

THE BUSINESS CASE FOR LOCAL GOVERNMENT AND TRIPLE BOTTOM LINE

“ Without triple bottom-line reporting, there is an inadequate basis for good decision making – not only by government, but by many other groups seeking to plan effectively”.¹ Acting as a guide towards sustainable business practices, Triple Bottom Line (TBL) is a means of making operational the goals and values of an organisation. Local Government can use TBL to set their agenda for a continual improvement in the quality of life. It will consolidate existing ad hoc approaches to comprehensively address the core functions and outcomes of Local Government and demonstrate to the community a council’s commitment to achieving ‘sustainable development’.²

Definition of Triple Bottom Line (TBL)

TBL is a framework that underpins and reviews environmental, economic and social performance. It emerged from the business sector³ and its practice shifts the focus from the purely financial bottom line to encompass the outcomes of all three elements. TBL can be a vehicle to achieve sustainable development, as this goal is reliant upon compatible environmental, economic and social outcomes.

In effect, Triple Bottom Line can be viewed as both a reporting device (eg. information presented in annual reports) and/or an approach to decision making (eg. the use of decision making and reporting tools to understand the economic, environmental and social implications of decisions) that can be applied across council activities.

Adoption of TBL in the wider community

The private sector has led the way in its uptake of TBL, prompted by a commercial imperative to safeguard their future trading prospects. “ Many large corporations, in response to a range of legal, social and environmental pressures, have moved silently towards both measuring and reporting their performance in social and environmental terms.”⁴ Seen as a ‘value opportunity’⁵, business is poised to utilise TBL as a catalyst for altering the focus and outcome of corporate practice.

Role of Local Government

Acceleration of the sustainability imperative, changing community expectations and devolution of responsibility from Federal and State governments to Local Government has resulted in considerable changes to the role of local authorities over the last decade: “its functions have expanded enormously to embrace now routine activities such as local and regional planning, environmental health, pollution control, natural resources management, community services and economic development. Fundamental changes were made to the way Councils do business.”⁶ Integrated management is essential to effectively deliver increasing responsibilities and results in benefits both internally and to the wider community.

Community Expectations

The primary functions of Local Government are dictated by the needs and expectations of the community, and these are well documented as changing: “ clearly there is a view that Councils should act to protect their communities from environmental damage. This is matched by a view that councils should also do more to offset the perceived adverse impacts of economic and social change”.⁷ Increasing demand for resources and development has intensified pressure on Local Government and its management of natural, social and built capital. “Many regional and rural communities are reviewing their economic and social circumstances, and are redefining their expectations of their elected leadership.”⁸ Rural municipalities, which are experiencing declining populations and lack of support for local businesses, have an even more pressing need to generate long term prosperity.

Local expectations are compounded by the demands of the global community. "...the debate internationally is not about whether one should report on sustainability but how." ⁹ International standards (there are no standards created specifically for government to date), such as the Global Reporting Initiative (GRI) stipulate that reporting should include fuller information. By its very nature, the range and type of information indicating a council's performance is usually far more varied than that for a corporation. "Communities require other specific information relevant to their own goals and aspirations". ¹⁰ The transparent reporting on diverse and meaningful indicators will help to express community values, provide wider criteria to evaluate council's performance and further develop trust in public institutions. They will enable councils to measure progress and apply transparent accountability.

Statutory Requirements

The goal of sustainable development is implicit in legislation governing municipalities throughout Australia. For example the Council Charter in NSW is "to have regard to the long term and cumulative effects of its decision." The Victorian Planning and Environment Act 1987 states that the function of a council should "ensure that the effects on the environment are considered and provide for explicit consideration of social and economic effects when decisions are made about the use and development of landto balance the present and future interest of all Victorians". TBL can provide a transparent, complimentary and coherent structure to meet State legislation.

What is Local Government doing?

The response from Local Government to date is fairly mixed. Many have acknowledged that decisions have an impact on the economy, the environment and the community and that these are interdependent. Most municipalities have started the process of implementing measures to become more sustainable. Methods and approaches vary enormously, for example, a 'Sustainability Readiness' survey conducted by GHD ¹¹ revealed that understanding, commitment and practical steps to implement the sustainability agenda in Local Government varied considerably.

TBL Toolkit

The City of Melbourne and the International Council for Local Environmental Initiatives (ICLEI) have developed a TBL toolkit. The toolkit is an expression of the TBL concept and it is a practical manifestation of tools that are meaningful at the local level. Encompassing key decision making points, it will make transparent the implications of decisions and enable council to plan effectively and determine the most appropriate actions. The tools will evaluate proposals going before council; decisions to approve capital works projects; and demonstrate a process to integrate TBL into corporate planning. It is the building blocks of a structure so that the principles of TBL become embedded into council processes. The toolkit is available to all Australian local councils who can tailor the tools to their own needs and thereby show leadership by example.

¹ Professor Yencken, Australia tiptoes around triple bottom line <http://www.acfonline.org.au/asp/pages>

² Sustainable Development = "the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs". *The Brundtland Commission*

³ John Elkington first coined the term triple bottom line.

⁴ Thomas Clark *Journal of General Management - Vol.26 No.4 2001, p.18.*

⁵ The Business Case for Sustainable Development, *World Business Council for Sustainable Development*

⁶ Advancing Local Government: Partnerships for a New Century – *Local Government and Shires Association of NSW*

⁷ Advancing Local Government: Partnerships for a New Century – *Local Government and Shires Association of NSW*

⁸ *Centre for regional sustainable communities*

⁹ A Framework for Public Environmental Reporting – *An Australian Approach, Natural Heritage Trust*

¹⁰ Rogers & Ryan *Local Environment Vol. 6, p.284*

¹¹ Sustainability Readiness Survey, Victoria/Tasmania - *Gutteridge Haskins & Davey Pty Ltd*