

Consultation Paper on Public Sector Sustainability Reporting Guidance

Response to IPSASB

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Chartered Institute of Public Finance and Accountancy (CIPFA)

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Executive Summary

CIPFA is pleased to have the opportunity to comment on your questions concerning the advancement of public sector sustainability reporting.

We are supportive of the development of a comprehensive global baseline of high-quality sustainability reporting guidance, and we welcome the publication of this consultation paper. Some refinement of the proposals is needed if the Board is to achieve its aim of creating a high quality, widely applied global sustainability reporting guidance for the public sector. However, CIPFA supports the principle of public sector standards, but they must meet the different needs of stakeholders for the public sector i.e., taxpayers, civil servants and politicians, to ensure public and political accountability of sustainability reporting.

The objectives of public sector organisations are intrinsically linked to public interest and benefit, so it might be argued that these organisations have strong incentives to report and account for their impact on the environment, social wellbeing, and prosperity. Taxpayers and citizens increasingly want to know how public sector organisations are addressing sustainability challenges. Reporting on these issues provides public sector bodies with the opportunity to demonstrate how they are addressing the social, economic and environmental challenges ahead and enables them to be held accountable for their performance.

Response

IPSASB Preliminary view 1. *The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.*

The effects of human activity on our climate are becoming increasingly visible. As the climate crisis has worsened, the topic has also emerged as a leading priority for most governments, organisations and individuals. The private sector serves as a clear example of this trend – we have seen more and more companies incorporating non-financial information in their performance reports, which includes their impact on the environment. It is an extremely positive development. The only problem is that this practice of sustainability reporting has not, at least yet, materialised in the same way across the public sector. No organisation exists in isolation and performance cannot be measured only by traditional accounting measures. Therefore, the public sector needs to have a comprehensive and integrated view of its performance and impact on the environment and climate, as well as economic and social issues on which it can publicly report.

CIPFA's view is that there is a need for *global public sector specific sustainability reporting guidance*, encompassing all elements and levels of the public sector. If we think of public sector work as comprising four key categories: professional services (e.g. health care, education), administrative services (e.g. passport, driving license etc.), infrastructure development, tax raising and regulation; it is the latter two that are particularly distinct in being solely the domain of the public sector.

For some types of public sector organisations, such as state-owned companies (e.g. utilities, oil and gas), transport, health care providers, utilities, transport, etc. there will be considerable overlap with the nature of information required by stakeholders of their private sector counterparts. For other types of public sector organisation there may be no private sector equivalent, for example for emergency services, public agencies, local government, cities, etc.–Public sector guidance also tends to require financial accountability for spend on sustainable development initiatives.

We might consider public sector sustainability reporting to encompass:

- **IMPACT:** Information on the positive and negative impacts of the organisation on global achievement of the SDGs
- **STATE OF THE ENVIRONMENT/COMMUNITY and OUTCOMES OF POLICIES:** Information on the state of the economy, society and the environment under the organisation's jurisdiction and other information on policy outcomes related to sustainable development.
- **VALUE CREATION:** Data and information that creates long-term value for on an economical, societal and environmental level.
- **FINANCIAL ACCOUNTABILITY:** Information concerning spend on social, economic and environmental activities

So, impact is broader than IFAC's block 2 (referred to in your chapter 1) where public agencies, local government, cities, etc. measure the outcomes of economic, social and environmental policies and/or prepare 'state of the environment/community' type reports. With respect to block 1, these types of public sector organisations consider value creation as going beyond enterprise value. Public agencies and local governments are creating value for the economy, society and the environment.

In summary, in response to your preliminary view 1:

There is a need for a public sector specific standard for public agencies and different levels of government, such as local government and cities. However, there are many similarities between state-owned and private sector companies. Such organisations should use standards developed for these specific sectors that include additional guidance for state-owned/public sector organisations where relevant.

The aims and nature of public sector sustainability reporting practice and guidance is likely to differ from the private sector. While there may be higher levels of similarity on impact reporting there are likely to be new requirements to understand the state of the environment and community and outcomes of

policies. Public sector organisations can significantly influence other parts of the economy through policies including procurement.

IPSASB Preliminary view 2. *The IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.*

We welcome IPSASB taking a leadership role, with a view to potentially replicate the approach taken with financial reporting standards. IPSASB has extensive experience in standard setting in the sector. It has demonstrated its ability to adapt private sector financial reporting standards for the public sector and to create high quality public sector specific standards. It has strong experience in operating these processes. IPSASB is a trusted source of international public sector financial reporting standards. CIPFA is of the view that the organisation would be well equipped to take overarching ownership of the project. CIPFA's view is 'where things are the same, they should be treated the same' and the methodology and approach used for financial reporting should be utilized in the process of creating sustainability reporting guidance.

However, we would have concerns as to whether IPSASB as currently constructed has the expertise or capacity to develop sustainability standards. Our view is that the guidance, whilst developed under single leadership would benefit from drawing on the expertise of international sustainability standard setters. This project may best be viewed a collaborative endeavor to include stakeholders with different strengths and capabilities. Depending on the approach taken this may have implications for the timeline for the development of the international public sector sustainability standards.

IPSASB has a leading role to play, being the trusted source of international public sector financial reporting standards, but the need and relevance for impact reporting cannot be understated and in this landscape GRI for example has wide spanning experience that is crucial to tap into in order to establish a holistic all-encompassing approach. We strongly support that ISSB and GRI are collaborating and in our response to the [ISSB Exposure Draft on general requirements for disclosure of sustainability related financial information](#), we commented as such:

'CIPFA supports the ISSB's continued collaboration with GRI and encourage the ISSB to develop its *comprehensive* global baseline of disclosure requirements addressing enterprise value while taking into consideration whether some societal impacts may be relevant to investors' assessment of enterprise value. We believe this approach, coupled with cooperation with jurisdiction-specific initiatives has the greatest potential for a truly global system for reporting sustainability-related information that serves the interests of capital markets and broader society.'

Public sector guidelines should focus on financial data, impact reporting, state of the community/environment reporting, costs of social and environmental initiatives and value creation much more broadly defined than enterprise value. Reporting on risks and opportunities would need to be broader than just financial implications for the 'organisation'. CIPFA encourages the development of sustainability reporting guidance for the public sector taking into consideration financial as well as non-financial data sets and societal impacts serving the broader society. We support bringing multiple strands together under one umbrella; with indepth collaboration between different stakeholders as the key in order to move forward in the most proactive way.

CIPFA supports IPSASBs leading role, given the extensive organisational experience of the complex processes needed to launch and complete this type of project. However, we would like to see a further discussion about how IPSASB would leverage the expertise of others with a strong focus on collaboration, and resource the project including how the work would be funded.

In summary, in response to your preliminary view 2: IPSASB has specific experience of the public sector which puts it in a strong position to lead international public sector sustainability standards. However, GRI has experience of impact reporting and ISSB will be developing internationally applicable frameworks on the topic area – bringing these components together is key and our view is that the endeavor should be underpinned by collaboration.

We would like to raise the question of how the knowledge, expertise and capacity issues may be addressed and we would also like to see potential timelines expressed and shared as a follow up.

IPSASB Preliminary view 3. *If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5. In developing such guidance, it would work in collaboration with other international bodies, where appropriate, through the application of its current processes.*

We welcome this approach, and we ask for clarity on how such cooperation might look in practice.

IPSASB Preliminary view 4. *If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general sustainability-related information and climate-related disclosures as its first topics. Subsequent priority topics would be determined in light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.*

We recommend that the IPSASB first considers a) what type of public sector organisation(s) it is considering; and who is the audience and b) on which of the four areas of sustainability reporting listed in response to preliminary view 1 it will provide guidance.

IPSASB Preliminary view 5. *The key enablers identified in para 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.*

We agree with this list. An addition:

- Funding to provide the relevant resources necessary
- IPSASB members knowledgeable about public sector sustainability reporting

A key concern is the ability to deliver international public sector sustainability standards whilst not impacting the important work program for international public sector financial reporting standards.

Specific matter for comment 1. *What topics should be prioritised?*

See recommendations regarding the approach above.

In addition:

Interconnected approach: A harmonised, global system for reporting sustainability information will help accelerate sustainability; by providing reporting that addresses the climate crisis, by helping stakeholders in the public domain measure and assess progress towards sustainability objectives, and by promoting more sustainable organisations that will create long -term value for society.

Specific matter for comment 2. *Willingness to contribute financial or other support to the IPSASB?*

Given CIPFA's role as a standard setter, it welcomes the opportunity to offer support and to provide expert input informed by evidence.

Yours sincerely,



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