Commissioner
Environmental Sustainability
Victoria

Choices, choices

Environmental and sustainability reporting in
local government in Victoria

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State Government
Victoria

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A heightened sense of the urgency about environmental sustainability and climate change attends the launch of this report.

It is a dynamic time in relation to environmental management, reporting and climate change. We are in the process in Victoria and across Australia of determining how best to deal with the challenges of climate change, which we know will disproportionately impact our state and country, and impact local governments and their constituents in marked and inescapable ways. In Victoria, the *Climate Change Act 2010* sets a target of a 20% reduction in greenhouse emissions by 2020. Whilst this obligation attaches to state government instrumentalities and decision makers, it will impress climate change obligations on local government. In the light of this there is probably no better time to consider environmental reporting, in all its complexity, at the local government level.

In parallel, many scientists and environmentalists are consumed by how best to communicate the messages about climate change mitigation and adaptation and impacts upon biodiversity and water in a way which constructively informs and enables the community to take action. This concern about communication underpins any interest in environmental reporting. How do we make the information about environment and climate change as digestible as it is rigorous? How do we increase awareness about the co-benefits that come from environmental sustainability and resource efficiency?

As Commissioner for Environmental Sustainability for Victoria, I recognise and appreciate the pivotal role local government plays in environmental management and community engagement.

The work of local government is people-centred, intensely place-based and responsive to sustainability challenges across a very broad constituency. Local initiatives have the capacity to extend beyond district boundaries and have very wide implications. Work by local government on environmental issues, whether about sustainability, climate change or all associated social and cultural issues, has potentially quite profound consequences. It is important and necessary. It is clear that local government's role in dealing with immediate and contemporary environmental issues as an educator and facilitator is important and in some contexts, core business. Local governments are focal points for change and innovation in this domain.

My personal appreciation of, and interest in, the breadth and depth of the work of local government is formalized in a clear statutory obligation to assist in the exploration of ecologically sound decision making. The *Commissioner for Environmental Sustainability Act 2003* requires me to encourage the adoption of sound environmental practices and procedures by local (and State) government (section 7(d)). I welcome this statutory obligation.

Naturally, I accept this responsibility subject to the observation that a large amount of environmentally sound work is already being done or is under consideration by partnerships of, and by individual, local communities and their municipalities across the state. It is also clear that local government has long organized itself to give effect to this aspiration by various representative and member organizations.

It is clear to me that some of the most effective work my office can undertake to achieve my statutory objective will involve listening, broad based regional and metropolitan formal and informal consultation, and multi-sited collaborations, followed by insightful reporting. Success will also be predicated on encouraging further work to attain the integration of processes already underway.

Returning to the project of my office, it specifically responds to inquiries from a number of councils, and these, and other councils have been included in the conversation about environmental reporting, and its capacity to engender positive changes in local environments. The project was undertaken over a period of three months with the assistance of the Municipal Association of Victoria; its level of input and commitment informed the work and made it more responsive to local government concerns.

To develop this project, my office has undertaken extensive individual and collective personal and electronic consultations to produce a picture across a range of councils – metropolitan, interface, regional and rural. In excess of half of all Victorian councils responded to a short survey and a draft report was discussed at a workshop with a number of participants in the process.

It was found that many councils have already established or are working towards some form of environmental reporting, including State of the Environment reporting, sustainability reporting or reporting on the operations of internal environmental management systems. Each of these enterprises enlightens councils, councilors, staff and constituents. Each contributes to a better understanding of immediate and pressing environmental issues in highly localized contexts, where interventions may be undertaken with ease or difficulty, but where they are observable and potentially most meaningful. One of the outcomes of the report has been to discover and describe this level of work and commitment and to examine the ways in which it might be more widely understood, integrated and utilised.

This report is not intended to promote mandatory reporting on environmental issues, as occurs in New South Wales where the statutory exercise has recently undergone review. Rather, this work is undertaken to specifically meet my statutory obligation to encourage ecologically sustainable decision making and sound environmental practices to improve community well being and benefit future generations whilst facilitating community involvement.

Overall, if it further encourages and informs the adoption of environmental reporting practices, in whatever form, and assists in building the community conversation we need to have about environmental issues and the co-benefits that can be derived from sustainable practices which protect and enhance our biodiversity and efficiently use our resources, then it will be a highly satisfactory outcome.

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Environmental and sustainability reporting in local government in Victoria

Introduction

Victoria's 79 councils play a very important role in achieving sustainability objectives in Victoria. Councils are the level of government 'closest to the people and environment'[1] and make decisions every day that greatly influence the local and regional environment. As Sue Wild River explains:

'Every environmental issue is a local environmental issue'.[2] Even when those issues also capture the attention of state, regional or national agencies, the [local government's] *in which they are located always have a profound and enduring interest that is worthy of attention by all spheres and stakeholders'.[3]*

Local government accounted for more than half of the total spending on the environment across all levels of government in 2002-2003.[4]

Increasingly, councils are driving a much broader range of environmental activities than they have traditionally been involved in, including taking action on climate change.[5] A 2008 survey by the Municipal Association of Victoria (MAV) identified a large increase in the number of councils with emissions reduction strategies over the last decade, growing from 10 percent of councils in 1998 to 72 percent in 2008.[6]

Victorian councils, and indeed governments at all levels both in Australia and globally, are recognising the important role of sustainability reporting in achieving sustainability objectives. Sustainability reporting is being recognised not only as a mechanism to drive improvements in performance, but also to promote accountability, demonstrate commitment and strengthen relationships with stakeholders.

Sustainability reporting is increasingly being undertaken despite Victorian councils already being subject to substantial reporting requirements covering a broad range of topics. A recent report by the Essential Services Commission (ESC) identified that councils need to comply with over 100 different reporting requirements imposed upon them by the Victorian Government, and recommended that the government review these requirements with a view to consolidating and streamlining them.[7]

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[1] Sue Wild River, 2005, 'Enhancing the sustainability efforts of local governments', *International Journal of Innovation and Sustainable Development*, vol. 1, p 48
[2] Sue Wild River, 2006, 'The role of local government in environmental and heritage management', article prepared for the 2006 Australia State of the Environment Committee, Department of Environment and Heritage, Canberra, www.deh.gov.au, accessed February, 2011, p 2
[3] Sue Wild River, 2005, 'Enhancing the sustainability efforts of local governments', *International Journal of Innovation and Sustainable Development*, vol. 1, p 48
[4] Sue Wild River, 2006, 'The role of local government in environmental and heritage management', article prepared for the 2006 Australia State of the Environment Committee, Department of Environment and Heritage, Canberra, www.deh.gov.au, accessed February, 2011, pp 13-14
[5] Municipal Association of Victoria, 2008, 'Victorian Local Government Environment Management Survey: Programs, Resources and Management Approaches', p 6
[6] Municipal Association of Victoria, 2008, 'Victorian Local Government Environment Management Survey: Programs, Resources and Management Approaches', p 68
[7] Essential Services Commission, 2010, 'Establishing a Victorian Local Government Services Report', Final Report, p 14

Initially, the purpose of this study was to investigate the adoption by Victorian councils of one type of sustainability reporting – State of the Environment (SoE) reporting – in response to a number of councils expressing interest to the Commissioner for Environmental Sustainability about this topic. The study sought to investigate issues such as motivating factors, perceived benefits, and key challenges.

An on-line survey and semi-structured interviews involving 52 councils conducted by the Commissioner's office, however, found that only four councils undertake SoE reporting. Furthermore, many councils expressed significant interest in, and raised many issues and questions about, other types of sustainability reporting. In particular, councils raised questions in relation to three main issues:

- the purpose and audience for the different types of sustainability reports

- the scope of the different types of sustainability reports

- the use of sustainability reporting to inform decision-making.

As a result, the scope of this study expanded to include not only an investigation of the adoption of SoE reporting by Victorian councils, but also a discussion of other types of sustainability reporting that occurs at a local government level in Victoria.

This report does the following:

- discusses the purpose and scope and importance of sustainability reporting

- describes the different types of sustainability reporting

- identifies relevant frameworks and guidelines for sustainability reporting

- discusses the role of organisational structures in sustainability reporting

- provides two case studies (one from Victoria and one from the United Kingdom) of how councils are undertaking and using sustainability reporting

- presents the results of the on-line survey and semi-structured interviews on SoE reporting undertaken by the Commissioner's office.

For simplicity, in this report the term sustainability reporting is used as a generic term to refer to a number of different types of reports that focus on measuring and disclosing the performance of an organisation, a policy or program, or a jurisdiction in relation to environmental and sustainability issues, including SoE reports, environmental reports, corporate social responsibility reports and integrated reports.
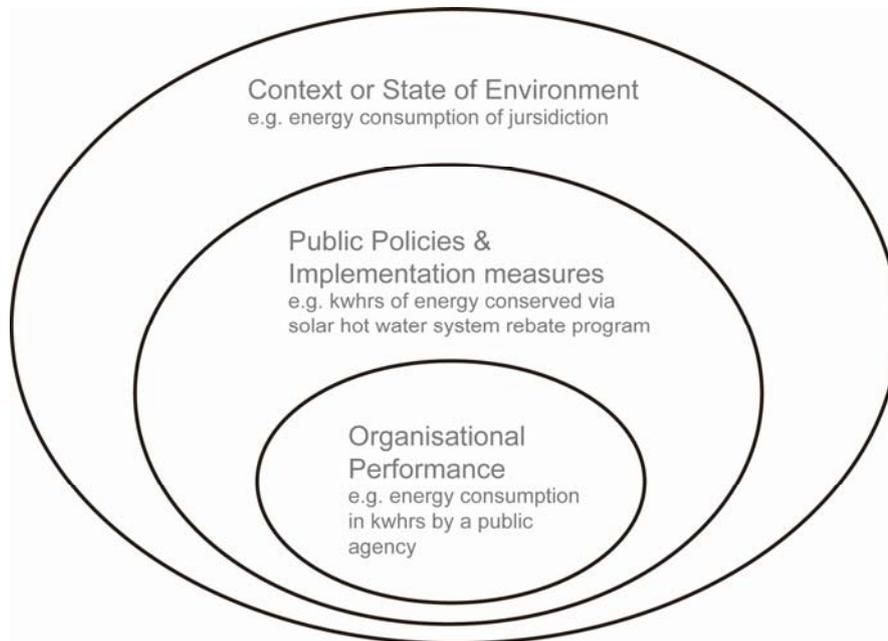
Figure 1: The different levels of sustainability reporting[8]

The purpose and scope of sustainability reporting

Sustainability reporting involves measuring and disclosing to stakeholders the performance of an organisation, a policy or program, or, in the case of SoE reporting, a jurisdiction, in relation to environmental or sustainability issues. The key purpose of sustainability reporting therefore is to *measure* and *disclose* performance. As stated in the Global Reporting Initiative (GRI) sustainability reporting guidelines:

> [Sustainability] *reporting enables a robust assessment of the organization's performance, and can support continuous improvement in performance over time. It also serves as a tool for engaging with stakeholders and securing useful input to organizational processes.*[9]

Sustainability reporting forms a key component of any environmental management regime because it provides a mechanism to evaluate actions and track progress in achieving objectives identified in environmental strategies, plans, policies or programs. It also forms a key component of an Environmental Management System (EMS) – a key requirement of the international standard for EMSs (ISO 14001) is that an EMS establish a mechanism to measure and report on performance.

In relation to local government, and the public sector more generally, sustainability reporting can be categorised under three different levels (Figure 1):

- reporting at an organisational level – for example, reporting on the performance of an organisation in terms of its water use

- reporting at a public policy or program level – for example, reporting on the effectiveness of a policy or program to improve water quality

- reporting at a jurisdictional level – for example, reporting on the health of rivers and wetlands within a jurisdiction, such as a local government area.[10]

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[8] Global Reporting Initiative, 2005, 'Sector Supplement for Public Agencies', Pilot Version 1.0, p 10
[9] Global Reporting Initiative, 2011, 'Sustainability Reporting Guidelines', Version 3.1, p 6

While the private sector only has the scope to disclose information at an *organisational* level, the public sector has the scope to disclose information at both a *public policy or program* level and a *jurisdictional* level.

Sustainability reporting can be mandatory or voluntary, or, where organisations choose to report beyond regulatory requirements, a mixture of the two.

The components of a sustainability report differ depending on the purpose of the report. A mandatory sustainability report prepared to satisfy regulatory requirements may disclose information on only one specific issue. In contrast, a voluntary sustainability report usually covers a much broader range of issues.

Sustainability reporting often involves the following general steps:

- determination of key sustainability issues related to the organisation

- identification of objectives or targets covering the key sustainability issues

- determination of indicators for objectives or targets

- collection of data in relation to the indicators

- reporting on performance using the indicators

- identification of actions to maintain or improve performance.

The importance of sustainability reporting

An [organisation's] *reporting practices are a representation of how it sees itself and, in turn, they shape what it will become.*[11]

Sustainability reporting is important in making progress towards achieving sustainability objectives and is a key component of any environmental management regime because, as noted above, it focuses on *measuring* and *disclosing* performance, and is therefore vital for driving learning, innovation and improvement.

Sustainability should be viewed as an on-going, iterative and reflective process involving continual inquiry, examination and improvement – it is not merely about solving immediate, obvious issues. Building an organisation's capacity to continually learn and innovate therefore becomes central to success.

The role of sustainability reporting in enabling an organisation to continually learn and innovate is clear – learning can only occur if the effectiveness of actions are measured and evaluated and disclosed to create a learning feedback loop. It is often said 'you can't manage what you can't measure', or to put it another way, 'what get's measured gets managed', and ultimately sustainability reporting should be used to generate learning and improve decision-making, and in turn, *change behaviour.*

[10] Global Reporting Initiative, 2005, 'Sector Supplement for Public Agencies', Pilot Version 1.0, p 10
[11] Harvard Business School, 2010, 'The landscape of integrated reporting: reflections and next steps', Eds. R. Eccles, B. Cheng, D. Saltzman, p iii-iv

As argued by David Wood, Harvard Kennedy School of Government:

Disclosure, by its nature, can only be a means to an end. We hope that information of a superior quality will help its users make better decisions; information alone isn't much use one way or another. When we talk about a better form of [organisational] *reporting ... we are talking about who will do what once they have this better picture'.*[12]

Sustainability reporting is also important for a range of other reasons. It can promote accountability and transparency, provide a mechanism to demonstrate commitment and responsibility to stakeholders, and reduce regulatory risk. It can also strengthen relationships with stakeholders and facilitate stakeholder engagement. Importantly also, it can enhance employee moral and increase staff retention.[13]

The types of sustainability reporting

There are four broad types of sustainability reporting:

- SoE reporting
- environmental reporting
- corporate social responsibility (CSR) reporting
- integrated reporting.

These four types of sustainability reporting disclose information at different levels, as shown in Table 1.

Table 1: Types and corresponding levels of sustainability reporting

Type of reporting	Organisational level	Public policy and program level	Jurisdictional level
SoE reporting		●	●
Environmental reporting	●	●	
CSR reporting	●	●	
Integrated reporting	●		

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[12] David Wood, Director, Initiative for Responsible Investment, Harvard Kennedy School of Government, in Harvard Business School, 2010, 'The landscape of integrated reporting: reflections and next steps', Eds. R. Eccles, B. Cheng, D. Saltzman, p 25
[13] Association of Chartered Certified Accountants, 2001, 'An introduction to environmental reporting', pp 6-7

State of the Environment reporting

SoE reporting involves measuring and disclosing the condition of the environment within a *jurisdiction*. More specifically, SoE reporting tracks changes in condition over time, highlights important and emerging environmental issues, and evaluates the effectiveness of actions, such as *policies and programs*, to address key issues.[14]

The purpose of SoE reporting is very broad. The OECD suggests that its purpose is to:

- provide the public with information on the condition of the environment and changes to its condition over time

- enable the evaluation of efforts to address environmental issues

- better integrate environmental considerations into decision-making

- inform the development of environmental policies.[15]

The audience for SoE reporting can also be very broad and includes the general public, community groups, non-government organisations, decision-makers, policy makers, educators, natural resource managers, scientists and the media.

In Australia, SoE reporting is undertaken at a Federal, State and local government level. SoE reporting is undertaken in most States and Territories, and is mandatory in some cases. In Victoria, the *Commissioner for Environmental Sustainability Act 2003* requires the Commissioner to prepare a SoE report at least every five years. The first comprehensive SoE report for Victoria was produced in 2008.

NSW is the only jurisdiction that mandates SoE reporting at a local government level. However, some councils in other States and Territories also undertake SoE reporting. In Victoria, only a small number of councils currently undertake SoE reporting, although a larger number are considering doing so in the future (see below).

The content of SoE reports varies depending on the key environmental issues within a jurisdiction, the purpose and audience of the report, and the frameworks or guidelines used to prepare the report. Most SoE reporting in Australia is undertaken using the Pressure-State-Response (PSR) framework developed by the OECD, or its variants, such as the Driving Force-Pressure-State-Impacts-Response framework.

The PSR framework has been criticised for, amongst other things, oversimplifying causal relationships and downplaying 'social diversity and local responses'. As a result, the Commissioner has introduced a new framework – *Science, Policy, People State of the Environment Reporting 2013, Victoria* – for the 2013 Victorian SoE report, which places a greater emphasise on people, culture and local knowledge and the interconnectedness between society, economic prosperity and the environment.[16]

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[14] Australian and New Zealand Environment and Conservation Council, 2000, 'Core environmental indicators for reporting on the State of the Environment', p 4
[15] Organisation for Economic Co-operation and Development, Recommendation of the Council on Reporting on the State of the Environment, 8 May, 1979, www.oecd.org, accessed March 2011
[16] Commissioner for Environmental Sustainability, 'Science, Policy, People: State of the Environment Reporting 2013, Victoria', pp 6-12

Environmental reporting

Environmental reporting typically involves measuring and disclosing the *performance of an organisation* in relation to environmental issues.[17] For the public sector, environmental reporting can also extend to the reporting of the performance of *public policies and programs*.

Environmental reporting is undertaken for a range of purposes, including to:

- meet regulatory requirements

- promote accountability and demonstrate commitment to the environment

- inform decision-making and strategies and policies

- evaluate public policies and programs

- enable stakeholders to assess the ability of an organisation to manage risk in relation to the key environmental issues that impact it.

The audience for environmental reporting differs depending on the purpose of the report, but may include an organisation's board, managers and other staff, shareholders, investors, community groups, non-government organisations and regulators. For the public sector, the audience includes the community within the organisation's jurisdiction and other government bodies.

There are a number of different types of environmental reporting, including: compliance-based reporting (discloses levels of compliance with regulatory requirements); performance-based reporting (discloses performance against environmental targets using performance indicators); and pollutant inventory-based reporting (discloses levels of emissions of pollutants).[18]

The content of environmental reports varies between organisations and depends on the type of report and the framework or guidelines used to prepare them. For example, compliance-based reports may focus on only one environmental issue, while performance-based reports often report on a much broader range of issues.

Environmental reporting by the Victorian Government

Under Financial Reporting Direction (FRD) 24C, issued by the Department of Treasury and Finance, Victorian Government departments, as well as two environmental agencies – the Environment Protection Authority and Sustainability Victoria – are required to report annually on the consumption of resources and greenhouse gas emissions covering their office-based operations.

The FRD24C specifies a core list of environmental performance indicators that must be measured and reported via the organisation's annual report. The indicators cover energy, waste, paper, water, transport and greenhouse gas emissions, as well as sustainable procurement. FRD24C establishes the minimum reporting requirements, and organisations may report against additional indicators if desired. It also requires organisations to identify targets against each indicator.

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[17] Association of Chartered Certified Accountants, 2001, 'An introduction to sustainability reporting', p 2
[18] Association of Chartered Certified Accountants, 2001, 'An introduction to sustainability reporting', pp 12-13

Corporate Social Responsibility or sustainability reporting

Over the last decade, organisations have begun to report on their performance in relation to a range of issues beyond the environment. CSR reporting, which is often called 'sustainability reporting' or 'triple bottom line reporting', typically measures and discloses the *performance of an organisation* in relation to environmental, social and economic[19] issues. For the public sector, CSR reporting can also extend to the reporting of the performance of *public policies and programs*.

The purpose of, and audience for, CSR reporting is similar to that of environmental reporting, although unlike environmental reporting, CSR reporting is usually voluntary and not usually undertaken to meet regulatory requirements.

As for environmental reports, the content of CSR reports varies between organisations and depends on the framework or guidelines used to prepare them. CSR reports typically provide information on an organisation's profile, identify its environmental management strategies, policies and systems, identify targets covering key environmental issues, and report on performance against targets.

While a range of guidelines for CSR reporting are available, the GRI guidelines are the most widely used globally. The GRI has also prepared a public sector supplement, which applies to all levels of government.[20] The supplement asks that public agencies not only report on performance at an *organisational* level, but also report on performance at a *public policy and program* level.[21]

A range of other frameworks, standards and guidelines for sustainability reporting have been developed over the last decade (see Table 2).

Integrated reporting

Integrated reporting is the next step beyond sustainability reporting, and is a concept that has evolved only recently. Integrated reporting brings the areas of sustainability reporting and financial reporting together. It measures and discloses the environmental, social, economic *and* financial aspects of the *performance of an organisation* in a holistic and integrated way.[22]

An integrated report is sometimes referred to as 'one report'[23] and is intended to be an organisation's primary report. However, it may also be linked to more detailed reports, such as annual financial statements and sustainability reports.

The ultimate purpose of integrated reporting is to enable stakeholders to assess the ability of an organisation to create and sustain value over time in the face of the key environmental, social, economic, and financial issues that impact it.[24] The audience of integrated reporting is similar to that of environmental and sustainability reporting.

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[19] The economic aspects of sustainability concern the organisations impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. This is different to reporting of financial accounts, which disclose information on an organisation's own economic sustainability; Global Reporting Initiative, 2011, 'Sustainability Reporting Guidelines', Version 3.1, p 25
[20] Global Reporting Initiative, 2005, 'Sector Supplement for Public Agencies', Pilot Version 1.0
[21] Global Reporting Initiative, 2005, 'Sector Supplement for Public Agencies', Pilot Version 1.0, p 13
[22] Integrated Reporting Committee of South Africa, 2011, 'Framework for integrated reporting and the integrated report: discussion paper', p 3
[23] Harvard Business School, 2010, 'The landscape of integrated reporting: reflections and next steps', Eds. R. Eccles, B. Cheng, D. Saltzman, p iii
[24] Integrated Reporting Committee of South Africa, 2011, 'Framework for integrated reporting and the integrated report: discussion paper', p 3

There is considerable debate about what integrated reporting means and how it should be undertaken.[25] While there are frameworks, guidance and standards available separately for financial and sustainability reporting, there is as yet no detailed guidance available for integrated reporting and the content of integrated reports varies between organisations. The International Integrated Reporting Committee, formed in 2010, is currently preparing guidance on integrated reporting.

Frameworks for sustainability reporting

There is a wide range of principles, standards, and guidelines available to assist organisations to improve their sustainability performance and to guide sustainability reporting within an organisation. Many of these focus on the private sector. However, some are designed to apply to both the private and public sector.

A list of some of the frameworks that are available at an international, national and State level and are applicable to the public sector are provided in Table 2.

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[25] See generally, Harvard Business School, 2010, 'The landscape of integrated reporting: reflections and next steps', Eds. R. Eccles, B. Cheng, D. Saltzman; and, KPMG, 2010, Advisory: 'Integrated reporting: closing the loop of strategy'

Table 2: Frameworks for sustainability reporting

Name	Description
UN Global Compact	A voluntary set of *principles* that aim to improve the sustainability performance of an organisation. The principles include a commitment to publicly report on progress in implementing the principles.
CERES Principles	A voluntary set of *principles* that aim to improve the sustainability performance of an organisation. The principles include a commitment to publicly report on progress in implementing the principles.
Global Reporting Initiative	A voluntary *framework* to guide sustainability reporting within an organisation. The GRI sets out the principles, processes and indicators that organisations can use to measure and disclose their sustainability performance.
Greenhouse Gas Protocol	A voluntary accounting and reporting *standard* to guide the measurement and reporting of the greenhouse gas emissions of an organisation. The Public Sector Protocol tailors the Corporate Standard to the public sector.
AccountAbility (AA) 1000 standards	A series of voluntary *standards* to guide sustainability performance and accountability. The standard includes a set of principles to guide the evaluation and public reporting of sustainability performance.
***Climate Change Reporting Framework*, Climate Disclosure Standards Board**	A voluntary *framework* to guide the disclosure of climate change-related information (such as greenhouse gas emissions, opportunities and risks) by an organisation, within, or linked to, mainstream financial reports.
International Organisation for Standardisation (ISO) 26000	A voluntary *standard* to guide the social responsible behaviour of organisations, including in relation to human rights, labour practices, community involvement, and the evaluation and public reporting of social responsibility performance.
International Organisation for Standardisation (ISO) 14001	A voluntary *standard* to guide the development of an environmental management system for an organisation. The standard includes requirements in relation to measurement, evaluation and public reporting of performance.
Australian Standard (AS) 8003	A voluntary *standard* for establishing and implementing a Corporate Social Responsibility (CSR) program within an organisation. The standard includes guidance on the evaluation and public reporting of sustainability performance.
***Triple Bottom Line Reporting in Australia*, Department of Environment and Heritage**	A voluntary *guideline* for sustainability reporting within an organisation. The guide is aligned to the Global Reporting Initiative, and includes guidance on developing sustainability indicators and measuring performance.
National Greenhouse and Energy Reporting Act 2007	A *mandatory requirement* for organisations that meet a certain threshold to report their greenhouse gas emissions, energy production, energy consumption and various other information specified by the Act.

The role of organisational structures

Ultimately, as noted above, for sustainability reporting to be useful, it should be used to generate learning and improve decision-making, and in turn, *change behaviour*, whether at an organisational level, in relation to a policy or program, or across a jurisdiction. As stated in the GRI guidelines:

Sustainability reporting is a living process and tool, and does not begin or end with a printed or online publication. Reporting should fit into a broader process for setting organizational strategy, implementing action plans, and assessing outcomes.[26]

In order to achieve this, organisations need to establish supporting organisational structures. Structures refer to the framework in which an organisation's activities are organised and co-ordinated. More specifically, an organisational structure is the pattern of roles, relationships and procedures that enable co-ordinated action.[27]

Organisational structures play an important role in the success of sustainability efforts because they significantly influence the way an organisation operates. They assist to *embed* sustainability within an organisation, to *sustain* sustainability efforts, and to facilitate the cultural and behavioural change necessary for success.

The Commissioner's 2011 strategic audit highlights the importance of organisational structures in enabling an organisation to achieve sustainability objectives. The audit outlines some broad principles that should be considered in designing structures to facilitate sustainability. For example, structures should facilitate a range of organisational attributes, including adaptability and change capacity, knowledge and learning, engagement and empowerment, and stakeholder involvement.[28]

The audit suggests a number of specific organisational structures that can be established, or specific actions that can be taken, to facilitate sustainability, including:

- establishing formal positions for sustainability with clearly defined roles and responsibilities, such as individual roles, teams, committees, or other groups

- providing teams or individuals with adequate power, authority and resources and ensure they have the appropriate technical and political skills

- establishing systems to build the knowledge and capacity of employees and to facilitate the sharing of knowledge and learning across an organisation.

Importantly, the audit emphasises the importance of 'soft factors', such as an organisation's vision and culture, working alongside the 'hard factors' such as organisational structures, in achieving sustainability objectives. Cultural change, for example, is widely regarded as one of the most important factors determining the success of sustainability efforts. The audit suggests that organisational structures, such as sustainability teams, have an important role in facilitating cultural change.

The GRI guidelines requires that sustainability reports disclose information about organisational structures established to facilitate the achievement of sustainability objectives, including information about how roles and responsibilities are assigned and how staff are held accountable or rewarded for achievements.

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[26] Global Reporting Initiative, 2011, 'Sustainability Reporting Guidelines', Version 3.1, p 6
[27] B Doppelt, 2003, *Leading change toward sustainability: a change management guide for business, government and civil society*, p 216; N Nohria, Harvard Business School, 1995, 'Note on organisational structure', p 1
[28] Commissioner for Environmental Sustainability, Strategic Audit: 'Structures for Sustainability: Environmental management systems in the Victorian Government 2011', pp 12-27

Examples of sustainability reporting by local government

Case studies

Hume City Council – State of the Environment and sustainability reporting[29]

Hume City Council has a 'strong and enduring commitment' to sustainability and prides itself on its leadership on a range of sustainability and environmental issues.

Hume council has established a *sustainability framework*, which guides decision-making and actions on sustainability over the long term. The framework sets out a vision for sustainability, five 'pathways' to sustainability (the directions that council will take), and broad objectives and principles that apply to each pathway.

The sustainability framework is supported by a four-year *sustainability action plan*, which sets out the specific targets, actions, responsibilities, resources, and timeframes that will be implemented to achieve the objectives of the framework.

The sustainability framework sets out how Hume council will monitor progress in implementing the sustainability framework and action plan and in achieving council's sustainability objectives. The framework requires that council monitor and report on progress annually, using three types of sustainability indicators:

- SoE indicators – these measure the overall health and condition of biodiversity, land and waterways within the municipality.

- Community behaviour indicators – these measure the contribution of individual households, businesses and community groups to sustainability.

- Council practices indicators – these measure the sustainability performance of council in relation to its own operations.

Hume council reports against these three sustainability indicators using two main report types – an annual *SoE report* (prepared up to 2008/09) and an annual *sustainability report* (first edition prepared in 2009/10). From 2009/10, the SoE report has been incorporated into the sustainability report.

The SoE report identifies the condition of the natural environment within the municipality under various themes, including biodiversity, land and inland waters, and also reported on greenhouse gas emissions, water use and waste generation both in terms of council's own operations and across the municipality. For each theme, the report identifies the current situation ('where are we now?') and the actions that council is taking to improve the current situation ('what is being done'?).

The sustainability report incorporates elements of the SoE report and covers the outcomes of a range of sustainability projects and programs undertaken by Hume council over the previous year. The achievements are reported under each of the five 'pathways' to sustainability identified in the sustainability framework. Case studies are used to highlight key projects, community involvement and achievements.

Future sustainability reports intend to more clearly identify and report on a range of community, environmental and governance criteria relevant to the Hume community.

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[29] Hume City Council, undated, 'Pathways to Sustainability: An Environmental Framework'; Hume City Council, undated, *'Pathways to Sustainability: An Environmental Framework 2009-2013 Action Plans'*; Hume City Council, undated, 'Sustainability Report 2009-2010'; Nick Walker, Manager Sustainable Environment, Hume City Council, personal communication, 11/04/2011

Islington council (United Kingdom) – State of the Environment reporting[30]

Islington council in the United Kingdom 'places sustainability at the heart of its agenda', as demonstrated in the large number of sustainability and environmental awards it has received over the last few years.

Islington council has prepared a three-year *sustainability strategy*, which sets out broad objectives, strategies and targets for sustainability under 17 priority areas. These priority areas were developed in consultation with the local community.

The sustainability strategy is supported by a two-year *sustainability action plan*, which sets out specific targets, actions, responsibilities, resources, and timeframes that will be implemented to achieve the objectives of the strategy.

The main method used by Islington council to monitor progress in implementing the sustainability strategy and in achieving council's sustainability objectives is a *SoE report* prepared on an annual basis. Under each of the 17 priority areas, the sustainability strategy identifies the relevant indicators that will be used to report progress on that priority area through the SoE report.

Islington council recognises the multiple roles of the SoE report. The report aims to not only track progress in meeting the objectives and targets of the sustainability strategy, but also aims to provide an overall picture of the condition of the environment and raise awareness of the key environmental issues in Islington and in doing so, to encourage innovative action across the community.

Islington council has also established organisational structures – a review group and various cross-departmental bodies – with responsibility for monitoring and reporting annually on progress in implementing aspects of the sustainability strategy. The review group is required to prepare an annual report on progress in implementing the strategy and action plan for council's Corporate Management Board.

The council is also focusing on the sustainability of its own operations. It has prepared an Environmental Management System (EMS) to provide a council-wide framework for minimising environmental impacts of council operations and to integrate sustainability as a priority across all its operations.

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[30] Islington Council, undated, 'Sustainability Strategy 2010-12'; Islington Council 'State of the Environment Report 2010-11'

Results of the study on State of the Environment reporting in local government in Victoria

Methodology

In order to gather information in relation to SoE reporting at a local government level in Victoria, the Commissioner's office undertook semi-structured interviews, conducted an on-line survey, held face-to-face meetings with various stakeholders, and undertook a desktop review of relevant literature.

A total of 44 councils completed the on-line survey, which was distributed through various channels, including MAV's environment e-bulletin and the regional greenhouse alliance networks.

The semi-structured interviews were conducted with 12 councils, which were selected because they undertake SoE reporting, had the intention of doing so, or had expressed an interest to the Commissioner about sustainability reporting.

Once the interview process was complete, participants were invited to attend a workshop, which was used to discuss and confirm key findings.

Of the 79 councils in Victoria, a total of 52 councils (65 percent) were involved in the semi-structured interviews or the on-line survey.

Results of the survey

How many councils are undertaking SoE reporting?
Of the 44 councils that responded to the on-line survey, four councils (nine percent) are undertaking SoE reporting, 16 councils (36 percent) are considering undertaking SoE reporting and 24 councils (55 percent) are not considering SoE reporting.

The Commissioner is aware that a small number of other councils in Victoria that did not respond to the survey are undertaking SoE reporting.

A 2010 survey by MAV[31] showed that, while SoE reporting was considered to be a high priority issue by only seven percent of councils, around 38 percent of councils considered SoE reporting to be a medium priority or emerging issue.[32]

How often do councils report?
Those councils that conduct SoE reporting typically report on an annual basis. However, during the interviews, representatives of some councils expressed concern that this level of reporting was inappropriate because within that short timeframe, rarely does new data become available, or rarely do environmental conditions change.

Drivers to undertake SoE reporting
The on-line survey suggested that a decision by council to undertake, or to consider undertaking, SoE reporting is typically internally driven rather than resulting from community expectations or pressure. Furthermore, the driver for reporting is often a 'champion' within council with previous experience in sustainability reporting.

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[31] Municipal Association of Victoria, 'Victorian Local Government Environmental Sustainability Survey 2010', unpublished data
[32] Furthermore, six percent of councils were in favour of MAV focusing on 'SoE reporting' as a key environmental issue in 2011, while 20 percent of councils were in favour of MAV focusing on 'council sustainability' as a key environmental issue

These results reflect the results of a 2007 study on SoE reporting amongst Queensland councils, which identified that sustainability reporting initiatives are typically internally motivated, with very little pressure coming from the community to report.[33]

Purpose of SoE reporting and its audience
The survey indicated that there is no common or shared understanding amongst councils about the primary purpose of, or audience for, SoE reports.

In relation to the primary purpose of SoE reporting, the range of council responses was diverse, and included:

- to better understand the local environment

- to demonstrate action and achievements to the community

- to educate and engage the community

- to streamline and connect programs and projects

- to improve decision-making

- to increase accountability.

In relation to the primary audience for SoE reporting, most councils identified 'the community', followed by 'the whole of council' out of the four possible options provided to them. Fewer councils identified the other two options – 'senior management' and 'councillors' – as the primary audience.

Furthermore, different staff within the one council often held different views about the primary purpose and audience of SoE reports. For example, in a discussion with one council, an environment officer identified the primary audience as senior management and the primary purpose as informing decision-making, while a senior manager identified the primary audience as the community and the primary purpose as informing the community about council achievements.

Benefits of SoE reporting
Councils identified a wide range of benefits associated with SoE reporting. In order from the most widely cited benefit to the least, these included:

- ability to assess the effectiveness of council policies and programs

- increased awareness of decision-makers about the state of the environment

- improved access to information about the state of the local environment

- ability to inform the strategic direction of council

- increased public awareness and understanding of environmental issues

- creating community interest in the environment and catalyse action

- embedding environmental sustainability across council.

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[33] CPA Australia, 2007, 'Sustainability reporting in local government: systematic change or greenwash?: a research report prepared for CPA Australia', p 4

Challenges to SoE reporting
Councils not undertaking SoE reporting identified a lack of resources (78 percent of respondents) and paucity of staff time (74 percent of respondents) as the primary barriers to undertaking SoE reporting. Other reasons put forward included:

- lack of knowledge and expertise (48 percent of respondents)

- limited demand from the community (33 percent of respondents)

- limited or no benefits (20 percent of respondents).

A further significant barrier to SoE reporting identified by councils related to the data used to inform SoE reports. Many councils identified that the collection of data, a lack of available data, timely access to data, and the management and analysis of data, as significant challenges to effective SoE reporting. Furthermore, many councils had concerns about the quality or reliability of the data used to inform their SoE reports.

Councils typically rely on or seek data from external sources. The 2008 MAV survey found that about three-quarters of councils use data from utilities and other service providers, while two-thirds of councils use data from state-agencies.[34] Many councils identified that the timely access to such data was a significant challenge.[35]

During the interviews, some councils suggested SoE reporting on a regional scale would have a number of benefits, particularly because councils could share resources for the collection, management and analysis of data. However, other councils expressed reservations about such an approach, with one council highlighting previous failed attempts at regional environmental reporting.

Community involvement in State of the Environment reporting
Councils had different views on whether the community should have input into SoE reporting. Three out of the four councils that undertake SoE reporting do not currently involve the community in the process. Most councils considering SoE reporting intend to involve the community in the process, although about a quarter of councils considering SoE reporting were uncertain as to how they should proceed.

Sustainability indicators
The 2008 MAV survey found that about half of councils (52 percent) use local sustainability indicators for reporting,[36] while the 2010 MAV survey shows a drop in this figure to 43 percent.[37] The results of the Commissioner's office's on-line survey reflect these results and also suggested that:

- metropolitan and interface councils are more likely to use indicators for SoE reporting than regional city or rural councils

- councils with greater resources are more likely to undertake a more detailed indicator selection process, in some cases involving the community in this process

- some councils use the state-wide SoE report to inform their indicator selection.

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[34] Municipal Association of Victoria, 2008, 'Victorian Local Government Environment Management Survey: Programs, Resources and Management Approaches', p 34
[35] Note also the 2010 MAV survey showed that about 60 percent of councils employ consultants to collect data and report on the sustainability performance of council operations, rather then undertaking these activities in-house; Municipal Association of Victoria, 'Victorian Local Government Environmental Sustainability Survey 2010', unpublished data
[36] Municipal Association of Victoria, 2008, 'Victorian Local Government Environment Management Survey: Programs, Resources and Management Approaches', p 34
[37] Municipal Association of Victoria, 'Victorian Local Government Environmental Sustainability Survey 2010', unpublished data. Note the 2010 MAV survey shows that 61 percent of councils use performance reporting, which may include the use of indicators and/or targets

During the interviews, some councils suggested that the use of common or core environmental indicators was a potential means for councils to benchmark their environmental performance against other councils across the state.

Findings of the interviews

The key findings of the semi-structured interviews are summarised below. A number of these key findings reflect the results of the on-line survey described above.

- There are different views and there is significant uncertainty across councils and amongst council staff about what the primary purpose of SoE reporting is, who the primary audience for an SoE report is, and how an SoE report should be used.

- Some councils questioned the value of SoE reporting, and in particular, its ability to provide information that is robust and reliable, to usefully inform decision-making and policies, and to effectively inform and engage the community. Council's criticisms of SoE reporting included:
    - there is a lack of good quality data available to inform the process
    - there is a lack of organisational commitment and capacity
    - environmental indicators are not credible or used consistently
    - existing policies and actions are not properly evaluated
    - reports do not effectively engage their target audiences
    - reports are rarely used to inform decision-making or drive future actions.

- Councils identified a wide range of barriers to SoE reporting – a lack of resources, time, expertise, and easily available and reliable data from internal and external sources, were the barriers that were most commonly identified.

- Councils identified a range of benefits associated with SoE reporting, including reporting on and informing environmental strategies, measuring sustainability progress, strengthening relationships with the community, increasing accountability, informing decision-making and policies, raising awareness of environmental issues amongst staff and the community, and driving action.

- Many councils are focusing on 'getting their own house in order' in relation to sustainability before making SoE reporting a priority.

- There is significant interest amongst councils in relation to other types of sustainability reporting, particularly Corporate Social Responsibility reporting.

Conclusion

Achieving sustainability is not merely about implementing specific, obvious actions – sustainability should be viewed as an on-going, iterative and reflective process involving continual inquiry, examination and improvement.

Sustainability reporting is central to continual learning and improvement and thus achieving sustainability objectives because it focuses on measuring and disclosing performance. Learning can only occur if the effectiveness of actions are measured, evaluated and disclosed to create a learning feedback loop.

While sustainability reporting is important for a range of other reasons, including promoting accountability and transparency and strengthening relationships with stakeholders, ultimately sustainability reporting should be used to generate learning and improve decision-making, and in turn, *change behaviour*. To re-emphasise the point made above by Professor Robert Eccles of Harvard Business School:

> *An* [organisation's] *reporting practices are a representation of how it sees itself and, in turn, they shape what it will become.*[38]

The key issues raised through the Commissioner's office's on-line survey and interviews and identified through a review of the literature and examples of sustainability reports suggests that councils can do five key things to improve their sustainability reporting processes:

- Clearly define the primary purpose and audience for the sustainability report. This is a critical first step in sustainability reporting. The purpose and audience shape the entire reporting process, significantly influencing the type of information that is collected, the way that information is presented, and how the report is used.

- Clearly identify relevant objectives and targets for sustainability in a sustainability report. Without defining objectives, it is not possible to measure performance or progress because there is no standard against which these can be assessed.

- Place the information on performance in context by linking the assessment of performance to relevant objectives and targets for sustainability. For example, merely listing sustainability achievements does not give stakeholders any understanding of an organisation's performance relative to its objectives.

- Engage with the community and other key stakeholders to assist council to determine the sustainability issues that are of highest priority to the community and that should be the focus of reporting processes.

- Establish supporting organisational structures to ensure that sustainability reporting is used most effectively to generate learning and improve decision-making, and in turn, facilitate cultural and behavioural change.

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[38] Harvard Business School, 2010, 'The landscape of integrated reporting: reflections and next steps', Eds. R. Eccles, B. Cheng, D. Saltzman, p iii-iv

APPENDIX 1: Councils involved in the survey and interviews

Councils involved in the survey	Councils involved in the interviews
Ballarat City Council Banyule City Council Bayside City Council Baw Baw Shire Council Benalla Rural City Council Boroondara City Council Borough of Queenscliffe Brimbank City Council Buloke Shire Council Campaspe Shire Council Casey City Council Colac Otway Shire Council East Gippsland Shire Council Frankston City Council Golden Plains Shire Council Greater Bendigo City Council Greater Dandenong City Council Hobsons Bay City Council Hume City Council Kingston City Council Manningham City Council Mansfield Shire Council Maribyrnong City Council Maroondah City Council Monash City Council Moonee Valley City Council Moorabool Shire Council Moreland City Council Pyrenees Shire Council South Gippsland Shire Council Southern Grampians Shire Council Stonnington City Council Swan Hill Rural City Council Towong Shire Council Warrnambool City Council Wangaratta Rural City Council West Wimmera Shire Council Wodonga City Council Wyndham City Council Yarra City Council Yarra Ranges Shire Council Yarriambiack Shire Council	Ballarat City Council Banyule City Council Frankston City Council Greater City of Shepparton Hindmarsh Shire Council Hume City Council Latrobe City Council Mt Alexander Shire Council Nillumbik Shire Council Whittlesea City Council Wangaratta Rural City Council Yarra City Council

APPENDIX 2: Survey and interview questions

Survey questions

For all survey respondents
1. Council Name
2. Name
3. Position/Title
4. How would you describe your type of council?
5. Please rate how familiar you are with State of the Environment (SoE) reporting? (select one or more)
   - Never read an SoE report
   - Read one or two SoE reports
   - Read several SoE reports and familiar with SoE reporting concepts
   - Read and produced SoE reports and very familiar with SoE reporting concepts
   - Additional Comments

Councils undertaking SoE Reporting
6. In what year did council start State of the Environment (SoE) reporting?
7. In what year was your last SoE report produced?
8. What is the purpose of your council's SoE report?
9. Who is the primary audience of council's SoE report? (select one or more)
   - Councillors
   - Community
   - Senior Management
   - Whole of council
   - Other
10. How often does your council produce a SoE report? (select one)
    - Annually
    - 1-2 years
    - 2-5 years
    - > 5 years
    - Other
11. Where did demand come from for council to begin SoE reporting? (select one or more)
    - Councilors
    - Community
    - Council environment staff
    - Council environment/sustainability group
    - Other
12. What are the objectives of SoE reporting? (select one or more)
    - Assessing the effectiveness of council environment policies and programs
    - Increased awareness amongst decision makers about the condition of the environment
    - Improved access to information about the state of the local environment
    - Informing the strategic directions of council
    - Increased public awareness and understanding of environmental issues
    - Creating community interest in the environment and catalysing action
    - Imbedding environmental sustainability across council
13. How is the SoE report developed? (select one only)
    - Internal council process only
    - Internal council process only + consultant
    - Combination of council and community input
    - Combination of council and community input+consultant
    - Unknown

14. Where do you obtain data from to infom your SoE report? (select one or more)
    - Council
    - Department of Sustainability and Environment
    - Environment Protection Authority of Victoria
    - Catchment Management Authority
    - Parks Victoria
    - Community groups
    - Water service provider
    - Energy service provider
    - Other
15. Do you have any challenges collecting and using data?
16. Additional Comments

Councils considering SoE reporting
17. What has prompted consideration of SoE reporting? (select one or more)
    - Councillor(s)
    - Community
    - Council environment staff
    - Council environment/sustainability group
    - Other
18. Who will be the audience for the SoE report? (select one or more)
    - Councillors
    - Community
    - Senior management
    - Whole of council
    - Other
19. How is council intending to communicate findings of the SoE report?
20. What opportunities are foreseen with SoE reporting? Please rank.
    - Assessing the effectiveness of council environment policies and programs
    - Increased awareness amongst decision makers about the condition of the environment
    - Improved access to information about the state of the local environment
    - Informing the strategic directions of council
    - Increased public awareness and understanding of environmental issues
    - Creating community interest in the environment and catalysing action
    - Imbedding environmental sustainability across council
    - How will the SoE report be prepared? (select one only)

Councils not considering SoE reporting
21. Why is State of the Environment reporting not being considered? (select one or more)
    - Resources
    - Staff Time
    - Lack of knowledge or expertise in SoE reporting
    - Limited demand
    - Limited or no foreseen benefits

Interview questions

1. What is your council's experience/interest in SoE reporting?
2. If applicable, what do you report on and what advice would you give to other councils?
3. What does/would council report on and how?
4. What do you see/foresee as the opportunities associated with SoE reporting at a local level?
5. What do you see/foresee as the challenges associated with SoE reporting at a local level?
6. What (if any) assistance would help your council continue/commence SoE reporting?
7. Are you aware of the State-wide SoE and how it can be of value to local government?