



The views of managers from a local coastal council on sustainability reporting issues

An Australian-based case study

Sustainability
reporting issues

139

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Abstract

Purpose – The purpose of this study is to provide explanations for the factors affecting sustainability disclosures by a local coastal shire council in Australia. Drawing on the theory of accountability, a further aim is to examine how this information is communicated to stakeholders.

Design/methodology/approach – A qualitative and case study approach is adopted for this investigation. The main sources of empirical data are semi-structured interviews with the senior managers of the council, observation and the use of publicly available documentation.

Findings – Significant issues relating specifically to this council were identified as managing population growth, planning for land use, climate change and community engagement. These issues were addressed through various forums such as the annual report, a sustainability report and through community engagement meetings. There was also little evidence to suggest that the global reporting initiative is influencing how the local council was accounting for its social and environmental activities.

Practical implications – Coastal regions are fragile areas that are subjected to varying degrees of pressure on their environment. This study suggests that community demand for information on sustainability is commencing to change the content of the council's annual report.

Originality/value – Much attention has been paid to the role and extent of sustainability reporting in the private sector, however, less research has been devoted to investigating this area in the realm of the government sector.

Keywords Economic sustainability, Financial reporting, Local government, Australia

Paper type Research paper

1. Introduction

Globally, there is continued emphasis and importance placed upon how the activities of organisations and individuals affect the environment. It appears that federal, state and local governments in Australia now have dedicated departments or units whose primary function is to measure, report and limit the impact organisations have on the environment. For example, at the federal level, the Department of Climate Change (DCC, 2008) has as its primary focus the reduction of greenhouse emissions. At a state level, the Victorian Government's Department of Sustainability and Environment (DS&E, 2008, p. 6) employs approximately 2,500 staff and has a net asset base of \$8.7 billion. At the local government level, various councils have dedicated units or personnel whose main task is to manage and report on social and environmental issues. However, these positions normally reside outside of the accounting/finance unit.

Social and environmental concerns are important on several fronts. It is now acknowledged widely that each activity we undertake has an effect on the environment, and that there is a need to change our activities to reduce this impact in order to avoid



irreversible damage. With this in mind, government as a policy maker is in a powerful position to implement changes (either voluntary or through law) to encourage organisations to investigate how their current operations could be changed to reduce or eliminate negative environmental effects.

The local government sector in Australia is significant in terms of its social, economic and environmental effect on communities. In its 2010/2011 budget submission to the Australian Government, the Australian Local Government Association (ALGA, 2010) reported that the local government sector employs around 178,000 people (almost 10 per cent of the total public sector), owns and manages non-financial assets estimated at \$212 billion (2006-2007), and has an annual expenditure of around \$24 billion (2007-2008) (more than 6 per cent of total public sector spending).

Further, councils located on Australia's coast are subjected to new social and environmental pressures. What these pressures are and if and how they are reported, is the subject of this investigation. This is critical because it has been recognised that coastal communities are highly vulnerable to climate change and other related social factors (DCC, 2009b). For example, the "sea change" phenomenon (where predominantly young families and retirees move from metropolitan areas into coastal communities) has added new challenges to how coastal councils manage their own activities. Typical of the transformation along the coastline, the township of Mandurah, located 75 kilometres South of Perth, experienced the second highest annual growth rate in Australia, adding 15,000 new arrivals during the year ended 2010 (Australian Bureau of Statistics (ABS, 2009)). This project investigates how the reporting function of one such "sea change" council located in Victoria – the Surf Coast Shire (SCS) – has changed in light of sustainability concerns.

There have been numerous estimates provided by the scientific community that climate change events such as sea-level rise, the frequency and severity of storms, floods and droughts will have major influences on coastal communities. For example, projections provided by the Intergovernmental Panel on Climate Change (2007) suggest a sea level rise due to climate change of up to 79 centimetres by 2100. Again, coastal communities appear to be "in the front line" and highly vulnerable to the consequences of climate change. There are many uncertainties to deal with, and stakeholders are interested in how such communities will respond to differing levels of risk and uncertainty. Engagement with the community will be an added challenge, given that the expected consequences of climate change are long term (50-100 year predictions). This may be cause for concern because councils normally experience a standard four-year council term, which is a rather short term by comparison.

This study contributes to the knowledge base by undertaking in-depth interviews of a local coastal council that is subject to significant contextual factors such as the previously described sea change phenomenon and climate change. Special attention is given to understanding the motivations for sustainability reporting (SR), who are the key stakeholders in the sustainability arena, the role (if any) of the finance/accounting unit, and how SR will evolve. On a practical level, this type of research can assist local government managers by explaining how councils could improve their sustainability accounting and accountability as a precursor to improved sustainability practices. This need is supported by the work of Adams and Larrinaga-Gonzalez (2007, p. 339) who assert:

Research which engages with those organisations that practice sustainability accounting and reporting has the twofold aim of drawing from the field the rationales that the

actors use to construct sustainability accounting and accountability and, directly or indirectly, enhancing practice.

Other coastal councils in Australia and the local government sector generally, will be facing similar challenges to the SCS. Thus, any strategies or suggestions for improved SR or practices will be relevant more broadly. Hence, the role of internal managers and the need to follow the strategic direction provided by council to satisfy the expectations of a growing, “information hungry” external stakeholder group can provide useful insights into how council managers deal with (at times) competing influences. Local governments appear to be best placed to connect sustainability issues with the community they serve. Several federal and state government produced policies on sustainability issues require local government to implement these strategies at the local level. Some examples of these policies include, effective engagement: building relationships with community and other stakeholders, produced by the DS&E (2005), and climate change adaptation actions for local government, which is a DCC (2009a) publication. In addition, the success of community engagement forums (Section 4) presented by various local councils is an indicator of the relevance of local government to continue to support and educate the public on sustainability matters.

In sum, the motivation for this project is justified on several grounds. The context is the local government sector, which has been shown to be significant in terms of its financial, economic, social and political influence on society. The topic of sustainability in the public sector warrants further attention due to a lack of research in this domain and also because there appears to be an opportunity to influence change. Councils often benchmark their activities and approaches with their counterparts that have similar characteristics. Identifying if and how sustainability disclosures are undertaken, and in which context, can also be useful for council managers to assess the relevance for their own organisation. Contemporary issues such as the sea change phenomenon and climate change are beginning to present complex and often sensitive challenges to a community that often finds them difficult to understand, and these communities will need a vehicle for voicing their concerns. Addressing appropriate communication mechanisms will be an on-going process for councils to address.

The paper is structured into four sections. Section 2 discusses the extant literature on theoretical frameworks relevant to SR and reviews previous investigations focussing on the public sector. Section 3 outlines the research method employed. Section 4 details the research findings. Section 5 discusses the main conclusions and includes suggestions for further research.

2. Literature review

There are currently great expectations that national governments will provide frameworks and targets to achieve specified environmental objectives (note the recent media reporting of the G8 Summit 2009 in L’Aquila, Italy and the tensions surrounding the attempts made to achieve an accord between countries at the 15th United Nations Climate Change Conference in Copenhagen, Denmark in November 2009). This suggests that society does not expect that private sector corporations will be self-motivated to develop SR and practices that are meaningful and relevant for policy makers. In contrast, Ball and Bebbington (2008) suggest that public sector organisations have great potential to advance sustainable delivery of services through the information obtained via SR.

It is plausible to suggest that public sector organisations have the potential to implement innovative sustainable practices and report on these activities. The well-founded notion of public sector accountability can be used to further prompt agencies to identify and report on sustainable practices. At a fundamental level, the term “accountable” means to justify and take responsibility for one’s actions (Sinclair, 1995). However, accountability is not a static notion and several layers have been identified. These include accountability for probity and legality, fiduciary, political, process, performance, programme, policy, financial and managerial accountability (Stewart, 1984; Gray and Jenkins, 1993; Rubin, 1996; Taylor and Rosair, 2000). Historically, the focus of attention with respect to accountability in the public sector has been on probity and process. That is, the area of greatest concern was that public officials and managers were honest and completed their assigned responsibilities in accord with a rigid set of guidelines that were usually handed down from another higher order authority, such as a state or federal government (Steccolini, 2004).

The seminal work of Hood (1995) introduced greater emphasis on public sector organisations using private sector management tools for their day-to-day activities. This included a shift away from policy making and towards hands-on management, where greater attention is given to searching actively for better value for money. There has been a move away from process-oriented management to one where outputs and outcomes can be measured with notions of effectiveness and efficiency ingrained in the psyche of public sector managers. Moreover, greater use is made of market mechanisms, such as contracting out and outsourcing, to achieve well-defined objectives.

Given the direction of federal and state governments in Australia, it is reasonable to suggest that the local government sector will be in a position to employ many of these set policies and programmes. One rationale for this is that the local government sector “sits much closer” to the community and is better able to fulfil the intentions of state and federal governments. Therefore, the management of local councils will be entrusted with the resources to, for example, minimise the effects of climate change and so their managers will be accountable for the choices and delivery of such programmes. The notion of public sector accountability should also be raised as a motivation for providing voluntary disclosures under the realm of SR.

A common method to discharge the obligation of accountability is through the medium of the annual report. However, annual reports are not a panacea for all accountability problems and their utility is limited. Steccolini (2004) investigated 30 Italian annual local government reports and found that local governments simply comply with what is required by law and produce generally poor reports. Similarly, Carnegie and West (2005) argued that the “fashion” to value assets which they deem non-financial did not improve accountability. This occurred at the City of Warrnambool where Norfolk pine trees were valued at \$6 million in the asset value summary. After a subsequent fire resulted in \$24,000 worth of damage to these trees, the authors argued that the amenity (shade protection), sentimental and emotional loss from the fire far exceeded the financial damages cost. That is, attaching monetary values to all resources does not necessarily improve accountability.

The use of annual reports to assess social and environmental disclosures has been used by several researchers to identify “favourable” organisations (those with extensive social and environmental disclosures) as opposed to “unfavourable” ones which have limited disclosures (Gray *et al.*, 1995; Campbell, 2000; Deegan *et al.*, 2000;

Moneva and Llana, 2000). Content analysis of annual reports fails to gain a deeper understanding of the motivations for sustainability disclosures in the first instance. Further, many rich and contentious views on the topic of sustainability are simply not available in annual reports – a fact pointed out by Lynch (2010, p. 42):

[...] more insights into the factors influencing disclosure practices could be discovered through more interview data.

This project seeks to fill this knowledge gap by undertaking extensive in-depth interviews with senior managers of a local council.

Legitimacy theory has also been used widely to explain why organisations provide environmental disclosures in annual reports. Put succinctly, organisations with inferior environmental performance are assumed to provide additional positive environmental disclosures, thus, endeavouring to maintain their legitimate status in society (Cho and Patten, 2007). This notion is supported by Deegan (2002) who questions the definition of sustainability reports and what they should contain. He also posits several possible motivations for why managers report on such activities. These include managing particular stakeholder groups or complying with community expectations and/or pre-empting further disclosure regulations (Deegan, 2002). However, in the context of the public sector, simply “not being left behind” or identified as being the only (in this case, local council) organisation not providing some form of sustainability report would also be a plausible explanation.

Numerous studies have investigated sustainability accounting in the public sector. Ball (2005) examined environmental accounting in a UK local government council using a model of change developed by Larrinaga-Gonzalez and Bebbington (2001). The findings suggest that most progress is made where there are clear failings in the current service provided (in this case, waste management and transport services). However, it is still unclear whether environmental accounting information instigated the change in these services. Guthrie and Farneti (2008), in their study of seven public sector agencies in Australia, determined that there was little agreement between these entities as to what they thought sustainability meant. Further, the extent of SR was based primarily on a few individuals championing the cause of SR. These individuals held powerful positions in their respective agencies and this enthusiasm needed to be passed on to others if changes to personnel occurred. There was agreement from the managers interviewed that the benefit of adopting the global reporting initiative (GRI) was because this framework was well known internationally (Guthrie and Farneti, 2008). However, because it was of such a general nature, it was not always suitable for specific agencies operating in distinct industry sectors. These studies explore the motivations for SR. What was not considered was whether the “setting” of the public sector agency had any influence on the type or extent of disclosures. Investigating a “sea change” council in a coastal setting would provide further insights to whether this context was relevant in influencing SR.

Sustainability research conducted with special reference to the public sector by Larrinaga-Gonzalez and Perez-Chamorro (2008) examined the activities and reporting mechanisms of nine public water companies, and discovered that only the largest companies had any form of sustainability reports. Most companies had informal methods for communicating their objectives to various stakeholders. However, the authors implied that not producing formal sustainability reports did not reduce the ability of these companies to discharge their accountability function.

Adams and McNicholas (2007) undertook a case study of a government-owned statutory water authority using an action research method. This entailed among other things, observations at in-house meetings. They found that although there was a strong commitment from the CEO and sub-ordinates to the notion of accountability, there was a notable lack of knowledge from managers on how to develop a sustainability reporting framework. Moreover, these authors surmised that their presence at in-house meetings made the managers feel uncomfortable about their lack of knowledge of SR, thus providing the stimulus for change in the organisation. The outcome of this process was that this water authority now integrates SR into its planning and decision making. This has led to improvements to sustainability practice. It is reasonable to suggest that many public sector organisations would feel uncomfortable with this approach to “knowledge building”. It nevertheless points to the fact that other agencies are facing the same problem and are looking for advice and support in developing their own models for SR.

Although investigating the SR and management practices of seven private sector companies, Adams and Frost (2008) suggest that there was a diverse range of ways in which companies were presenting their sustainability information. Also, the dominance of the business case, or simply a focus on profits, led the authors to suggest that governments need to become involved further (perhaps through legislation) to support greater accountability.

Ball and Bebbington (2008) have also called for more research on SR with special reference to the public sector. They argue that sustainability development performance is more likely to be reported in regionally based organisations where there are currently sustainable development standards already in place. The role of accounting in developing, monitoring and reporting these standards would make a valuable contribution to knowledge for this field of study as well as provide some insights into how this reporting can complement the role of accountability.

It has been demonstrated that the size and influence of the local government sector is significant. This project is exploratory in nature with the intention of ascertaining the reasons for the current state of play of SR within a unique coastal council.

3. Method

Adams and Larrinaga-Gonzalez (2007) argue strongly for the conduct of what they term “engaging research” focussing on the micro/internal processes that lead to change in SR. Further, they stress that emphasis on engagement research is not (simply) concerned with analysing the type and volume of sustainability information produced by organisations, but should yield a deeper understanding of the interplay between internal and external stakeholders. Research conducted “in the field” should allow immediate follow-up of issues not yet dealt with in the literature. This also enables an understanding of what it is like for managers facing a particular situation, which is otherwise known as ethnography (Irvine and Gaffikin, 2006).

The research method is interpretative and makes use of qualitative data such as interview transcripts and observations (Albelda-Perez *et al.*, 2007; Belal and Owen, 2007; Guthrie and Farneti, 2008). The study is exploratory and based on the presumption that the knowledge gained would be used to develop and refine further research enquiry. Moreover, given that field studies are essentially theoretically driven, the findings can be used to accept or reject some of the principles underlying public sector accountability (Ahrens and Chapman, 2006). Exploring managers’ actions in order to understand them

is an accepted method for contributing to the knowledge base (Modell and Humphrey, 2008; Vaivio, 2008).

Initial phone and e-mail contact was made with general administrative staff of the SCS. Direct contact was not made with the interviewees initially as contact is screened by the administrative staff. Once the CEO of the SCS became aware of the research topic, he agreed to be interviewed and have other council officers involved in the project. Appropriate university ethics approval was sought and granted for this project.

Copies of the final report were distributed to the interviewees to ensure accuracy of case facts and that interpretations were reasonable. Because this is a qualitative field study, replication is not appropriate; rather, the expectation is that if the investigation was undertaken by another researcher, at the very least, the conclusions of the study would not contradict each other (Ahrens and Chapman, 2006).

Multiple methods and sources were used to collect data for this project including secondary information in published annual reports, and other specialised reports relating to the environment. Primary information was collected from observations, interviews and archival material.

Interview questions were open-ended and semi-structured. This interviewing method allows the interviewees a forum to discuss matters openly without being inhibited by narrowly focused questions. Interviewees can then elaborate upon what they believe to be pertinent issues within their organisation and permits them to provide an authentic account of what occurred. Examples of the types of questions asked during the interviews included:

- What are the two or three principal issues presently facing your council?
- In your opinion, what does the term sustainability mean?
- Does this council produce sustainability reports? Why or why not?
- Who or which groups are influencing SR? Are the influences internal, external or both?
- Which has been the most powerful influence? How is this determined?
- Which units/departments within your council report on sustainability? What form does this reporting take?
- What mechanisms (if any) are used so that stakeholders have some input into SR?

Five key personnel were interviewed for this study: the CEO, a Finance Manager, the Director of Corporate Services, the Organisational Development Co-ordinator and the Manager of Environment Planning & Emergency Management. The interviewees were selected on the basis of their expertise in the area of sustainability, accounting/finance and management. The CEO was also interviewed to provide a broad overview of the significant issues facing the SCS.

The interviews were of one to two hours duration and were tape recorded. Some of the questions asked were of a general nature, such as asking for views on sustainability and sustainability reports. Other more specific questions related to the use of the GRI and how risk management is changing because of climate change.

A familiarisation process of the interview transcripts was carried out so as to commence building a structure to enable deeper analysis. After undertaking a thorough review, a catalogue of concepts was noted as they began to emerge from a reading of the transcripts. From this initial list, an indexing scheme was used to bring together

and capture the recurring and/or dominant themes present in the interview transcripts – a process known as thematic analysis (Ritchie and Lewis, 2003). A hierarchy of main and sub-themes was created using thematic charts. Careful attention was paid to using terms drawn from the transcripts so that this part of the analytical process becomes grounded in the data. Initially, the chief investigator developed themes from a reading of the transcripts. Subsequently, a research assistant independently undertook the same task. No major discrepancies in the identification of themes were noted.

Some of the main themes noted related to the personal details of the interviewees, the mission of the SCS, the regulatory and political setting and the main economic, social and environmental features that characterise the SCS. The final stage of the analysis involved synthesising the original data. Here, judgement was required to ensure that just enough data and context was included to understand the point being raised without including excessive quotations which would be unwieldy and hinder the analysis. This exercise occurred more than once so that an appropriate balance between summarising, without losing context, was achieved. The approach adopted to analyse the data is supported by extant examples from earlier public sector research (Mir and Rahaman, 2007; Greasley *et al.*, 2008). There is no one correct method for categorising themes and intuition does play its part as well. This is advantageous as the richness and complexity of findings permit unique interpretations unstified by positivist limitations. As suggested by Parker (2008, p. 911):

For us, context *is* the main game.

It is in the context of the local government sector in a coastal setting that analysing what is can be explored. Moving towards the more perilous what ought to be territory is also entertained in section five, conclusions and further research, to encourage further debate on sustainability policy, strategy and implementation issues.

To provide a frame of reference for this project, the classification template used by Marcuccio and Steccolini (2009) was adopted. Themes such as population growth, climate change and community engagement were explored because these were the subject of investigation from prior research (Gurran *et al.*, 2008).

4. Findings

The SCS is located in Southwest Victoria approximately 120 kilometres from Melbourne. The scenic Great Ocean Road falls under the authority of the SCS and the world-renowned surfing breaks at Torquay and Bells Beach are also in the SCS. Hence, this region is influenced heavily by the surfing industry and tourism in general. Environmental issues appear frequently in SCS-produced flyers and information guides. Tourism and related activities in the shire are estimated to generate 4,560 jobs, which represents 50 per cent of all jobs within the shire. The SCS has 289 employees, and for the year ended 30 June 2009, the SCS (2009) controlled approximately \$340 million of assets and earned \$54 million in revenue.

The SCS has some peculiarities which makes research into this region particularly revealing. Although it has a permanent population of 19,629 (based on 2006 ABS Census), over 40 per cent of rateable properties are owned by people who do not live permanently in the shire. Therefore, during the holiday season, the population increases dramatically, adding significant pressures on the council's infrastructure and other services.

Following the election of a new council in November 2008, a council plan was developed for 2009-2013. Of the five priority areas developed, two refer specifically to sustainability. That is:

Sustainable and protected natural environment; which covers action on climate change, working with our community to promote environmental awareness and reducing Council's carbon footprint.

Sustainable development and growth; which commits Council to ensuring growth is ecologically sustainable and people focused, ensuring development provides a sense of place and enhances the character of townships and ensuring efficient, effective and responsive land use planning processes (SCS, 2009, p. 30).

The largest township of the SCS, Torquay, is about a 90-minute drive from the centre of Melbourne. This proximity and the valued natural assets are a significant drawcard for prospective residents to move there permanently or to use as a week-end retreat. The area also has a history of grazing and potato farming on land that is now being recognised by potential developers as offering considerable financial returns.

Managing population growth

All interviewees cited population growth as a major challenge for the council. This is also supported by the current Mayor, Councillor Libby Coker, who stated in the *2008/2009 Annual Report* that:

A central challenge is balancing environmental preservation with the pressures of population growth and development (SCS, 2009, p. 11).

Table I displays the change in resident population at five-year intervals between 1986 and 2006. During this time, the shire population grew by 79.3 per cent. By 2030, the population is estimated to grow to 41,000 residents – a 37.8 per cent increase on the current population.

According to the Director of Corporate Services:

I think in the first council I worked in (which was in New South Wales), the lion's share of the staff was situated in the infrastructure department: the outdoor staff, the workers. You come to the Surf Coast Shire and the directorate that holds the majority of the staff is in the sustainable communities directorate which includes the elements of your family services, and social services.

This view was supported by the Finance Manager who stated that:

Growth is number one, in terms of challenges. Not just population growth because population growth is a fairly limited term since we are a coastal council and half our population is not actually living here on a permanent basis and obviously travels from other areas. So making sure that we can provide the growth in our services to the growth of the community is by far and large the biggest challenge to this council. The thing that makes us focus on the longer term the most rather than anything is providing sustainable services to the current community and adapting to the new community that's going to be here down the track.

1986	1991	1996	2001	2006	2009
13,456	15,613	16,713	20,872	24,124	25,301

Table I.
SCS population

There are several aspects of growth that are a distinctive feature of the SCS. Population growth is being fuelled by Victorian State Government policy that identifies this region as a growth node. Growth is not just occurring in Torquay, but it is expected that growth in the towns of Grovedale and Waurn Ponds will also occur, due in part to the completion of a major ring road around Torquay. These two smaller towns are only a ten-minute drive to Torquay and so are very accessible by non-residents. In addition, a new major land development has been approved by the Geelong City Council (based approximately 20 kilometres from the offices of the SCS) called the Armstrong Creek development. This sub-division has a buffer of just 10 kilometres from Torquay and is eventually expected to house between 40,000 and 60,000 people.

Given that this major development is only a ten-minute drive from the beaches, walking trails and cafe/restaurant scene of Torquay, there is a great community concern that Torquay will lose its original identity and surrender the reason why people moved into this area in the first instance. Management of this growth and the reporting of service delivery are key challenges for the SCS, given the higher expectations of newer arrivals compared with the longer term residents, who are acquainted with a lower range of services compared with metropolitan areas.

Community disenchantment is also discernible from a reading of the letters section of the weekly local newspaper, the *Surf Coast Times*. Reference is given to “newcomers” as contributing to the various challenges/problems of population growth in the town, whereas “locals” do not appear to be implicated in being part of the cause for any social or environmental concern.

Although the virtues of population growth have been voiced strongly by the business sector (more people equates to more jobs), deeper analysis of this conclusion is warranted. The growth in employment and income is uneven. There is growth in the retail, tourism and food/restaurant sectors, but in these sectors jobs are predominantly part time, casual and subject to seasonal fluctuations. This type of employment is also poorly remunerated. In contrast, there are many highly paid opportunities in the trade sector, where population growth has created a huge demand for residential and commercial trade and building services (Gurran *et al.*, 2008).

Unlike growth corridors in outer metropolitan areas, many coastal councils have not planned or expected such population growth. The SCS has developed the Torquay-Jan Juc 2040 project to develop a growth management plan for Torquay-Jan Juc that takes into account community aspirations and preserves the community and the region’s strengths. It also outlines the level, scale and direction of growth that is being communicated to the community. How this project will be received by the community when future development proposals are submitted to council will be a test of its future viability.

Sustainability reporting

There is no clear definition of SR. The statutory requirements of the Victorian Local Government Act (1989) have meant that councils are focused on compliance reporting (DPCD, 1989). For example, sustainability could refer to financial sustainability, where an organisation wants to ensure that they have adequate resources to maintain and improve services or achieve an adequate return on capital. Conversely, sustainability could refer to the state of the environment. These differing views were expressed by various managers when asked what they thought SR was:

It's hard for people from a financial management background to move away from a financial sustainability meaning. Have we got enough money to make sure we're going to be able to maintain our current lifestyle, our current approach. I guess my personal view is that sustainability is about preservation or enhancement of the current situation so that's my view, if at the moment we are providing a level of service that's adequate to our customers, our rate payers, I would see sustainability as making sure we can continue to provide that level of service or better and we're not putting an increased burden on the rate payers to do so (Director – Corporate Services).

I guess I tend to look at it, as a long-term focus but it's actually about balancing the different elements of sustainability. I think both in the planning context and also in an annual reporting context, the focus has tended to be very much on financial sustainability, particularly at this council. There are historical reasons for that but certainly now and going forward that shift is now trying to broaden out that focus and balance it between financial sustainability, environmental sustainability, social responsibility. The challenge has always been, regardless of how we've reported, it's always been about getting the balance right and making sure that it's affordable and that it's what the community's expectations are (Finance Manager).

Twenty school kids asked me this the other day. I've been working in this area for a fair while and, yeah, you can read a lot of different definitions of what sustainability means but, for me, it's a process of constant change that we're in and an adaptation. To me, I reckon we've got to identify the really important things that we stand for, our values and our natural values and those sorts of things. What are those natural assets that are priceless? What are those social values and social assets that are the prime interests of human beings and how do we work to sustain or build those things up over time and that's a process of sustainability in my view (Manager, Environment Planning & Emergency Management).

Thus, those responsible for developing the council's budget and maintaining adequate financial recording and reporting records emphasised the financial element in sustainability. This is predictable given that these managers have accounting backgrounds and qualifications. However, it is also acknowledged that sustainability is a broad term and that it can encapsulate other environmental and social concerns. In addition, the statutory requirements have a very strong financial focus and this appears to be driving the current reporting format. Conversely, the manager for environment and emergency management focused on environmental assets and the need to ensure a long-term view on these matters.

There appears to be growing awareness that sustainability issues are the concern of all units in council and not just the "environmental" department:

Sustainability was historically seen as green and about the environment and was something the environment unit did. I think we're changing that focus (Organisational Development Co-ordinator).

The senior managers interviewed were aware of the changing community information needs, but further guidance is required in adapting the current local government statutory reporting requirements to community needs and demands. It is not unusual for employees from different units of the same council to have differing views on the meaning of sustainability. However, in this case, there does appear to be consensus regarding the need to focus on the long term and to address the expectations of current and future generations.

Unsurprisingly, the SCS has used the terms sustainability and SR in its annual report and in promoting its activities via its web site. Current SR guidelines

such as the GRI *Public Sector Supplement* (although designed specifically for the public sector) are voluntary. Further, there is the perception that the function of the accounting/finance unit of council is principally to implement the annual budget and accept and reject funding requests from other departments. The reactions of interviewees make it seem incongruous that the accounting/finance unit can or should have prominence in any SR development. Again, it was unclear whether this is a function of the history of the accounting unit or whether council finance managers have been unable to “sell” itself as a sustainability reporter. There is also a need to challenge the mindsets of managers in other non-accounting units to demonstrate how accounting can support sustainability. Nevertheless, the term “sustainability” is being used to symbolise effective environmental management (Gray, 2010).

Moreover, a council such as SCS can be a test case for applying new forms of accounting technologies. It is apparent that (at the very least) a new form of accounting language would need to be developed in this new sustainability environment. This is already happening in the context of a proposed emission carbon trading scheme. Inevitably, this language development will also occur in other areas of sustainability, particularly in matters relating to climate change.

Planning for land use

Land use planning is linked inextricably to population growth. Like other coastal councils in Australia, the SCS has had to deal with the perennial problem of providing an adequate supply of land for at least the next ten years while concurrently ensuring that the area maintains its coastal life style and amenity. That is, a delicate balance is required to allow people to enjoy the benefits of the coastal region, while, at the same time, being conscious of the views of the permanent residents who do not want to see their township over developed:

Torquay has been designated as a sort of growth node, you know, Torquay/Jan Juc, so we can't sort of shut up shop and say go away, we have to have at least 10 years land supply and developers are speculating and buying up land around the area and wanting zoning etcetera. So there is a lot of pressure from developers speculating in the market. That's probably where most of the pressure's from (Chief Executive Officer).

There has been heated debate regarding land use development in the SCS. During 2008/2009, there was much controversy regarding a proposed development known as “Spring Creek”. This proposed development of 600 hectares over a 30-year period would have accommodated between 12,000 and 14,000 residents. In total, 2,880 submissions were made to council but only ten supported the proposal. This response demonstrated the depth of feeling from the community regarding the proposal. A concerted community campaign against the proposal finally led to a protest meeting attended by approximately 2,000 people. The proposal was rejected. Council recognised the need to develop a long-term vision for the region and to have a broader view of the type of development the community wanted and where this should occur.

This level of community concern and engagement has, in part, been the reason why the SCS has now adopted the Torquay/Jan Juc 2040 vision plan. This is a strategic document providing guidance on the scale and type of land use development for the next 30 years.

This once-quiet sea-side hamlet is receiving numerous proposals for future land sub-divisions. In April 2010, some disquiet arose over why the council approved

an industrial land sub-division at the entrance to the township. It was argued that this would not provide an appropriate welcome to the beauty of the Surf Coast. Now only makeshift changes can be made such as negotiating the size of the new “Bunnings” warehouse store sign[1]! Although this may appear to be trivial to some sections of the community, it demonstrates the level of community feeling and attachment to the environment by its residents. It also heightens the awareness of councillors and council managers that they need to be fully informed of community expectations, before they approve land development proposals. Further, council now knows that the community wants to be integral to the decision-making process for land-development proposals.

Climate change

The reporting of climate change matters is also a relatively new phenomenon for local councils. Some of the predicted consequences of climate change include animal disease, more frequent and intense bushfires, coastal flooding, drought and heat waves, extreme storms, land degradation and water scarcity. One aspect that has dominated discussion for the SCS is emergency management with respect to bushfires. This has been prompted by the devastating bushfires in February 2009 in the Victorian regions of Kinglake, Marysville and surrounds, where there was significant loss of life and destruction of property. The fires affected nearly 80 communities across the state of Victoria, destroyed more than 2,000 homes and damaged approximately 430,000 hectares of land. In the aftermath of the fires, 173 people lost their lives and many others were seriously injured. The SCS is one of the highest risk fire districts in the state of Victoria and more resources are being deployed for fire management activities. The SCS contains five of the 52 high fire-risk towns identified by the 2009 Victorian Bushfires Royal Commission:

Certainly, the growth in resource allocation to areas of environmental management and strategic planning from a land use planning sense and then emergency management has totally changed, whereas that used to be more of a support function of the council supporting the CFAs and other emergency services organisations. It’s clearly becoming a function of council in its own right (Director, Corporate Services).

In particular, the coastal communities of the SCS are vulnerable to the fire threat because there is one major road, the Great Ocean Road, which would have to accommodate the bulk of road traffic in the case of an emergency; and because some coastal communities such as Lorne, Fairhaven and Aireys Inlet adjoin the Otway Forest, adding further emergency management concerns. The township of Lorne swells from 900 full-time residents to up to 20,000 during the summer holiday period. This has profound implications during extreme weather days. Potential road congestion and reduced visibility due to smoke and debris would be a significant threat. Beach enthusiasts, campers in the Otway Forest and significant groups of motor cyclists who regularly use the winding Great Ocean Road and the roads within the Otway Forest are also of concern to the council:

And that was a massive challenge in the 1983 fires, the Ash Wednesday fires. The thing that killed people was that they couldn’t get through on the roads; they couldn’t see where they were going. There are great valleys down by the side of the road. You couldn’t see where you were going. That’s where the life danger is, and if half of your community don’t live here, they don’t know the roads; it’s the panic that is the highest risk because you’ve got an unfamiliar community trying to get home (Finance Manager).

As a result of the bush fire threat, the SCS has reduced the risk by way of physical fire load reductions, and has also invested resources in developing a measurement system that can be reported and communicated to the public at large:

We've been trying to establish a sort of good measurement system, and a better accounting system for this because people want to know "am I at risk?" so, we can say "yeah, you are at risk." Well, how big is the risk? So things like changes to the fire danger levels on particular days. But in terms of the actual preparedness which is where you can report, this is the work you do the whole year – not just the work that happens when you're in response or recovery mode after an event. Prevention and preparedness work happens all year round. We are trying to monitor the percentage reduction in risk at a township level. That would be a really interesting thing to report in a sustainability report. Is Lorne 5, 10, 15, 20 per cent better off now as opposed to Ash Wednesday for example, in 1983? We're starting to put together a methodology to do that, based on science, a science-based methodology (Manager, Environment Planning & Emergency Management).

The other area that the SCS is addressing in terms of climate change is reporting on its carbon footprint. The council engages Planet Footprint to act as an environmental scorekeeper in areas such as energy, water and greenhouse reporting. The reports also provide benchmark comparisons with best practice councils.

The surfing industry has a significant influence within the SCS. The large international brands such as Rip Curl and Quiksilver have their head offices based in Torquay and are important employers in the region. The shire council has conducted a climate change forum to help educate the local community on this issue:

I think that a lot of those companies (surfing) would not like to ever see themselves as being unsustainable or, from an environmental point of view, causing unnecessary impact. They'd much rather see the opposite. I don't know whether those companies have actually sat down and said, where are they vulnerable from climate change and looked at their sustainability for much more than simple economic sustainability (Manager, Environment Planning & Emergency Management).

The State Government can't really have a direct influence other than to have good policy in place that supports the changes that we want. There is a place for somebody, somewhere (and probably it is in local government) to try to host, I think, the adaptation response of the community to some of the changes that are coming (Manager, Environment Planning & Emergency Management).

There was some concern that even though there were several organisations in the shire doing something about climate change there was little communication between them. It was suggested that a role for council was to establish a framework so that a climate change response can be made in a co-ordinated and structured manner.

Climate change adaptation is a policy whereby councils seek to protect, accommodate or undertake a planned re-location of its assets because of the future consequences of predicted sea level rise. A decision framework for this policy had not been developed at the time of this investigation, although the topic had been discussed at the senior management level. Identification of assets at risk to climate change would be one of the first items to be addressed and it seems plausible that the fixed asset register would contain the initial information requirements to make those assessments. This would provide another justification for the involvement of accounting staff in the formation and implementation of climate change policy.

Community engagement

Although the SCS subscribes to various industry bodies such as the Municipal Association of Victoria and the Victorian Local Government Association, it appears that the general community has the most influence on sustainability and SR:

The statutory obligations placed on the council are driven from the federal and state government, but if you look at council's plan, it's firmly based on the input received by the community (Director, Corporate Services).

I'd suggest it's certainly focussed on sustainable services rather than necessarily sustainable reporting. Naturally, the sustainable reporting follows on from that, but the focus is about the delivery of the services and what types of services we deliver. Obviously then how we deliver them is our budget document (Finance Manager).

The emphasis on using community engagement to help develop council plans has also been unusual. The SCS is unlike a metropolitan council where residents are concentrated in one geographical area. The SCS is very widespread, covering an area of 1,560 square kilometres with approximately 55 kilometres of coastline. Moreover, because 43 per cent of the ratepayers do not live permanently in the shire, the council was concerned that these ratepayers were not aware of some major decisions that could affect them. Therefore, the SCS set up council meetings in metropolitan areas of Melbourne. Council officers were surprised at the number of people attending these meetings and the enthusiasm and intellectual sophistication of these ratepayers:

So we conducted some community engagement sessions and we sent letters out and invited people along and we had consultation in our local community. We had two sessions in Melbourne. I think we had something like 128 people come along to all of those sessions, in total. Did we have some valuable feedback in those sessions? Yeah, I think we did (Organisational Development Co-ordinator).

The formal mechanism for facilitating community engagement adopted by the SCS is known as local area planning (LAP). The main objective of LAP is to "turn talk into community action" by acknowledging that communities have the skills, experience, knowledge and willingness to contribute to meeting their collective needs. LAP also enables communities to contribute to the council planning process.

It is apparent that these ratepayers are demanding more information from councils and are questioning the basis for decisions. There appears to be an acute awareness of the natural fragility of this region, and there is a vocal and active section of the community that is keen to minimise and prevent environmental damage. Although beyond the scope of this current project, it would be useful to gauge to what extent (if any) community engagement has on the type and extent of SR.

Councils such as the SCS are aware of what other councils are doing to improve community engagement. In that vein, another council, the Mornington Peninsula Shire (MPS, 2008), was mentioned as a leader in the field of community engagement. MPS is also a coastal community experiencing the sea change phenomenon. From the very beginning, it realised the need for a variety of methods for engaging the community, hence:

One of the next steps of the Climate Change Conversations is to develop a Community Engagement Plan, accompanied by detailed stakeholder mapping. This analysis will enable different engagement techniques to be employed for different sectors of the community (Minutes of MPS Council, 24 November 2008).

For example, a model building known as the Eco Living Centre has been developed to empower residents and visitors to make choices when designing, rebuilding or renovating their homes. The Climate Change Conversations programme has generated a large amount of activity having had 3,000 residents attend meetings during 2008. In addition, the Communities that Care programme establishes working partnerships between the community, agencies and organisations to promote healthy social and personal development and reduce risk factors related to problem behaviours such as drug abuse, school failure, school-age pregnancy, violence and crime. In the context of climate change, community engagement appears likely to be an area that will require much attention in future if objectives are to be met.

5. Conclusions and further research

There are several significant sustainability and climate change issues that are affecting, and will continue to have a major influence on, the SCS. The issues can be summed up as major population growth in and surrounding the Surf Coast region, the threat posed by bushfires, climate change, and the need for community engagement in council decision making. These contextual factors are beginning to influence the type and amount of reporting to external stakeholders. This appears to be achieved in a piecemeal fashion with a reliance on benchmarking with other councils and the knowledge and importance placed on sustainability disclosures by senior managers. Although there is no single accepted definition of sustainability, some consistent themes have been observed. For example, there is an emphasis placed on a long-term view and concern that the environment not be left to future generations in a worse condition than experienced by the current generation.

The first issue of population growth is significant given that it was a Victorian State Government-imposed policy that the SCS (and in particular Torquay) be designated as a growth node. Businesses are being encouraged into this area and job creation and services have continued to expand. This has occurred with opposition, mainly on the grounds that the town is starting to lose its original identity as a small, quiet coastal retreat. Although population growth is not a new challenge in society, it most likely is more accepted in major cities, where issues such as parking and traffic congestion, overcrowding of the public transport system and general frenetic activity is part of the long-established fabric of any international city. Contrast that with a coastal town where the long-held experience of no major traffic problems, easy access to shopping, and a generally slower pace of life is now being transformed into a hive of activity. This issue instigated the production of the Torquay/Jan Juc 2040 project. The SCS realised that they could no longer make planning or building decisions in a piecemeal fashion, which left a sense of “winners” and “losers”. If nothing else, the policy has been distributed widely and the community is aware of the type and scale of growth which will occur over the coming decades.

One possible outcome from the challenges of climate change and SR in general is that the departments within council will have to communicate with each other more than they have in the past. Presently, there appears to be little evidence of this inter-departmental communication occurring. As community expectations increase for greater and more complex data from councils, so too will the reporters need to meet these demands. Accountants and finance officers need to appreciate, understand and report on a much broader range of sustainability issues. The SCS produces a sustainability report and this will evolve as the council plan has a strong focus on the natural environment and the

impact of climate change. Currently, there are no mandatory guidelines on what should and should not be included in such a report, thereby reducing comparability with other councils. It also leaves open the opportunity for council officers to include any activity under the guise of sustainability, leading to more of a public relations exercise than informative data for decision making. Thus, the annual report (as a report card) over time will need to change to reflect this demand from various stakeholders for information on sustainability.

Progress on sustainability demands that the council work with other councils in the state, particularly those councils along the coastline which have similar social and environmental concerns. Thus, there appears to be a need for a co-ordinated approach among coastal councils in dealing with the reporting of climate change, population shifts to the Australian coast, planning and development issues, and the legal implications of development in an environment of rising sea levels. Some efforts towards co-ordination have already occurred with the formation in Australia of the National Sea Change Taskforce and the Australian Coastal Alliance. These groups lobby the state and federal governments to highlight the rapidly changing dynamic in coastal areas.

The question of where and in what form the reporting of sustainability items should occur is still unclear. The SCS is following the trend of other councils in producing a separate annual report as well as a specific sustainability report. However, as mentioned previously, because there are no clear guidelines on what to include and exclude from a sustainability report, it is becoming difficult for users to make comparisons across councils. There is now an opportunity for local governments to stamp their authority on this relatively new area of climate change and SR. In this, we can learn from past cases where short-term political decision making in terms of the budgetary process were made to the detriment of the long term (Ball and Seal, 2005). It has been demonstrated in this investigation that there are numerous serious environmental challenges facing this council to which it would presently be overly simplistic to suggest mature accounting solutions (Birkin *et al.*, 2005; Frame and Cavanagh, 2009).

In such cases where local government annual reports are reaching in excess of 150 pages, it must be questioned whether the annual report is the appropriate vehicle for disseminating such material. If the objective of council is for the community to receive, read and provide feedback on sustainability information, then research needs to be undertaken as to how this can be achieved effectively. Stakeholders may not warmly receive sustainability information among other complex sections such as “notes to the accounts”. Coupled with the diverse social and educational backgrounds of ratepayers, more thought needs to be given on how to “sell” the sustainability message to the community.

This challenge is linked closely to the issue of community engagement. There have been several approaches undertaken to involve the community in major issues such as climate change and population growth. The critical question, though, is whether these have been successful. Presently, evaluations are based on “the number of people attending” and some simple evaluation surveys provided to attendees at the end of the meeting. Further attention is warranted to examine what community engagement strategies work and to assess the influence these engagement sessions have on sustainability practices and reporting.

There have been several factors applicable to the SCS and reflective of other coastal towns that have become evident. Issues such as population growth and consequent land

and building developments have meant that the lifestyle reasons attracting residents in the first instance are now delicately poised. While development cannot be halted altogether, further innovative models of community engagement are required to maintain a cohesive identity. The findings from this investigation suggest that contextual factors are a significant influence on the strategy and focus of attention for other coastal councils dealing with similar challenges.

The findings can be explained in terms of both accountability and legitimacy theory. Neither of the two theories dominated during the interviews or in the published documentation. The accounting/finance managers steadfastly held on to the principles of budgetary control and ensuring that the principles of efficiency and effectiveness were upheld. Thus, the notion of public sector accountability was important to that group of managers. On the other hand, senior managers and councillors appear more concerned that their council is doing at least as much in terms of SR as other similar councils, thereby legitimising their activities. This finding is consistent with Marcuccio and Steccolini (2009) in that legitimacy was not relevant in influencing the content of reporting.

Further research needs to be undertaken to ascertain the problems with accessing data on sustainability items. For example, data on fuel loads in bushfire risk areas are only now beginning to be addressed in a systematic way following the recommendations of the Victorian Bushfire Royal Commission. Data are currently spread over different departments across different levels of government, making it difficult for councils in general to report on the fire risk. Another area where data are not collected on a systematic basis is vegetation on roadsides and the impact on the wet-lands flora and fauna during times of drought. There is an obvious monetary cost to council in tracking this data and it has come down to a matter of undertaking activities within the resource constraints imposed on council.

There is much scope for innovative SR practices to be developed within the realm of the local government sector. The main reason for this is that at the present time there are no mandatory reporting requirements in Australia specifically relating to SR. Therefore, there are two broad possibilities. First, the local government sector will wait to have reporting regulations imposed on them. This may lead to the “tick-the-box” syndrome that affects the current statutory reporting requirements. Or, second, councils will be left to their own devices, using networking, gathering external reports and employing consultants to help develop an appropriate reporting framework to deal with these new environmental matters. Either way, this calls into question whether additional sustainability disclosures provided by councils suggest that the current reporting regime fails in meeting the notion of public sector accountability. This point was raised by Senator Stephens (Federal Parliamentary Secretary for Social Inclusion and the Voluntary Sector) in her address regarding the possibility of mandatory SR for public sector agencies (Stephens, 2008). However, increased SR does not guarantee greater accountability (Adams, 2004). Further research focussing on whether the use of the GRI *Public Sector Supplement* in other countries has delivered useful information and improved accountability would be beneficial.

The need for capacity building is an area that also warrants further investigation. Accounting and reporting for sustainability requires staff to update their skill base. What form this takes is still developing. For example, council managers could undertake external professional development courses, undertake in-house self-development workshops or hire expert consultants. One or a combination of these may be required

depending on the current skill base within councils. Nonetheless, updating of accounting skills in the context of coastal councils is not limited to the accounting profession. Significant skill shortages also exist in the planning and engineering areas of these coastal councils.

Finally, longitudinal studies of tracking the identification of reporting inadequacies by councils and analysing the processes councils adopt in developing their reporting framework would provide rich insight into problems and possible solutions in SR and management.

Note

1. Bunnings is a hardware and home improvement chain with stores across Australia and New Zealand. Wesfarmers Ltd is a large public company listed on the Australian Stock Exchange and is the owner of Bunnings.

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160

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