same time, it addresses the management of these processes through local, State and Federal governments.

## Leadership

The Committee will be looking keenly within this inquiry to see how integration can be further improved by factors such as leadership and governance. In the United Kingdom, the Chartered Institute of Public Finance and Accountancy has identified a couple of special roles for the public sector in sustainability reporting.

Firstly, the Institute suggests the public sector differs through its requirement to report not only on business arrangements, but also on the ‘common wealth’ or public goods for which it is responsible. Secondly, it says the public sector needs to demonstrate leadership for a transition to a more sustainable way of life, and must report accordingly.

The Institute says, however, that in spite of a view that there is an “already significant burden of performance reporting” on public sector agencies, sustainability reporting could be promoted as a smarter way of organising and providing coherence to existing reporting requirements.<sup>1</sup>

## Challenges

One of the most immediate challenges for those involved in sustainability reporting is how not to fall into the trap of reporting in a divided way on the social, economic and environmental aspects of reality. Emeritus Professor Valerie Brown says these divisions are the “familiar bastions of power in governments of all scales and political persuasions”.<sup>2</sup> In other words, some practitioners take the easy path, rather than addressing sustainability as an integrated whole. *Reporting* ought to focus upon what lies at the middle of social, economic and environmental reality in order to achieve sustainability.

Professor Brown calls for *single bottom line accounting*, not ‘triple bottom line’ and certainly not old-style ‘silo’ reporting. The *process* of getting to *integrated* sustainability reporting will challenge us all to think differently about what we value and thus what we want to save. Professor Brown has signalled the need to include different types of knowledge (local, specialist, strategic and holistic) in reaching forward for sustainable futures. And she has further indicated the need for respect, among the bringers of those types of knowledge, as the key to bringing it all together in that goal of sustainability.<sup>3</sup>

Still, others suggest that before we can reach a *single bottom line*, there is a critical need to ‘top up’ the nature of current sustainability reporting, which is what we are here about, today. They say that a greater emphasis upon social aspects of reporting will enable a balance with economic and environmental aspects. For example, Eva Cox says: “If societies cannot ensure their own survival and continuation without the need to involve themselves in their own destruction or the destruction of others, they are not sustainable. We need to look at the characteristics of such societies – their ability to show forms of social resilience – which allow diverse social systems to survive and flourish”.<sup>4</sup>

There are claims that it is difficult to measure aspects of social performance empirically, but it *is* being done, in particular by many Local Governments. Cox indicates that there are some elements or concepts that are now clearly accepted within the literature as fundamental to social sustainability. She identifies these as Trust, Respect and Resilience.

---

<sup>1</sup> Chartered Institute of Public Finance and Accountancy: *Advancing Sustainability Accounting and Reporting: An Agenda for Public Service Organisations*, A Discussion Paper, 2004

<sup>2</sup> Valerie A Brown: *The organisation: collective systems for a sustainable future*, (forthcoming)

<sup>3</sup> Valerie A Brown: In Search of Sustainability Conference, Canberra, 2003

<sup>4</sup> Eva Cox: “A Better Society”, in *The Ideas Book*, Linda Carroli, ed, 2005

As the Committee has discovered in its research to date, there *are* organisations currently designing their indicators around these elements and the ways in which they contribute to holistic outcomes.

### **Next steps**

We are about to start talking with individual NSW government agencies about the qualities and processes that make them world leaders in sustainability reporting driving performance improvements. These agencies include Landcom, Sydney Water, Forests NSW and Integral Energy.

The Committee will be asking about the challenges faced by agencies:

- in developing their sustainability reporting processes;
- the robustness of their measures;
- how agencies' processes are linked to actions;
- how lessons are transferred across the government sector.

We will also be examining the experience of other jurisdictions within Australia, such as Western Australia and Victoria. These State governments have developed frameworks for sustainability actions and reporting. In WA, the State Government Sustainability Act embraces key principles of sustainability, to meet “the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity”. *Foundation and Process* principles are backed up by a Sustainability Code of Practice for government agencies. They must sign on and be accountable for a Sustainability Action Plan. The Plan addresses such issues as energy use, greenhouse emissions, waste minimisation and *sustainability procurement*. This latter area includes both government purchasing and ways of working with and influencing sustainable practice among businesses.

The Committee hopes to produce a report in the middle of the year.

Thank you for the opportunity to present this address today. I commend NCOSS for its launch of the Social Performance Report Framework as a valuable contribution to the sustainability process in NSW.

At the age of eighty-something, Spanish cellist Pablo Casals spoke to the public about his view of the state of the world. “The situation is hopeless” he said, and paused, before adding “We must take the next step.”

In New South Wales, agencies such as the State Library, RTA, Department of Environment and Conservation, Sydney Water, Landcom, Integral Energy and State Forests are ‘taking the next step’ in sustainability reporting. Stakeholders with the NSW Government, through Public-Private partnerships, such as ABN-Amro bank are taking ‘next steps’ by undertaking sustainability reporting. The situation is hopeful!