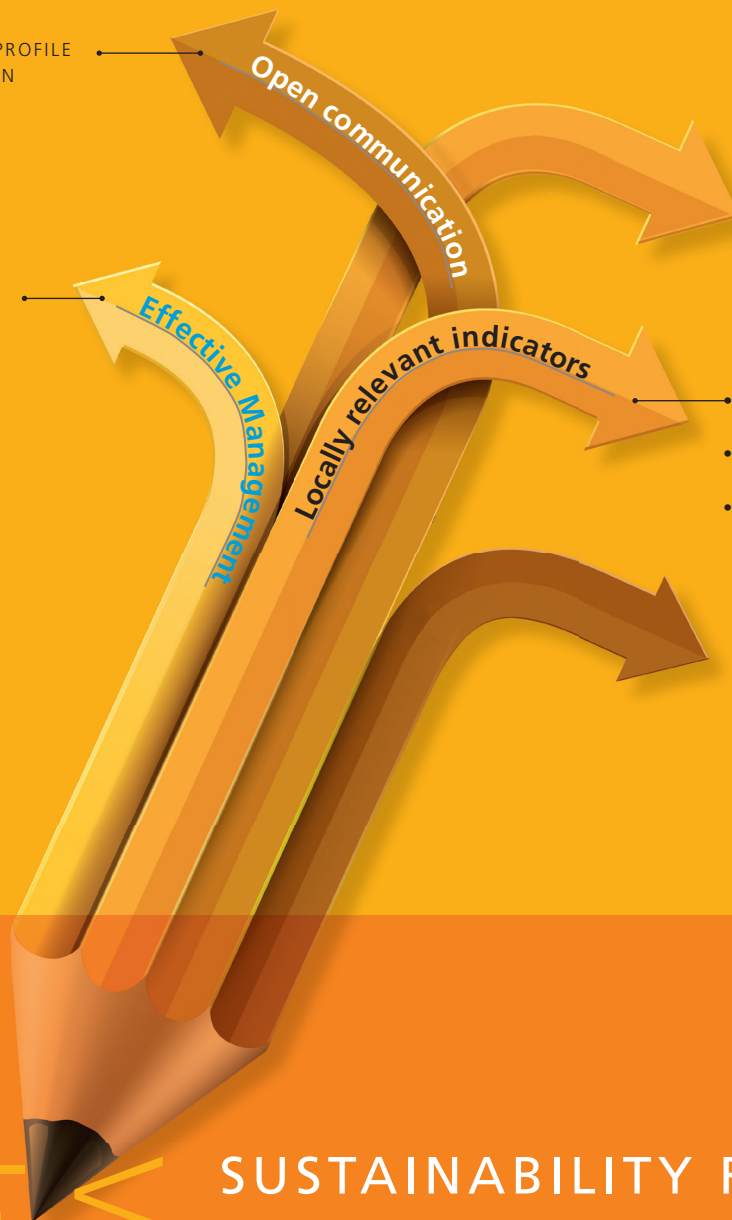


- LEGITIMACY, GREEN PROFILE
- CITIZEN PARTICIPATION
- **AGENDA-SETTING**

- COHERENT PLANNING AND BUDGETING
- INFORMED CHOICES
- **ACCOUNTABILITY**

- SUSTAINABLE DEVELOPMENT GOALS
- IMPROVED INFORMATION SYSTEMS
- **LEARNING**



national
inter
VNG

SUSTAINABILITY REPORTING: What's in it for Local Governments? Lessons from practical examples

Acknowledgements

Many people and institutions have kindly invested time and energy to share their experiences and thoughts about the field of sustainability reporting by local governments.

The author of this report would like to thank in particular Marijn Bosman, Roel Volger (Amsterdam), Guy Morin, Catherine Heinzer, Barbara Alder (Basel), Mark Bennett, Ciarán Cuffe (Dublin), Simone Pflaum, Karin Tröster, Maria Viethen (Freiburg), Peter Pluschke, Susanne Sprösser (Nuremberg), Werner Liechtenhan, Markus Kunz (Zurich), Stefan Kuhn (ICLEI), Maaïke Fleur (Global Reporting Initiative), Jaap de Jong (De Gezonde Stad), Marco Grossmann (ECOS), Ferdinand Schuster (Institut für den öffentlichen Sektor / KPMG), Vera Kämpfen (Basel University), Rob Kitchin (Maynooth University), Jule Plawitzki (Leuphana University), Henk Klaassen (Erasmus University Rotterdam), Thomas Hoppe, Frans Coenen (Twente University), Martha Klein (FairBusiness), Arne Musch, Hans Buis, Maria van der Harst (VNG International)

Imprint

Publication date: September 2015

Author: Ludger Niemann

Recommended citation: Ludger Niemann (2015). Sustainability Reporting: What's in it for Local Governments? Lessons from practical examples. The Hague: VNG International.

The responsibility for the content of this publication lies with the author. It does not necessarily reflect official policies of VNG International.

Table of contents

| | |
|--|-----------|
| Acknowledgements | 1 |
| Table of contents | 2 |
| 1 Introduction: What's in it for local governments? | 3 |
| 2 What is sustainability reporting? | 6 |
| 2.1 Sustainability and the role of local governments | 6 |
| 2.2 Monitoring, benchmarking and reporting | 8 |
| 2.3 A comparison with commercial companies | 13 |
| 2.4 Strategies and examples in practice | 15 |
| 3 What benefits and costs to expect? | 21 |
| 3.1 Practical benefits | 22 |
| 3.2 Typical costs | 24 |
| 4 How to start? | 26 |
| 4.1 International frameworks, local relevance | 26 |
| 4.2 Content and quality | 27 |
| 4.3 Frequency, scope and political embeddedness | 28 |
| 4.4 Internal leadership and external support | 29 |
| 4.5 Keeping an eye of the use of reporting | 30 |
| 5 Where to find further resources? | 31 |
| 5.1 References | 31 |
| 5.2 VNG International | 32 |

1 Introduction: What's in it for local governments?

What do the city governments of Mérida (Mexico) and Melbourne (Australia) and the public transport company of Madrid (Spain) have in common? They are just three examples – sharing the same initial yet representing different continents – of local government institutions that issue sustainability reports.

Sustainability reporting is a worldwide trend. It is most widespread among commercial companies yet also catching on in the public sector. Sustainability, 'smart' and 'green cities' are high on international and local agendas, and the recent agreement of the United Nations' Sustainable Development Goals (SDGs) with a distinct goal (SDG 11) for sustainable cities provides additional impetus¹. In this context, ever more local governments are keen on finding effective management and communication tools and thus interested in the topic of sustainability reporting.

Box 1: Common questions on sustainability reporting by local governments

As a representative or staff member of a local government, an international organisation or perhaps local government association

| | |
|---|---------|
| Are you interested in the topic yet unfamiliar with some terms including monitoring and benchmarking? | page 8 |
| Do you wonder whether you can apply frameworks developed in the private sector? | page 13 |
| Are you keen to know what benefits reporting will bring and what costs to expect? | page 21 |
| Is it your job to start or improve sustainability reporting so you want to know what key choices to consider? | page 26 |
| Do you wonder how sustainability reporting by local governments relates to other monitoring or transparency initiatives including the UN's Sustainable Development Goals? | page 27 |

This publication serves to introduce the concept of sustainability reports by local governments. If one or several of the typical questions (listed in Box 1) resonate, you are likely to find this a worthwhile read.

Internationally, a few hundred local governments have experimented with sustainability reports so far. This number is likely to rise quickly as non-financial reporting becomes a legal obligation in various countries and local governments that voluntarily started reporting are sharing their experiences.

¹ The SDG also contain a specific reference to sustainability reporting. Target 12.6 is to "encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle". Cf <http://database.globalreporting.org/SDG-12-6>

Why do local government write such reports? According to what mayors write in prefaces, they commonly want their sustainability reports to serve as **management and communication tools**. However, how local governments go about this can be quite different. Some local governments have yearly reports while others opt for four-yearly intervals. Some prefer the integration of sustainability considerations into general planning, budgeting and reporting instruments. Others try to link printed reports to online, real time dashboards. Also observed are attempts to join various indicators in indexes, the analysis of neighbourhoods, or conversely of metropolitan areas. It appears that **sustainability reporting instruments constantly evolve**, showing significant **variety in scope, frequency, and embeddedness into political contexts**. What can other local governments learn from the wealth of practical experiences that frontrunners have gained? Some consultancy firms that helped companies write sustainability reports offer similar services to local governments, sometimes claiming to know what is 'best practice'. However, the **realities of local governments across the world are too diverse for any standardised 'good practice' to make sense**. What is really lacking and constitutes a chance for meaningful guidance is an explanation of key concepts and choices. It is often more useful to look for pitfalls and 'bad practice' instead of idealised reporting frameworks. In the face of this demand, VNG International has decided to explore actual sustainability reporting by local governments.



"It's great to have an absolutely rigorous reporting framework. The only problem is they're useless unless somebody uses them."

Mark Bennett, Green Officer, city of Dublin

One study – carried out with support from Erasmus University Rotterdam and Twente University – analysed the practice of six European frontrunners (Amsterdam, Basel, Dublin, Freiburg, Nuremberg, and Zurich) that each developed different ways of reporting. The present document presents evidence and illustrative quotes obtained in this study from elected officials, civil servants and other observers plus references to other cities with interesting practices.

One key finding of this study is that sustainability reporting can have the following

Five types of benefits:

- Learning among key stakeholders
- Improved information systems
- Evidence-informed decision-making
- Agenda-setting
- Legitimacy and a green profile

Three types of costs:

1. Data collection and management
2. Consultation, facilitation
3. Layout, printing, dissemination

However, there is **no single right way for sustainability reporting**. Different local governments will have different goals and resources available to them. With the purpose of putting findings and recommendations into perspective, this document is structured as follows: The following sections address what local government sustainability reports are (2), what benefits and costs can be expected (3), what needs to be considered when starting their production (4), and where readers may find additional resources (5).

For the sake of conceptual clarity, the focus lies on local governments. However, one can draw parallels to other public sector organisations including, for example, regional governments or publicly owned local companies. Further, larger and better-resourced local governments will find some “practical suggestions” (Section 4) easy to implement by themselves; in other contexts, **economies of scale can be gained if various local governments work in association** and approach the start of sustainability reporting as a joint initiative.

2 What is sustainability reporting?

To better understand the potential of local government sustainability reports it is convenient to first review basic concepts. This section thus addresses the role of local governments vis-a-vis sustainability (2.1), the difference between monitoring, benchmarking and reporting (2.2), a comparison with sustainability reporting by commercial companies (2.3.), and an explanation of basic reporting strategies with practical examples (2.4).

2.1 Sustainability and the role of local governments

The *World Commission on Environment and Development* (1987) proposed the most consensual definition of sustainable development to date: “Sustainable development is **development that meets the needs of the present without compromising the ability of future generations** to meet their own needs.”

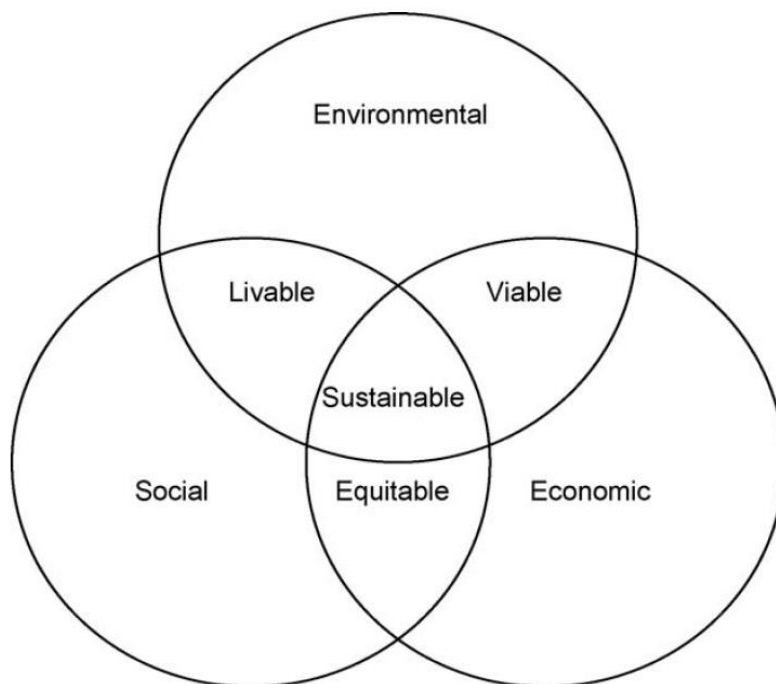


Figure 1: Classic dimensions of sustainable development.



"In principle, everybody knows what is required for sustainability. What we have to deal with is trade-offs or conflicting aims, i.e. the question how environmentally friendly is something that's economical, how economical is something that's environmentally friendly, how social is something that's environmentally friendly, and so forth. The interfaces between these areas are always the most interesting parts. And not the surveying of a city on the basis of 150 indicators"

Stefan Kuhn, Deputy Regional Director of ICLEI, member of Freiburg's Sustainability Council

The notion of sustainable development has been high on international and local policy agendas for over 25 years and is gaining yet more traction with the Sustainable Development Goals (SDGs). A general agreement has emerged about the following key aspects of the term: **Balancing well-being with environmental constraints**, considering social, economic and ecological factors simultaneously, and **making an allowance for the needs of future generations**. To communicate this, it has become popular to refer to the "triple bottom line" of balancing environmental, social and economic needs (cf Figure 1).

While this overall concept enjoys wide recognition, there are some differences beneath the surface. One major distinction involves the concept of strong and weak sustainability. The former emphasizes planetary boundaries and the fact that certain ecological functions cannot be replaced through technology. Weak sustainability, on the other hand, allows for cost-benefit analyses and trade-offs between environmental, social and economic benefits. Whether one pursues strong or weak sustainability strategies (emphasising sustainability and conservation, or development and change) is influenced by one's political convictions and short vs long-term visions. Further, the analysis of humanitarian needs in a given geographical context and considerations of equity certainly play a role too.

Local governments are essential for the provision of basic services and therefore relatively close to citizens. They tend to enjoy more trust than superior levels of government. They can facilitate action by liaising with other government levels and developing partnerships with the private sector. While their precise mandates may vary from country to country, they typically have **direct control** over several important policy areas: **energy consumption** and **waste production**, via **land-use and building code** regulations, the planning of **transport**, and many types of **community design**. Most local governments also have a say on public services in the field of health and education. Furthermore, they have economic power through their own **procurement**, the employment of municipal staff, the ownership of **land and buildings**. Because of this and yet growing urbanization and decentralization, local governments are of utmost relevance for sustainable development.

Many local governments take their role in this respect very seriously and voluntarily commit to ambitious sustainability targets. The UN's Agenda 21, Global Compact or the EU's Covenant of Mayors are examples of international initiatives that capitalise on local engagement. Similarly, many cities are keen to strengthen their credentials as "green" and "smart cities", thus creating additional momentum. In recognition of the importance of local governments in the light of increasing urbanisation, one of the UN's 17 Sustainable Development Goals (SDGs) is dedicated to cities - Goal #11 is to "make cities and urban settlements safe, resilient, inclusive and sustainable".

2.2 Monitoring, benchmarking and reporting

The international sustainability agenda has always been a 'monitoring agenda'. **Monitoring** is about identifying trends, threats and progress, and generally built around the tracking of indicators. These are variables that tell something about a larger picture. For example, just as body temperature is important in the analysis of human health, a region's "gross domestic product" (GDP) is considered as a vital sign of economic health. Indicators are attractive as they allow to structure and summarize complex issues, and this is especially true for something as all-encompassing as sustainable development. Indicators can support decision-making, help to assess the impact of policies and actions, and to communicate to diverse audiences.

"We have no choice. Without sustainability indicators, we fly blind. The world is too complex to deal with all available information." **Donella Meadows, Sustainability Researcher** (cf Waas et al 2014)

Across the world, an ever-growing number of cities or municipalities is home to some kind of monitoring initiative. In the United States and Canada, many projects strive under the name of "**community indicators**"², often with the support of private foundations and the ambition to identify issues at city or even neighbourhood level.

In **Latin America**, too, there are many cities where civil society organisations have built up local monitoring platforms³. In Asia and Africa, certain local governments are pioneers in this regard. Since the spread of fast internet, many projects make use of impressive cartographic visualisations and dashboards⁴. As these are publicly accessible and fed to the media, various monitoring initiatives effectively manage to influence the public agenda. For example, when data about the air quality of Beijing first become available on the internet, this drew the attention of the public and decision-makers to pressing health and environmental concerns.

In **Europe**, numerous cities also witnessed the emergence of sustainability monitoring initiatives in the late 1990s. Then, numerous local governments selected - often in participatory processes with many stakeholders – sets of 15-50 indicators with the purpose to feed information into local sustainability policies and projects. This work, generally known as **Local Agenda 21**, continues to be strong in some countries. However, it lost momentum in others; there, common reasons have been constrained public finances and the perception that continued monitoring produced little (added) action value.

Thus, why are localised monitoring initiatives more successful in some countries than others? Many factors are likely to play a role including:

- **Size, variedness and growth:** Cities that are larger, fast growing and home to larger disparities (as is less the case in Europe), will show more local sustainability issues and trends worthwhile monitoring at high frequencies.
- **Data availability and demand:** When statistical systems are less developed (e.g. in Latin America) the attempt to compile (localised) information on sustainability indicators is liable to be frustrated by a lack of data. In places with more established 'data cultures', people produce and demand sophisticated (localised, real time, impact-oriented) data but are also more likely to refer to information overload, 'data smog', and similar terms.

² For an overview, cf www.communityindicators.net and Government Accountability Office (2011).

³ In Latin America, one network comprises over 60 initiatives from 10 countries. Cf www.redciudades.net

⁴ An interesting array of case studies and critical comments on dashboards can be found in Kitchin et al (2015).

- **Maturity of sustainability discourse:** When sustainability has become mainstreamed into education and the public discourse, any new piece of information may have less individual impact. When a topic is new, a first publication of relevant information may more easily catch public attention. The disclosure of air quality data by American Embassies in Asia are cases in point.
- **Perceived role of the state:** In some countries, there is an established tradition of civil society organisations operating at arm's length from the government and perceiving monitoring and accountability promotion as their role. This is one reason for the strength of the North American 'community indicators' movement.



"In comparisons between cities one can find a lot of non-sense. On the other hand, international comparisons create some pressure to improve. In Nuremberg we have relatively little green space which is due to our medieval heritage. In whichever ranking we thus perform badly and that creates pressure to look at least seriously at this issue"

Peter Pluschke, Deputy Mayor for Environment and Health, Nürnberg

One danger of a narrow focus on indicators is to shift attention to those issues that can be measured more readily. The *International Standardisation Organisation*, for example, recently issued a norm about "Sustainable Development of Communities" (**ISO 37120**)⁵ that invites all the world's cities to count – as one of 46 "core indicators" – its number of firefighters. Cities can be certified for having appropriate databases in place, and Dubai was awarded a "platinum designation" and presented by the media as the world's leading city⁶. Is the provision of such **incentives for mere data availability** the right way forward?

Further, while information on air quality and unemployment rates may always be helpful when formulating overall goals and strategies, they do not tell decision-makers what exactly to do. Some common sustainability issues relate to a clearly defined governmental service (e.g. treatment of household waste) but most outcome indicators depend on numerous factors and actors and tend not to change quickly from one year to another. Consider unemployment, a high-level indicator in many sustainability-monitoring systems – it is **difficult to tie targets** to unemployment figures and to **prove** that any changes are the **impact of local action** (instead of national policies or the global economy)⁷.

Whenever sustainability indicators are applied to cities or municipalities, the issue of comparisons is likely to pop up. Which city is most sustainable? Many attempts have been made to answer this question by compiling a range of sustainability indicators into an **index**. Doing so allows one to create **rankings** that are perennially popular with the public and can be informative for local stakeholders

"In the field of sustainability reporting there is a lot of rank growth. That's been around for over 10 years that cities attempt to make sustainability reports and there is this enormous spectrum between extremely simple and extremely complicated"

Stefan Kuhn, ICLEI / Freiburg's Sustainability Council

League tables can be an effective incentive to search for better practices; especially if rankings and prizes do not only reward outcomes but also efforts to improve (as is the case in the *European Green Capital Award* and the *Dutch Sustainability Shield*).

⁵ ISO guidelines (cf www.iso.org/iso/37120_briefing_note.pdf) unfortunately need to be purchased.

⁶ <http://gulfnews.com/news/uae/education/dubai-leads-the-world-while-bagging-iso-certification-1.1439553>

⁷ The very attempt to measure "impact" (defined as substantial change) is useful in some situations but a waste of resources in others. Cf Ebrahim & Rangan (2010) for a very interesting discussion and model.

However, since there is no objective definition of sustainability, the **choice of indicators** feeding into an index is **necessarily subjective**. This gives rise to the accusation of mixing ‘apples and oranges’ according to arbitrary recipes, resulting in some ‘fruit salad’ that is obscuring more than it is revealing. Among policy practitioners (e.g. civil servants), it appears that **sustainability indices** are less popular than they were 10-20 years ago.

Example: In Switzerland, cities have collaborated since 2003 in the sustainability-benchmarking programme *Cercle Indicateurs*⁸ but recently decided to stop overall rankings, arguing that local contexts (even within one country) were too different for aggregated comparisons to make sense. The benchmarking process continues with regular meetings where city staff compare specific indicators to learn from each other.

For sustainability, the crux is using information to leverage action. The existence of data does not guarantee shared understanding and knowledge does not imply behaviour change and concerted action. This is where sustainability reporting provides additional opportunities.

According to dictionary definitions⁹, a **sustainability report** is:

“an organizational report that gives information about economic, environmental, social and governance performance”

What does this mean in practice? To begin with technicalities, when a local government (as any other organisation) labels something a report this conveys the notion of an **official record**.

Such a document carries more weight than a personal statement by a politician or civil servant. Therefore, local governments (just as other organisations) usually have protocols to manage internal approval processes. Note that a local government report is an official record but not necessarily printed – some local governments have started to issue reports electronically.



While this term designating an official communication can usually be translated without difficulty, the **English word report** has further meanings without direct equivalents in other languages. For example, if employees are asked who they report to, this is not a question of documents but about the name of their supervisor. Moreover, the very act of sharing data can be called reporting. For instance, when a local government uploads information into some national database it said to have reported. In the context of sustainability policies this can give rise to misunderstandings.

⁸ For explanations in French and German, cf www.are.admin.ch/themen/nachhaltig/00268/00552

⁹ For example, www.wikipedia.org/wiki/Sustainability_reporting



“In many areas there’s a need for discussion. For example, the indicator of housing space per person. For many years we have seen an increase and judge this as negative for sustainability. On the other hand, this is an indicator of welfare and thus an increase might be seen as positive in other cities. This is something we as city government should address by making an overview: Where are critical areas, what is going well. However, we can’t do this by ourselves. This needs a process; we have to back it up”.

Werner Liechtenhan, Office for Urban Development, City of Zurich

For example, when local governments are asked about sustainability reporting, some claim to have everything in place if they kept local data on required indicators (e.g. those of the *Sustainable Development Goal #11*).

Because of this ambiguity, some people also presume that sustainability reporting is synonymous with sustainability monitoring.

As is illustrated in Figure 2, the two concepts are related but a proper sustainability report goes beyond monitoring. **Sustainability indicators** are essential ingredients in any management system but **monitoring** generally requires additional work to create impact. **Benchmarking** can be very informative yet often works best when practitioners are given the chance to discuss success, failure and what they do in non-public settings. **Reporting** puts the focus on performance and accountability. Its target group is broader than that of benchmarking exercises and generally includes decision-makers and the public in addition to technical staff.

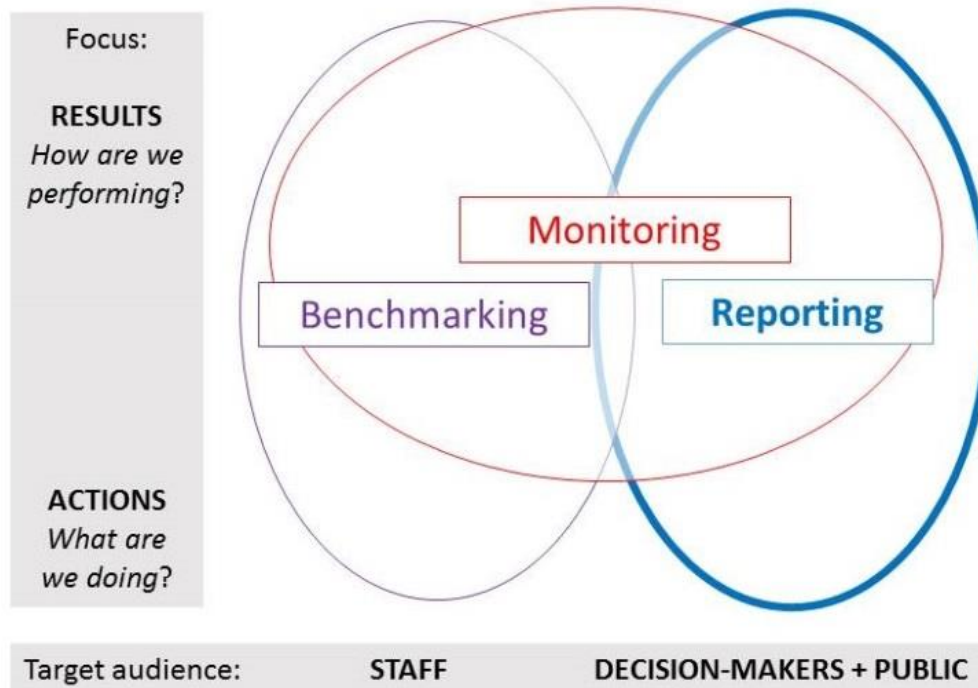


Figure 2: Sustainability monitoring, benchmarking and reporting.

In the case of local governments, a sustainability report addresses two principal questions: **How a locality or jurisdiction is doing**, and **what the local government is doing** about it. The second question is usually be split into a retrospective one (what have we done about sustainability issues) and an outlook into the future (what are we planning to do, ideally as part of a local sustainability agenda that has broad public support).

The following table illustrates these three key components of local government sustainability reports.

Table 1: Key components of a local government sustainability reports.

| Sustainability reports: Components | Scope, geographical scale | Time-frame |
|--|--|---|
| 1. Analysis of sustainability issues How are we doing? | <ul style="list-style-type: none"> City or municipality at large where useful: intra-city and regional perspective and comparisons to (national) benchmarks | <ul style="list-style-type: none"> As recent as available Long time series to illustrate trends |
| 2. Local government action What have we done? | <ul style="list-style-type: none"> At least: Policies and investments under local government control Ideally: Impact of governmental decisions and contributions of other actors | <ul style="list-style-type: none"> Reporting period (last few years or since previous report) |
| 3. Outlook What are we going to do? | <ul style="list-style-type: none"> At least: Policies and investments under local government control Ideally: Local sustainability agenda and targets with broad public support | <ul style="list-style-type: none"> At least: near future Possibly: long-term targets |

The definition of the most **suitable timeframe** tends to be straightforward – reports focus on the (recent) past but may also contain an outlook into the near future. As instruments of reflection and communication, reports can complement monitoring effectively. This is because various sustainability indicators show extreme difference in temporal and geographical resolution: For some, underlying trends are slow and most meaningful at city level (e.g. the number of new patents as a measure of innovation) while for others it also makes sense to disseminate very localised and high-frequency data (e.g. on air quality at street level).



“There are plenty of competing guidelines and vision documents and political pressures and issues not controlled by a city government. However, to track in the background how things are developing, even if it’s not us who can influence them, that is the point why sustainability reports are important.”

Susanne Strösser, Head of Sustainability Management, City of Nuremberg

Especially for indicators with “real time” data, reports can be very useful at **summarising key trends at longer intervals**. For coherence and synergies, it is good practice for sustainability reports to be embedded into wider sustainability and communication strategies with cross-references to other monitoring platforms, dashboards, sector reports, etc.

The definition of the most **suitable scope and geographical scales** often entails challenges. First, many sustainability issues transcend the administrative boundaries of local governments and would ideally require the analysis of regional and (inter)national contexts. Further, as “results-based management” has strongly influenced the thinking of local governments, there is a wish to tie targets to all sort of indicators. Thus, when local governments commit to targets regarding sustainability indicators (e.g. a 20% reduction in CO² within 3 years) they face the important question whether to focus on issues under their control (e.g. CO² emissions of public buses) or on the urban space at large (e.g., emissions of the entire city).

Common sense tells people that **the city of large is what essentially matters** yet results-based management and accountability pressures provides incentives to focus on governmental competencies.

In fact, the question of scope is one that sets the sustainability reporting of (local) governments and that of companies apart. As the latter have been the driver of the whole concept of sustainability reports, it is worthwhile to review commonalities and differences between the two.

2.3 A comparison with commercial companies

The concept of sustainability reporting originated in the corporate sector. In the late 1980s, chemical companies with reputation problems and some environmental front-runners started to issue environmental reports; many then broadened the scope and integrated environmental and social issues to what became “corporate social responsibility” (CSR) reports. This practice is now commonplace - among the world’s 250 largest companies, over 90% produce sustainability reports, and many medium-sized companies issue them on a yearly basis too. As the concept of sustainability has gained wider acceptance, sustainability reports are now more common than CSR or other types of non-financial reports. More recent is the proposition to merge (annual) sustainability reports with (annual) financial reports into so-called “**integrated reports**”.



“Sustainability reporting in the past was often a short communication brochure with a few case studies of corporate voluntary work. Eventually more graphs and hard data were included in the reports and the quality of data got much better. And if at some stage the same rigour is used for compiling sustainability information as financial information – real change to managing sustainability impacts can be made”
Maaïke Fleur, Senior Advisor, Global Reporting Initiative

This idea is heralded by some¹⁰ as the best way to increase the relevance of sustainability information for decision-makers. However, one downside of this approach is that to maintain readability, only core issues (that are considered ‘material’) are addressed, with less space available for sustainability discussions. Until now, only few companies are producing such integrated reports.

Further, some argue that integrated reports should not replace but complement sustainability reports; in this approach, key sustainability concerns are integrated into annual reports while stand-alone sustainability reports are published (perhaps at larger intervals) for in-depth discussions.

Why do companies produce sustainability reports? Most prominently cited reasons¹¹ are the wish:

¹⁰ Notably the Integrated Reporting Council (www.integratedreporting.org)

¹¹ For one recent overview, cf van der Esch & Steurer 2014

- to increase legitimacy, i.e. to maintain a social “license to operate”, and a positive image among customers, regulators, the public and other stakeholders;
- to inform stakeholders on management decisions and the business model;
- to boost employee morale and to attract staff caring about sustainability.

Research has shown that companies that publish sustainability reports tend to perform well economically¹². This may be due to learning triggered by the reporting in the firm itself or to customers consciously or unconsciously valuing the reports.

On the other hand, firms are sometimes accused of producing sustainability reports for window-dressing or ‘greenwashing’ – in this case, organisational activities that superficially improve sustainability are put into the limelight while the core business is not addressed.

“The GRI guidelines provide organisations with a global standardized way to describe their economic, environmental and social impacts. The sustainability impacts of cities include those that result from policies, which is something that other organisations don't have. Topics such as employment rates are currently not included in the GRI G4 guidelines”
Maaïke Fleur, Global Reporting Initiative

Another hot discussion concerns the feasibility and usefulness of **monetization**, i.e. the attempt to calculate the financial costs and benefits of environmental and social effects caused by a company.

The methodology of “Social Return on Investment” (SROI) and “Trueprice” are widely used in this regard¹³.

Various standards and guidelines have been developed with the declared intention to contribute to the quality and meaningfulness of sustainability reports. The most widely recognized are the **Global Reporting Initiative** (GRI) Reporting Guidelines. They contain recommendations about the process, a report's general structure and content, and sample indicators per industry. In 2005, the GRI also issued draft guidelines for the public sector but no longer promotes these¹⁴.

"Our sustainability monitoring system is not the central management instrument of our city government. For this, the municipal administration is simply too big – all departments have their own key indicators. Regularly I'm approached and asked to adjust something. For example, the relevant department informed me that the precise definition of security or criminal incidents changed. This way we maintain coherence."
Werner Liechtenhan, City of Zurich

Companies are a priori selective what they publish, as they do not want to share certain business secrets with competitors. Against this backdrop, the GRI guidelines refer to information “**disclosure**”. This term is about making information available but does not imply attention on how it is used by key stakeholders.

Further trends in sustainability reporting in the commercial sector is the involvement of third parties such as accounting firms for external verification and methods of ‘sustainability accounting’.

Public organizations tend to be less secretive than companies and this is especially true with the approval of ‘freedom of information’ and ‘open data’ laws in many countries. Therefore, public sector sustainability reports are not usually framed as ‘information disclosure’ but rather as attempts to actively promote ‘information use’ by various stakeholders.

¹² See for example Hahn & Kühnen 2013

¹³ For a recent, publicly accessible overview of SROI applications, see Fujiwara (2015). True Price (www.trueprice.org) is a Dutch social enterprise offering worldwide consultancy services.

¹⁴ GRI's pilot guidelines for the public sector is available on request only. Cf www.globalreporting.org/standards/sector-guidance/sector-guidance/pilot-versions/public-agency
For a critique of the GRI's “managerialist” approach see Dumay et al. (2010)

In this regard, local government sustainability reports also have an important role to play in **agenda-setting, public education, and civic empowerment**.

As mentioned before, the scope of a local government sustainability report is much larger than that of a company. Among companies, frontrunners in sustainability reporting also attempt to look at ‘the bigger picture’, i.e. wider implications of their procurement and production or services, yet they have no reason to report on what others are doing. Local governments, however, are compelled to look at everything that is happening in their jurisdiction, where they obviously have no competitor as companies do.

The following table (Table 2) summarizes commonalities and differences between sustainability reports by companies and (local) governments. This is important because in the past, many people have tried in vain to copy reporting standards developed in the private sector to public organisations. While there is **much potential for mutual learning**, sustainability reporting by local governments can only succeed if it considers its **particular constraints and opportunities**.

Table 2: Comparing company and (local) government sustainability reports

| | Company sustainability reports | Governmental sustainability reports |
|--|---|---|
| Scope | Business activities, value chain | The city at large and policy fields under control of the local government |
| Typical target group | Public / customers, regulators, decision-makers, staff | Political decision-makers, senior civil servants, public |
| Purpose, intended benefits | Legitimacy, public relations, informed decision-making, employee morale | Legitimacy, informed decision-making, agenda-setting, social learning |
| Risks | “Greenwashing” | Information overload, biased “cherry picking”, political propaganda |
| Attitude to information sharing | Selective “disclosure” | Open data, information use |
| Related concepts | Sustainability accounting | Sustainability monitoring |
| Contested measurement tools | Monetization | Sustainability indices (aggregating various indicators), monetization |
| Reporting frequency | Typically yearly | Sometimes yearly, often at 2-4 yearly intervals |
| Reporting frameworks | Global Reporting Initiative (GRI) and others | Mostly tailor-made tools, loose references to GRI and other frameworks |

2.4 Strategies and examples in practice

Since the turn of the millennium, the writing of sustainability reports has also caught on among public sector institutions including local governments. Company reporting has certainly inspired this trend. How many local governments have issued sustainability reports? This question is not easy to answer. Contrary to company reports, in **the public sector no standards** have gained traction.

The Global Reporting Initiative (GRI) has a database of sustainability reports, and a search for “public agencies” yields about 450 results, most of which concern public sector companies. “Madrid Movilidad”, the public transport company of the municipality of Madrid mentioned in the introduction, is an example from this category.

Others are public utilities, port authorities, ministries, tax authorities, etc in several countries. The **GRI database** contains some 50 references to local governments. The Australian cities of Melbourne and Gold Coast are two examples of cities that use the GRI's framework as a basis for their general, annual reports. This is yet exceptional. A few dozen cities including Mérida (México) and Dublin (Ireland) issue separate sustainability reports based on the GRI framework. Yet many more cities write sustainability reports without recurring to the GRI but using their own indicator sets and reporting formats. Further, some local governments issue reports on a yearly basis but many choose multi-year intervals.

Why do local governments write sustainability reports? Similar to company reports, local governments' sustainability reports are also intended to serve various purposes such as increasing legitimacy, providing technical guidance for staff, and informing management and political decision-makers in a coherent fashion.

Example: According to the preface written by its Lord Mayor, Dublin's Sustainability Report 2013 “lays out in detail the vision, strategic goals, achievements and future actions for the city” and “seeks to empower citizens by giving them information on how the city is developing over time”.

In order to learn about the achievement of such ambitions, the study carried out on behalf of VNG International analysed the sustainability reporting by six European cities: Amsterdam, Basel, Dublin, Freiburg (Germany), Nuremberg and Zurich.

The crux is solving the tension between comprehensive and focussed. If one has the ambition to represent everything, achieving an integrated approach, you'll quickly face unmanageable amounts of data and too thick reports that nobody reads. Or you're describing in one chapter what you're doing against land grabbing and soil sealing, and in another chapter what you're doing against the shortage of housing and high rents, as if the two issues were not related. Then you have some cities that simply decide to zoom in onto something and restrict themselves to focus areas but are rightly challenged too.
Stefan Kuhn, ICLEI / Freiburg Sustainability Council

These ‘frontrunners’ have invested significant staff time to overcome common obstacles in data collection and to produce reports that look impressive on paper. Their challenge is making sustainability reporting effective.

One dilemma that has no simple resolution is the fundamental **trade-off between comprehensiveness and communicability** – if a report is too detailed it may be costly to produce and putting off non-experts, if it is too superficial it may lack action value or miss important aspects (cf Figure 3).

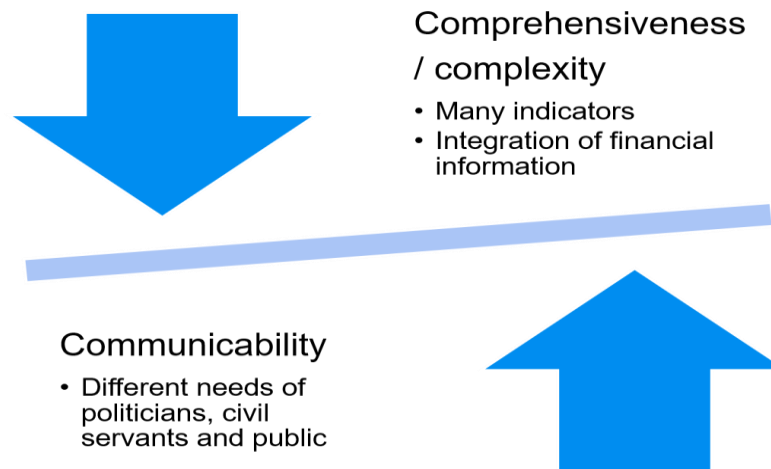


Figure 3: Comprehensiveness vs communicability

Facing this trade-off, the intuitive “middle way” or search for marginal cost curves is not necessarily the best answer. To the contrary, VNG International’s study suggest that certain middle ways may actually lead to disappointment: Local governments that produced comprehensive sustainability reports at short intervals (yearly) tended to be unconvinced of their value-for-money. Instead, more promising is the combination of either comprehensive reports at longer intervals (e.g. every three years) or yearly but executive reports.

“I am not a friend of yearly reporting because especially the big issues – air quality, education – don’t change that quickly. You won’t find a trend there. It seems to me that 3-yearly reporting is quite a good period”.

Peter Pluschke, Deputy Mayor, Nürnberg

Based on this evidence the following distinction of local government sustainability reporting types or strategies is proposed: The majority of the world’s local governments makes use of one or another sustainability indicator but has no sustainability reporting – this is represented below (Figure 4) as ‘Strategy 0: **Unsystematic**’.

A large number of local governments publish reports that relate to sustainability yet do not do so systematically. This is the case, for example, with environmental or social reports or one-off assessments written to inform a local sustainability agenda or strategic plan. One may consider such reports with limited discussion of sustainability as ‘Strategy 1: **Partial**’. Across the world, a number of local governments have started to look at sustainability reporting systematically. In this group, three strategies can be discerned: Some cities start publishing comprehensive, in-depth reports at longer intervals (‘Strategy 2: **Profound**’); others opt for yearly reports which tend to be more executive to be manageable (‘Strategy 3: **Frequent**’), and a few cities have worked on the systematic integration of sustainability considerations into annual reports (‘Strategy 4: **Integrated**’).

Figure 4: Type of report

| | | General reports | | Stand-alone sustainability reports | |
|-----------------------------|-------------------------------|-----------------------------------|--|------------------------------------|--|
| Attention to sustainability | Partial | Strategy 0 Unsystematic | Some sustainability indicators in general / annual report | Strategy 1 Partial | An assessment or activity report related to sustainability |
| | Systematic | Strategy 4 Integrated | Systematic integration of sustainability into general (annual / financial) reports | Strategy 2 Profound | Longer reports at multi-year intervals |
| | Strategy 3 Frequent | | | Yearly reports, generally shorter | |

Importantly, these strategies are not mutually exclusive but can be combined. What matters is to maintain coherence. For example, it makes good sense for a local government to work on the systematic integration of sustainability into its regular reporting (Strategy 4: **Integrated**) while also publishing stand-alone reports to address larger audiences. Once the sustainability agenda of a local government matures and technology offers new opportunities, it is natural to see an evolution of reporting systems.

Example: Amsterdam first produced two stand-alone sustainability reports (Strategy 2: 'Profound'). It then then worked for 3 years on the integration of sustainability issues into its Annual Report (Strategy 4: 'Integrated'). In 2015, Amsterdam decided to restrict the sustainability discussion in its Annual Report to issues under municipal control and to restart stand-alone sustainability reports (Strategy 3: 'Frequent') that will address the 'larger picture' and aim to reach larger audiences.¹⁵

To illustrate what these strategies imply in practice, the following table (Table 3) summarises key aspects of the sustainability reporting strategies of Amsterdam, Basel, Dublin, Freiburg (Germany), Nuremberg, and Zurich.

¹⁵ Amsterdam's "Sustainability Agenda" (2015) contains an interesting section on monitoring and reporting. See pages 58-60 in www.amsterdam.nl/publish/pages/675721/sustainable_amsterdam_27-3-2015.pdf

Table 3: Local government sustainability reporting: Six examples

| | Strategy | Type of reporting | Frequency | Content | Length, format |
|-----------|-----------------|---|--|---|---|
| Amsterdam | 2 Profound | Stand-alone sustainability report | 2005, 2008 | <ul style="list-style-type: none"> • Policies, table with indicators (no data) • Reference to GRI-3 | 96 pages (2006), printed + PDF |
| | 4 Integrated | Sustainability Indicators in annual report | Yearly (2010, 2011, 2012, 2013, 2014) to change in 2015 | <ul style="list-style-type: none"> • 10 indicators and self-developed index | 594 pages (2014), printed + PDF |
| | 3 Frequent | Stand-alone sustainability report | Planned to start in 2015 (yearly) | ? | ? |
| Basel | 2 Profound | Stand-alone sustainability report | Every 3-4 years (2001, 2005, 2010, 2013), discontinued | <ul style="list-style-type: none"> • Presentation of 21 indicators, discussion of trends | 67 pages (2013), printed + PDF |
| | 4 Integrated | Integration into general planning | Starting in 2016 | ? | ? |
| Dublin | 3 Frequent | Stand-alone sustainability report | Annual (2010, 2011, 2012, 2013), discontinued in 2014 | <ul style="list-style-type: none"> • 37 indicators • discussion of trends, actions and planned activities • GRI-4 Index | 35 pages (2013), PDF only |
| Freiburg | 2 Profound | Stand-alone sustainability report (annex to Budget) | Bi-Annually (started: 2014) | <ul style="list-style-type: none"> • Policies, strategy, management • Analysis of municipal impact on 5 pilot indicators • GRI-4 Index | 108 pages (2014) printed + PDF |
| Nuremberg | 2 Profound | Stand-alone sustainability report | Every 3 years (2009, 2012) | <ul style="list-style-type: none"> • > 100 indicators • discussion of trends • sample of municipal actions • outlook | 126 pages (2012) printed + PDF |
| Zurich | 2 Profound | Stand-alone sustainability report | Every 4 years (2004, 2008), discontinued | <ul style="list-style-type: none"> • 21 indicators • Discussion of trends, municipal actions, benchmarks, trade-offs | 58 pages (2008) printed + PDF |
| | 3 Frequent | Web site with "monitoring report" | since 2012: yearly updates | <ul style="list-style-type: none"> • 21 indicators • Municipal actions | Web site + PDF summary (31 pages) |

Which strategy is best? The **appropriateness of each approach** is influenced by many factors including:

- A local government's **resources** incl. staff capacities.
- The national and local **sustainability agenda, political discourse**, interest and participation of civil society, business, etc..
- The **availability of sustainability information** from official sources;
 - In some countries (e.g. the Netherlands), national Statistical Offices and municipal associations maintain dashboards directed at the general public with localised information on sustainability indicators. This can facilitate the writing of reports but requires coordination to avoid duplication of efforts.
- A city's **political and electoral system** (with consensual vs majoritarian governments, etc.);
 - In various countries, mayors are elected for 4-5-years; in parts of Germany they have 8-year terms.
- The **general budgeting and reporting cycle**;
 - In a growing number of countries, budgets have to contain performance indicators which provides an opportunity to bring in sustainability indicators;
 - In most countries, local governments are required to issue yearly financial reports yet some (e.g. in parts of Germany) have bi-annual cycles;
 - In several countries, local governments write compulsory environmental reports, social reports, etc..
- Legal stipulations concerning **transparency and privacy** of data.



Guy Morin, Mayor (President of the governing council) of the city canton of Basel

"The political system plays a role. In Switzerland including Basel, we don't have a majoritarian model of democracy but rather a consensual democracy. In this system, it is important to discuss conflicting interests and agree on general strategies at certain intervals."

Local governments interested in improving their sustainability reporting have to explore local opportunities, synergies and constraints to make their reporting system most effective (cf section 4).

3 What benefits and costs to expect?

Why should a local government start writing sustainability reports? What are costs and benefits?

The overall aim of the investment made into sustainability reporting is a contribution to sustainable development. In this regard, the ultimate benefit would be achieving a better quality of life, more environmental protection, a more sustainable economy, a more equitable society. Naturally, a report, as just one management and communication instrument, cannot be expected to have such an impact. Moreover, just as sustainability reporting strategies observed in practice show considerable variety (cf Section 2.4), costs and benefits vary from case to case.



“We have excellent sectoral reports that provide detailed information and measurements. Our sustainability report covers the meta level instead. It contributes to an overall context and identified trade-offs and conflicts. For example, it is one of our goals to reduce individualised motorised traffic and instead promote public transport and cycling but this also requires using space. This provokes a conflict with our goal to reduce land use and to protect biodiversity. This interdependency is visualised in our report”
Simone Pflaum, Head of Sustainability Management, Freiburg

Bearing these caveats in mind, VNG’s research produced evidence that local government sustainability reports can be effective in promoting evidence-based decision-making, accountability and communication for sustainability. However, one must not have the unrealistic expectation that a single report can fulfil all functions at once. Instead, it is essential to **tailor a sustainability report to the management and communication needs of a given local government**, and to embed it into other political processes. The writing of regular sustainability reports over longer periods is desirable to establish a record of accomplishment, yet even a single report can be perceived as useful.

Drawing on VNG’s study, the following benefits (section 3.1) and costs (3.2) are most likely to be relevant in various countries and settings.



Figure 5: Types of benefits and costs

3.1 Practical benefits

Practical benefit 1: Local learning among key stakeholders

Sustainability as a crosscutting topic requires knowledge and collaboration. Practitioners interviewed in VNG's study assert that the very production of a sustainability reports can facilitate both.

"Sustainability reporting has that function of stimulating a fundamental discussion: What are the right indicators, how do we use them? In our municipal administration, that process was very important; now it's less prominent. The act of reporting also is a signal with symbolic weight, which has an important function. And indeed, sustainable development is high on the public agenda in Zurich"
Werner Liechtenhan, City of Zurich

In this regard, **the process is the product**. Especially in larger cities, municipal departments tend to be silos. During the process of developing a joint reporting format, staff and other consulted stakeholders get familiar with sustainability concepts, data and establish effective work relationships. Civil servants increase their 'data literacy'. During the elaboration of a city's first one or two reports, this benefit is especially strong.

Practical benefit 2: Improved information systems

Reports require data. In parallel with the "Sustainable Development Goals", the United Nations calls for a "Data Revolution"¹⁶, and many national and local governments set out to upgrade their statistical systems.

Needs for improvement are greater in developing countries yet even richer cities tend to miss data on a number of desired indicators. Further, some indicators are updated regularly (e.g. yearly) and others at longer intervals. Most decision-makers lack consolidated knowledge of data availability.



"I was a member of the city council in the 1990s, and the level of indicator use was really poor. They told us how many kilometres of road there was, and then multiplied that by 2, and told us how many footpaths there were, and that was the level of sustainability reporting. So things have improved. When I was in the national government, we were certainly promoting the greater use of indicators by local authorities. Dublin city took the initiative" and produced this report.

Ciarán Cuffe, Member of Dublin City Council, previously Minister of State

Every sustainability report produces a '**data audit**', and this is an essential first step in the **improvement of localized information systems**. In addition, many cities use this as input informing 'open data' and 'smart city' projects that bring further benefits in terms of accountability and technological innovation.

Practical benefit 3: Evidence-informed decision-making

Some indicators - e.g. on crime rates - may influence policy in a more or less direct way as they command key political attention and are associated with well-established responses. Certain sustainability indicators - e.g. air quality - also help identify deficits relative to established norms. Mapping such data can be highly informative and feed into intra-city benchmarks.

¹⁶ Cf www.undatarevolution.org . The UN strive for annual reports on SDG progress.

Most indicators, however, exert more indirect and non-linear influence. This is because they need to be interpreted in context. Consider the example of resource flows of energy and waste - associated data are important but most meaningful if analysed together with other economic, social and environmental aspects.

"We observed that many sustainability reports just illustrated the status quo. One can of course put a red or green traffic light, but we believe it is essential for decision-makers to be informed about the impact of the actions they decide upon. Links with the city's budget provide a course of action. This is the potential of a report as a steering and management instrument."

Simone Pflaum, City of Freiburg

Three common target groups of reports are civil servants, political decision-makers and the public. The latter is most likely to benefit from enlightenment or general learning, with perhaps a few readers adjusting their behaviour because of certain suggestions on waste recycling.

Civil servants and decision-makers are more likely to use reports for actual decision-making and political purposes. Politicians may use the opportunity of seeing trends in data to agree on targets for certain indicators. Many stakeholders stress that an important **learning for political decision-makers is the recognition of trade-offs** between conflicting aims.

Practical benefit 4: Agenda-setting

Stakeholders interviewed in various cities have observed that the publication of a sustainability report helped **bring sustainability onto a city's political agenda**. It is good practice for cities to make data available in real-time, for example on web-based dashboards, as certain users will benefit from data that is as recent as possible. Differing time lags and publication rhythms, however, may contribute to a sensation of information overload and "not seeing the forest for the trees". Therefore, sustainability reports can be especially useful as they allow recapitulating and summarizing information while they also provide a link to action. In the dissemination of reports, the media play an important role as intermediary. To maximise dissemination effects it is good practice to tie the publication of a report to political processes and a comprehensive communication strategy including, for example, social media and public debates.

Example: In its triannual sustainability reports, Nuremberg maintains the same overall structure and indicator list while also dedicating each report to a "special topic" (e.g. land use) and organising public debates at the time of publication. This promotes coherence while also creating novelty designed to feed into local discussions.

Practical benefit 5: Legitimacy and a green profile

Local governments have to make choices. A transparent description of its priorities, what it has done and intends to do can increase public trust in this process. This requires honesty - the reporting will be counterproductive if it is perceived as selective and politicized. Adherence to international policy frameworks and indicator sets (SDGs, ISO, GRI, etc) is also likely to counter any perception of bias, as it reliance on external verification or certification schemes. When a local government **issues a credible sustainability report this will improve its "green credentials"**.

In many countries, a positive reputation is not only valued by local residents but also a factor influencing investment decisions by international organisations and companies.

“That carries weight if we are good corporate citizens, and we have our reporting, and show leadership with our reporting, such that they say: If Dublin City Council can do it, surely we can do it. And so you raise the game for everybody.”
Mark Bennett, City of Dublin

It will improve the standing of a city among its peers and serve as positive example for other organisations. If local companies feel compelled to improve their sustainability management too, the process creates additional synergies.

3.2 Typical costs

What does sustainability reporting cost? It is difficult to express this in straightforward economical terms. It depends on the type of reporting a local government chooses - simple or comprehensive - as well as the baseline situation. One can envision cities where most relevant data are already collected and analysed (locally or by a national statistics office) and others that lack most statistics. In developing countries, it is common that certain indicators - e.g. the quality of drinking water - ought to be monitored according to official rules but data do not exist or lack reliability. In such a case, the process of writing a report may highlight shortcomings and trigger better data collection, indirectly caused by the reporting exercise. As for direct costs, the following three categories are most common.

Typical costs 1: Data collection and management

Sustainability reports require data, and **obtaining and managing data always requires (human) resources**. For reasons of parsimony and coherence, official statistics should always be the point of departure. However, even in rich countries, local governments may want to have data on additional indicators. For example, subjective wellbeing is an important indicator (recommended at international level by the Stiglitz-Sen-Fitoussi-Commission) requiring surveys¹⁷. Sometimes one may want to make that extra investment, sometimes opt for less reliable yet cheaper data collection (e.g. with smaller sample sizes), and sometimes just stick to the statistics at hand. External verification or certification of data adds extra costs yet can increase the value and legitimacy.

Example: How to measure the development of sustainable transport? Aiming at the smallest common denominator available in most places, standardised indicator catalogues feature “automobiles per capita” (ISO 37120) and “average distance to public transport stop” (Swiss Cercle Indicators). However, the most informative indicator is the modal share, i.e. the percentage of trips made by car, public transport, cycling, etc. This requires expensive surveys that small local governments may not be able to afford while large cities (e.g. Zurich and Amsterdam) carry them out on a regular basis. In some medium-sized ones, civil servants lobby with councillors for the approval of necessary funds.

¹⁷ For well-written and publicly accessible documents with “lessons of societal progress indicators” see Srivens & Iasiello (2010)

Typical costs 2: Consultation and facilitation

For a report to be effective, its design needs to take local opportunity structures into account - one needs to define the reporting framework, scope, frequency, indicators, potential targets, reported actions, political sign-off procedures, etc. This requires **consultation with staff and ideally outside stakeholders** (e.g., a university) through meetings and workshops. Participation is essential to create ownership. In this regard, the eight “BellagioSTAMP principles” are very useful to consider.¹⁸

Example: The city of Ludwigsburg (winner of the German Sustainability Prize 2014) has published various, indicator-based sustainability reports since 2004 and combined their publication with so-called ‘Future Conferences’, thus feeding the discussions among more than 150 participating local stakeholders. The city of Freiburg (Germany) has established a Sustainability Council with 40 members from local business associations, universities, etc.

Typical Costs 3: Layout, printing and dissemination

Once a report has been designed and written, local governments generally invest into a professional **layout and the elaboration of infographics** in order to increase its accessibility. Printing is not a necessity - some cities (e.g. Dublin or Zurich) publish their reports on the internet only. Having said that, producing 500 printed copies is probably worth the extra investment as this helps to gain the attention of key target groups such as local politicians.

“It has been a lot of work to bring all indicators together but when we produced Nuremberg’s first sustainability report it had a resounding effect in Germany. We printed 1000 copies which we gone in no time”.

Susanne Sprösser, City of Nuremberg

It is good practice for all local governments to publish reports online, ideally on visually attractive and user-friendly sites. If resources allow for an extra investment, it is worthwhile to create reporting dashboards and cartographic, geo-referenced visualizations.

¹⁸ BellagioSTAMP is the name given by a group of international experts to eight principles for sustainability assessments and monitoring. Cf Pinter et al 2012).

4 How to start?

For local government sustainability reports, there are no universally agreed standards, neither at international nor at any national level. Some countries (e.g. UK¹⁹) have issued guidelines for the public sector but not specifically local governments²⁰. In light of the variety of differences in terms of legal, political and social contexts among and even within countries, it is desirable and necessary to adapt a reporting strategy to local needs and opportunities. This requires making good choices. The following section discusses several practical suggestions that various local governments will find useful to consider.

4.1 International frameworks, local relevance

It is paramount to strive for coherence as harmonised frameworks can facilitate learning and collaboration. At the level of data, comparability is certainly desirable. The current drive for the transparent, open sharing of information – propelled by technological advances and Open Data laws– will increase the potential for evidence-based governance. The UN's Sustainable Development Goals are designed to mobilise joint action at a global scale.

“There are many good ways. I find it important that an indicator set is not simply chosen by a municipal administration but justified. It's essential that the indicator set addresses themes that matter to a city. Housing, quality of life, childcare services – these are important themes for us in Zurich.

Werner Liechtenhan, City of Zurich

The **selection of sustainability indicators** and their **interpretation** is always to some degree **contested**, however, and uncritical standardisation can be counter-productive. Consider the example of “green space per person”, a typical sustainability indicator at city level where most people assume that the more is the better.

This may make sense in temperate climates but in arid zones the inconsiderate creation of parks creates tricky trade-offs between quality of life and water use. Further, **participatory** processes can lead to more **ownership**. In Seattle, annual counts of returning salmon were famously chosen as an indicator in the city's sustainability monitoring system, carrying more local meaning than some abstract measure of water quality.

In sum, both top-down, standardised approaches and bottom-up, participatory ways of dealing with sustainability monitoring have benefits, and most practitioners and researchers agree that this requires **careful balancing**²¹.

¹⁹ For example, the document “Public sector annual reports: sustainability reporting guidance 2014 -15” issued by the UK Government

²⁰ In Germany, the sub-national government of Baden-Wuerttemberg has guidelines, templates and supporting funds for municipalities interested in sustainability reports. Cf LUBW (2015) listed in reference section.

²¹ Cf Moreno Pires et al (2012) for a study on the use of sustainability indicators in Portugal

The following international frameworks are most relevant to consider:

Table 4: Frameworks with relevance

| Framework | Source | Comment |
|--|--|--|
| Sustainable Development Goals (SDGs) | United Nations | Over 160 indicators |
| ISO norm 37120:2014 Sustainable development of communities -- Indicators for city services and quality of life | International Standardisation Organisation | 100 indicators and shared data repository; several indicators of controversial usefulness |
| ISO 26000 Guidance on social responsibility | International Standardisation Organisation | CSR guideline for organisations (incl public sector). Can be easily connected to GRI |
| G4 Sustainability Reporting Guidelines | Global Reporting Initiative | The pilot "Public Sector Supplement" from 2005 is longer promoted by GRI |
| Integrated Reporting Council; forthcoming | Integrated Reporting Council | Argues for abolition of stand-alone sustainability reports |
| EU Directive 2014/95/EU on Non-Financial reporting | European Union | Mandates disclosure of non-financial and diversity information for all organisations in the EU with over 500 employees |

In addition, many cities voluntarily participate in initiatives (e.g. the UN's Global Compact Cities Programme, the Covenant of Mayors, Aalborg Commitment, etc) with certain monitoring and reporting obligations. Moreover, during the last years local governments united forced in a Global Taskforce²² to lobby fiercely for 'localizing' the targets and resources of the Post-2015 Agenda.

In many countries (e.g Switzerland), national, regional and local governments have agreed on additional frameworks that require consideration.

Practical suggestion: Select approx. 20-40 indicators with local sustainability relevance, applying "comply-or-explain" approach concerning nationally and internationally recognised indicator sets. Involve various local stakeholders in the selection process.

This will create coherence while avoiding counterproductive or meaningless reporting.

With regards to the SDGs, ISO 37120 and GRI, it is advisable that sustainability reports reference the use of associated indicators in an annex.

4.2 Content and quality

Whenever a local government publishes data on certain sustainability indicators, it could in principle call the resulting document a "sustainability report". A report proper, however, must not only contain data. Instead, a sustainability report uses data in order to interpret the sustainability outlook of a city and to explain local government action undertaken during the reporting period (cf Section 2.2)

²² Cf the website www.gtf2016.org

"It's useful to look at a broader definition of the inputs and outputs of a city, what exactly is happening in the city. In Ireland, the amount of competencies of local government are fairly small. So one could have a fairly incomplete picture if one only looked at the city council's own activities"

Ciarán Cuffe, Dublin City Council

The GRI's G4 Guidelines for Sustainability Reporting stipulate four principles about what a report must minimally contain (**stakeholder inclusiveness, sustainability context, materiality, completeness**) and six principles that define a report's quality (**balance, comparability, accuracy, timeliness, clarity, reliability**). These categories are useful to consider. For local governments,

they imply that a good report should contain a political statement, an identification of responsibilities and actions, an unbiased description of sustainability improvements and challenges, etc.

However, public sector organisations including local governments have specific needs. One of the major choices for a municipality to make is whether to focus:

- on the city at large or issues under control of the local government;
- outcomes (e.g., quality of life), outputs (e.g., water quality) or inputs (e.g. water infrastructure investments).

Practical suggestion: Identify and report on all indicators directly relating to local government competencies and services (these are most likely to be 'material' in the GRI's nomenclature) but also include other topics of high importance for a city's 'metabolism' and sustainability prospects. Taking these issues into account, one needs to weigh completeness and communicability. Good reports handle these competing ideals by containing short executive summaries that direct readers interested in more details to annexes and accompanying websites.

4.3 Frequency, scope and political embeddedness

The research carried out on behalf of VNG International on the practice of sustainability reporting has shown that the production of high content reports at short frequencies is not usually viable. Producing extensive annual sustainability reports require a lot of resources and will not show any change on many major indicators, contributing to reporting fatigue.



"If sustainability reporting is separate, we will discuss it separately in the municipal council. When we review the annual report, somebody might have a question about sustainability but the discussion will primarily be about finances. In this context, a separate report gets more attention."
Marijn Bosman, Member of Amsterdam City Council

Depending on a local government's context, various strategies can lead to success. For reasons of parsimony, it is important to link any sustainability report to other instruments that exist in a local government (e.g. statistical yearbooks, sector-specific reports, etc). Further, it is essential to identify the **most appropriate timing in a year's political cycle** for the launching event of a report.

"The more management and planning instruments exist in parallel, the less effective they become. In our system, we have departmental reports but they remain at the bottom of the drawer or somewhere in the administration. This is why we decided in 2013 to join cyclical assessments, planning, general reporting and sustainability reporting in a four yearly rhythm. If we manage to base the assessment on sustainability criteria and create an honest, unbiased picture, this will show effects."

Guy Morin, Mayor of Basel

If a city already possesses a political agenda and plans relating to sustainability indicators it is good practice to indicate in the report whether plans and commitment are being reached. Where appropriate, adding **"traffic lights"** to indicators (green: positive development, yellow: mixed, red: negative) can represent useful visualisations.

Especially in larger cities, it can be very informative to not only summarise information at city level but to also disaggregate and compare neighbourhoods. Links to internet platforms with **maps and geo-referenced data** are especially useful for this purpose. Comparisons to other cities and international benchmarks can also be informative – and tend to be highly appreciated by the media - but must be treated and implemented with care as they may blur and disregard differing context conditions.

Practical suggestion: In most contexts, it will make sense to begin with a more extensive report to create momentum (possibly followed by a succinct update after one and two years), and a major new report after three to four years. Dedicate major reports – just like a magazine – to special topics while maintaining overall structure. In parallel, strive for coherence by exploring which indicators can be integrated into general (annual) budgets and reports.

4.4 Internal leadership and external support



"I'd advise you to start with organisational development. What are the capacities of your municipal administration? This leads – if you want it easy, follow existing catalogues – to the choice of indicators that are relevant for you. Thus, you assemble an indicator set as your individual profile. But your first homework is to get the local government administration ready so it's able to achieve that act of systemic thinking"

Markus Kunz, Member of Zurich's City Parliament, Sustainability Researcher

Practitioners interviewed by VNG International stressed the importance that sustainability reporting is supported by **appropriate organisational structures and political leadership** – if someone without sufficient time, motivation, knowledge or access to other departments is tasked to produce a sustainability report, the whole exercise is liable to cause disappointment.

Various local governments that count as frontrunners in reporting possess staff units responsible for sustainability management with strong political support and managerial clout.

This is not to say that a local government needs to adopt such structures before sustainability reporting can be effective yet organisational development also requires attention.

Sustainability reporting can bring benefits but also requires **resources**. Especially for a first reporting exercise and in smaller local governments, not all required capacities may exist in-house and it can be more efficient to recruit **outside assistance**. Working with external partners can thus decrease workload, bring in required expertise, and may also increase legitimacy if a reputed institution (such as a local university or possibly an audit company) participates. On the other hand, outsourcing the process can lead to a loss of ownership and less capacity building and comes about with its own transaction costs.

Practical suggestion: Make sure that there is internal leadership and support. When external assistance is recruited, the local government maintains the lead and enhances its own capacities.

4.5 Keeping an eye of the use of reporting

"You have to say on the first day: We're going to do 5 years of sustainability reporting and then evaluate. Just to create that expectation. Because it's very hard to do a good job the first time. You have to learn the lesson."

Mark Bennett, City of Dublin

How to know it's worth it? The process of developing and writing a report is bound to trigger learning, and once published a report is a public document that is liable to be picked up by many stakeholders close and far. On the other hand, a **local government's needs and opportunities will change over time** and it would be misguided to establish some reporting format and then stick to it uncritically.

Evaluative thinking is important, and this involves asking questions of success and failure. Therefore, it is good practice for the department responsible for issuing the sustainability report to also develop and maintain a simple but effective evaluation framework²³.

Practical suggestion:

1. Define criteria of success and failure:
What are signs that reporting has been worthwhile (distinguishing instrumental, conceptual and political use and influence)? When has it failed expectations?
2. Monitor references:
Standard indicators for dissemination effects: media references, ideally with a note on their purport; internet hits, download statistics; internal references (by municipal staff or in municipal documents); interview requests.
3. Get feedback:
Record unsolicited feedback (formal or informal) on the reporting process and report itself. Carry out interviews or surveys, asking key stakeholders (senior civil servants, office holders, NGOs, media representatives, etc) what they think of the report. This brings the added benefit of drawing yet more attention to sustainability reporting.

²³ Some evaluation frameworks developed for community indicator initiatives contain useful guidance (cf Macdonald et al 2012)

5 Where to find further resources?

This introduction into of sustainability reporting by local governments can not deal with the topic exhaustively. Readers interested in further information may want to consult the following selection of references (some of which have been chosen for being open access) and get in touch with VNG International.

5.1 References

- Dumay, J, Guthrie, J. & Farneti, F. (2010). GRI Sustainability Reporting Guidelines For Public And Third Sector Organizations. A critical review. *Public Management Review*, 12, 531-548.
- Ebrahim, A. & V.K. Rangan (2010). The limits of nonprofit impact. A contingency framework for measuring social performance. Harvard Business School. Accessible at www.hbs.edu/faculty/Publication%20Files/10-099.pdf
- Government Accountability Office (2011). Key Indicator Systems: Experiences of Other National and Sub-National Systems Offer Insights for the United States. Washington. Accessible at www.gao.gov/products/GAO-11-396
- Hahn, R & Kühnen, M (2013). "Determinants of sustainability reporting: a review of results, trends, theory, and opportunities in an expanding field of research." *Journal of Cleaner Production*, 59, 5-21.
- Kitchin, R, Lauriault, T & McArdle, G. (2015). "Knowing and governing cities through urban indicators, city benchmarking and real-time dashboards." *Regional Studies, Regional Science* 2.1: 6-28.
- LUBW (2015). NI-Berichte fuer Kommunen. Leitfaden zur Erstellung von kommunalen Nachhaltigkeitsberichten. Karlsruhe. www.lubw.baden-wuerttemberg.de/servlet/is/240401
- Macdonald, B, C Rust, C Thrift, D Swanson (2012). Measuring the Performance and Impact of Community Indicators Systems. Winnipeg: IISD. Accesible at www.iisd.org/pdf/2012/measuring_performance_communtiy_indicators.pdf
- Pintér, L., Hardi, P., Martinuzzi, A., & Hall, J. (2012). Bellagio STAMP: Principles for sustainability assessment and measurement. *Ecological Indicators*, 17, 20-28. (Also see www.iisd.org/measure/principles/progress/bellagiostamp)
- Moreno Pires, S., Fidélis, T., & Ramos, T. B. (2014). Measuring and comparing local sustainable development through common indicators: Constraints and achievements in practice. *Cities*, 39, 1-9.
- Scrivens, K & Iasiello, B. Indicators of "Societal Progress": Lessons from International Experiences. No. 2010/4. OECD Publishing, 2010.
- Van der Esch, S & Steurer, N (2014). Comparing public and private sustainability monitoring and reporting. PBL Netherlands Environmental Assessment Agency. www.pbl.nl/en/publications/en/comparing-public-and-private-sustainability-monitoring-and-reporting
- Waas, T, et al. "Sustainability assessment and indicators: Tools in a decision-making strategy for sustainable development." *Sustainability* 6.9 (2014): 5512-5534.

Links to local government sustainability reports mentioned in this report:

| | | | |
|------------------|--|-------------------------------|----|
| Amsterdam | www.amsterdam.nl/gemeente/organisatie/ruimte-economie/ruimte-duurzaamheid/ruimte-duurzaamheid/making-amsterdam/sustainability/ | Dutch English | + |
| Basel | www.entwicklung.bs.ch/grundlagen/nachhaltigkeit/nachhaltigkeit-messen.html | German | |
| Dublin | www.dublincity.ie/main-menu-services-water-waste-and-environment/sustainability-and-climate-change-dublin-city | English | |
| Freiburg | www.freiburg.de/pb/.Lde/206068.html | German | |
| Nuremberg | www.nuernberg.de/internet/umweltreferat/nachhaltigkeit.html | German | |
| Zurich | www.stadt-zuerich.ch/nachhaltigkeitsmonitoring | German English summary) | (+ |

5.2 VNG International

VNG International, the International Cooperation Agency of the Association of Netherlands Municipalities, supports municipal reform and innovation in numerous countries. It has a record of accomplishment in decentralization, fiscal management, social accountability and benchmarking projects and is building up its expertise and advisory services regarding sustainability reporting.

In the field of sustainability, VNG draws on the experience of various monitoring tools developed in The Netherlands – three exemplary tools are a benchmarking site used by all Dutch municipalities (www.waarstaatjegemeente.nl), a dashboard dedicated to the energy transition (www.lokaleenergieetalage.nl), and the local sustainability meter (www.duurzaamheidsmeter.nl). Similar tools may also be useful for association of local governments in other countries, yet their development presupposes the existence of advanced statistical systems and requires larger investments in technology and maintenance.

As entry point, sustainability reporting promises to produce tangible benefits while also leveraging additional governance, tools and actions for sustainability.

Therefore, VNG International aims to help local governments in various contexts make the writing of well-designed sustainability reports a worthwhile 'green investment'.

You can contact VNG International's specialists through vng-international@vng.nl.