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CHAPTER ONE

Introduction

Sustainable development ... is meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Source: *Our Common Future (the Brundtland Report): Report of the United Nations World Commission on Environment and Development, 1987*

The concept of sustainability starts with the recognition that there are finite environmental limits to human activity, and that long term we must find ways in which we can live within those limits. But sustainability also impacts on and has to be integrated with economic and social development. Sustainability is therefore also a social and economic issue, and sustainable development is clearly relevant to finding better and more efficient ways of delivering human wellbeing.

The importance of sustainability to understanding an organisation's impact, and to improving strategic planning and implementation and stakeholder communication, is increasingly accepted. Organisations are expected to show that they recognise the challenges that face them, and to set out their strategies for dealing with them. Organisations do not exist in isolation, and performance cannot be measured solely through traditional accounting measures.

Public service organisations, on the whole, deal with activities that are strongly linked to sustainability, but the degree to which individual organisations recognise sustainability as a key driver varies considerably. For example, local government has responsibilities that embrace a wide range of service delivery and planning and development matters, but a coherent sustainability strategy linked to sustainability reporting is still not a standard feature in the public sector.

But in recent years public sector sustainability reporting in the UK has evolved and grown in a number of areas. For example:

- HM Treasury guidance on sustainability reporting, which is mandatory for all central government bodies that produce annual reports and accounts in accordance with HM Treasury's *Financial Reporting Manual* (FRoM), (unless exempted).
- The Scottish government's 2012 guidance *Public Sector Sustainability Reporting*, primarily aimed at central government bodies in Scotland that produce annual reports and accounts in accordance with FRoM. This includes Scottish government departments, executive agencies, non-departmental public bodies, non-ministerial departments, the Crown Office and health boards (including special health boards).
- Since the strategy *One Wales: One Planet* was published, the Welsh government has produced three annual reports setting out how the proposals in the scheme have been implemented. It has reported progress against sustainable development indicators since 2002. The Welsh Sustainable Development Bill consultation document includes a new

sustainable development duty and considers whether high-level reporting relating to this duty is required.

- The *NHS Foundation Trust Annual Reporting Manual (2011/12)* encourages foundation trusts to include a sustainability report and recommends the approach laid out in the HM Treasury FReM.
- A number of local authorities produce sustainability reports or provide information on their performance against particular sustainable development indicators.
- Many of the larger public service organisations are reporting on at least part of their carbon footprint through participation in the CRC Energy Efficiency Scheme.

The accountancy profession has a clear opportunity here to play a leading role in developing and establishing these new approaches. The finance function already plays a lead role in ensuring the quality of management information, and finance should be pivotal in ensuring that this information is used to guide decisions in line with strategic directives.

An approach is needed that is flexible enough to enable organisations to continue to identify and report on potentially critical sustainability impacts that are particular to their activities, while ensuring that they report on those aspects of sustainability considered of importance across various sectors.

This publication seeks to build on existing initiatives and in particular to pick up on the importance of avoiding overly lengthy or costly approaches to sustainability reporting. There are opportunities to build on information already collected by public service organisations and to gain insights that will be useful for planning and decision making from combining some of this information in a sustainability report.

The approach taken here is that the report should:

- be clear, concise and to the point
- link non-financial and financial data
- draw on information already collected by the organisation
- have a small number of indicators along with a concise narrative
- as a minimum, have a small number of core environmental indicators but with the ability to add further environmental, social, economic, or governance content, over time and where it is considered of benefit to do so
- show the links between strategic goals, objectives and performance in the areas covered by the report
- provide useful information for planning and decision making.

The main body of this publication covers the practicalities of producing a concise sustainability report, while chapter fourteen provides examples of reporting, and chapter fifteen looks at developments in integrated reporting.

Chapter sixteen provides comprehensive information on resources, including links to the key publications and sources of information discussed in this publication.