

September 6th, 2022

IPSASB
277 Wellington Street West
Toronto, ON M5V 3H2
Canada

Re: Response to Advancing Public Sector Sustainability Consultation Paper.

We applaud IPSASB for answering the call from your stakeholders and the World Bank to take this first step towards developing global public sector specific sustainability reporting guidance.

In response to the growing interest in financial disclosures related to sustainability, our four cities established the Canadian Municipal Network for the TCFD (CMN4TCFD) with the objective of working together to advance the implementation of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Since 2019, we have been voluntarily reporting on climate-related risks and opportunities in a supplementary section of our respective annual financial reports. It has been a learning journey where we have come to fully appreciate the remaining challenges to implementing this critical reporting area.

Our sense of urgency to address public sector sustainability reporting, in particular climate-related reporting, is high. The private sector is well ahead of the public sector in this reporting area and given the interdependency of the two sectors in achieving sustainability we are very eager to play our part in developing and implementing effective public sector specific sustainability reporting guidance.

We appreciate having the opportunity to submit a joint response to IPSASB and look forward to fully supporting organizations such as yours who are leading the way in public sector sustainability reporting guidance.

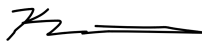
A summary of our responses are summarized in the table on the following page.

Preliminary View	Do You Agree with IPSASB's Preliminary View
1. The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance.	Yes – strongly agree.
2. The IPSASB's experience, process and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively.	Yes – with challenges noted and suggestion to start work now on separate public sector sustainability board.
3. If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes to apply the framework in Figure 5. In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.	Yes – We agree with your preliminary analysis that the current private sector draft guidance is an excellent starting point providing sound guidance and an opportunity to expedite the development of public sector guidance.
4. If the IPSASB were to develop 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 the light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.	Partially – climate-related guidance should be the top priority and is so by a significant margin over the other areas.
5. The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.	Yes – with suggestions to consider guidance formats and innovative processes that emphasise timeliness and possible reallocation of existing resources to sustainability work.

Responses to Specific Matters for Comment 1 and 2 are included in the body of the document.

If you have any questions regarding this letter, please contact any of the signatories included on this letter.

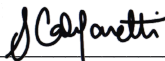
Sincerely,



Kent Bjornstad, CPA.

Director of Corporate Accounting, Reporting and Policy, City of Edmonton

4th Floor Chancery Hall, 3 Sir Winston Churchill Square,
Edmonton, AB T5J 2C3, 780-944-6482,
kent.bjornstad@edmonton.ca



Sandra Califaretti, CPA, CA

Director, Accounting Services, City of Toronto

Metro Hall, 55 John Street, 14th floor
Toronto, Ontario M5V 3C6 416-397-4438
Sandra.Califaretti@toronto.ca



Raoul Cyr, CPA.

Director for Financial Services, City of Montreal

630, boul. René-Lévesque Ouest - 3e étage
Montréal, QC, H3B 1S6, 514-926-2436
Raoul.cyr@montreal.ca



Julia Aspinall, CPA, CMA

Director, Financial Services, City of Vancouver

City Hall 453 West 12th Ave
Vancouver, BC V5Y 1V 604-871-6281
julia.aspinall@vancouver.ca

Consultation Responses

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

Response

We strongly agree with IPSASB's view that there is a need for global public sector specific sustainability reporting guidance. Without specific guidance, public sector sustainability reporting will be severely hampered in its ability to achieve its objectives and to do so efficiently.

The rationale provided by IPSASB provides a compelling basis for its view being:

- A high level of global public interest in seeing the public sector leverage its public leadership, policy and regulatory role in achieving sustainability.
- The significant impact public sector expenditures have on the economy, environment and social programs as they represent 40% of GDP and 20% of employment in OECD countries,
- The significance of the public sector in capital markets with sovereign bonds making up 40% of US\$ 100 trillion global bond market.
- The requirement for public sector sustainability reporting to focus on its ability to meet its service delivery objectives and provide information in a multi-stakeholder environment as opposed to the focus of the private sector in providing information on enterprise value to the financial community.
- That although the IPSASB draws on private sector accounting and financial information in the development of its financial information guidance, approximately a third of its guidance is public sector specific. The process of developing sustainability reporting guidance applicable to the public sector is expected to be similar to that of financial reporting guidance development.

Similar to IPSASB, the Canadian Public Sector Accounting Standard Board has a conceptual framework that recognizes the differences between public and private sector organizations and how that results in the need for public sector specific financial reporting requirements.

Our experience with TCFD and other sustainability reporting activities has confirmed that the public sector has unique characteristics that result in an even greater need for public sector specific sustainability reporting guidance as compared to financial reporting.

The most impactful characteristics include:

- The need to provide information from a public sector service perspective, many of which have significant life/safety implications.
- Cities are the first and front line to a wide variety of shocks and stresses, so it is important to ensure sound management of its infrastructure and processes in order to be able to respond efficiently during, for instance, a climate disaster.
- The need to be proactive in managing the future sustainability related risks and their impact on cities' financial position (Cash flow, debts, etc.) and establish an effective and efficient plan to ensure cities' resilience.
- Since 2019, our CMN4TCFD member cities have been disclosing under the TCFD and there is a greater need to be guided by sustainability reporting guidance to enhance the comparability between cities. Comparability allows

- identification of best practices to address climate stressors and ways to reduce costs while maintaining required levels of service. Over time the emergence of best or reasonable practices may help inform standards of care or due diligence.
- The need to consider the public sector's role as regulator and influencer.
 - A broader scope of stakeholders that includes not only the private sector's focus on providing information to the financial community of investors, lenders and insurers but also addresses the sustainability information needs of our elected officials, taxpayers, residents and other levels of government.
 - Specific to sustainability, there is also a need to consider not only our own entities' situation and direct actions but those of our key stakeholders/partners as we assess sustainability of the greater community. Consideration needs to be given to the interdependencies between private and public sector entities to support sustainability issues and disclosure requirements. This concept is discussed in two C40 reports¹ on interdependencies on infrastructure systems on climate change.

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

Response

IPSASB's success to date in developing global public sector specific financial reporting guidance is fully acknowledged.

The rationale provided by IPSASB provides a strong basis for its view being:

- An existing Conceptual Framework that addresses non-financial information
- Existing relevant guidance
- Current guidance development projects
- High-quality processes and global relationships
- Potential to start now

In consideration of our response to IPSASB's view on this item we have observed:

- That private sector sustainability reporting frameworks have existed for a decade or more and have given little, if any, consideration of public sector aspects.
- That there is a convergence of private sector sustainability reporting frameworks under the IFRS-ISSB.
- Given the advancement of the public sector for sustainability for the past few years, it is important to leverage the work that is being done by the IFRS and ISSB for the private sector and retain the most pertinent elements of their work that are applicable to the public sector.
- That IFRS Foundation chose to set up a sustainability standards board separate from its accounting standard board.

¹ References:

C40 Infrastructure Interdependencies + Climate Risks Report (2017) at this link:
unfccc.int/sites/default/files/report_c40_interdependencies_.pdf

Understanding Infrastructure Interdependencies in Cities (2019) at this link:
<https://c40.my.salesforce.com/sfc/p/#36000001Enhz/a/1Q000000Mkyj/mP.Ed3ahJa1r1B3iuNq4VUfU4eWsBdHurD1lxwmL3k>

- That IPSASB has demonstrated forward thinking through its recommended practice guides on long-term financial sustainability, financial statement discussion and analysis and service performance. However, there is a need to establish guidance that takes into account the future uncertainties and related risks and physical, social and financial impacts, for instance, for climate change. Hence, as in the private sector, it is important to include climate science when assessing these impacts.
- That IPSASB has demonstrated agility to address emerging needs by adding sustainability to its work plan and initiating related consultation papers.

Based on our observations we do not see any other organization as well positioned as IPSASB to take on the role of developing global public sector specific sustainability reporting guidance. Given IPSASB's sphere of influence, the organization will be capable of engaging key subject matter experts, such as international bodies representing large cities, environmental scientists, environmental auditors, and engineers. A high level understanding of data and information that is available will be needed to help set initial globally acceptable guidance for reporting, especially as public sector entities have multiple service lines that may require a different set of disclosures.

Even prior to initiating work on sustainability, IPSASB noted challenges in fulfilling its non-sustainability reporting guidance objectives as described in the IPSASB Strategy and Work Plan 2019-2023 and related Consultation Summary:

- “However, the IPSASB also received constituent feedback to be cautious in terms of committing now to new projects given its existing heavy and challenging Work Plan and to continue the important work on public sector specific projects including revenue, non-exchange expenses and measurement, ensuring it does not overcommit.”
- The work plan included a Regional roundtable to “respond to concerns noted by the Public Interest Committee, as well as through the Public Sector Standards Setters Forum, in regards to the low number of comment letters received on some consultations.”

In Canada the Independent Review Committee on Standard Setting closed (IRCSSC) its consultation process on March 31, 2022 so that it may consider three key standard setting issues; 1) A Call for Action on Sustainability Reporting Standards 2) Safeguarding independence of the Canadian standard-setting model 3) Being Responsive to Stakeholder Needs.

The IRCSSC consultation paper noted similar challenges faced by IPSASB in regards to the speed of standard setting and engaging and obtaining meaningful input from stakeholder groups.

In Chapter 4 of the Consultation Paper IPSASB describes the enablers required for success including additional resources and the establishment of a Sustainability Reference Group. So although we support the view that IPSASB is best positioned to initiate public sector reporting it will not be without its challenges even given its experience, process and existing working relationships.

As noted in paragraph 2.14, IPSASB did consider forming a separate board similar to the ISSB but decided against it as it would result in a less timely response. We agree with this decision as IPSASB does not have the opportunities available to it that IFRS did to leverage the resources and frameworks of established sustainability organizations. However we speculate that due to the scope of subject matter, amount of volunteer resources likely required and an established approach where the public sector standard setter structure mirrors that of the private sector, a separate public sector sustainability board will be what is required eventually. Therefore transitioning to this structure should be part of the sustainable activity IPSASB is currently undertaking.

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, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes.

Response

We agree with the approach of considering financial sustainability-related guidance and broader public sector specific sustainability guidance separately to assist with scoping and prioritization as well as a general understanding of all the components of sustainability. However, as identified in figure 2, IFAC figure they are interoperable components and both are required to address the public sector's sustainability reporting objectives.

We agree that working with international bodies that have developed sustainability frameworks or standards will be essential to IPSASB's success in developing public sector specific guidance, such as those used by ISSB. The IPSASB should also consider including National standard setters when developing and establishing new sustainability standards (CPA Canada, CPA Australia, CPA UK, PSAB Canada, etc.).

Preliminary View 4. If the IPSASB were to develop 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 the light of responses to this Consultation Paper as part of the development of its 2024-2028 Strategy.

Response

We strongly believe that climate-related disclosures should be the first priority as it is the most pressing and globally shared sustainability issue at this point in time. Also, it is a topic area where there is the most relevant advancement and progress for the disclosure.

We are of the opinion that natural assets/nature-related guidance should be the second priority following the development of climate-related guidance.

To the extent general sustainability-related guidance can be developed concurrently without impeding the first two priorities then that work should take place as it sets a

comprehensive framework for the reporting domain, where general-sustainability guidance is not required to support the first two priorities then it should be the third development priority.

We believe this prioritization reflects internal prioritization criteria of prevalence, consequence, urgency and feasibility.

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

Response

We agree the key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance.

Those enablers being:

- Appropriate resourcing
- Experienced and active Sustainability Reference Group to advise IPSASB
- Effective and efficient use of IPSASB member time
- Coordination with other international sustainability standard setters and
- Dialogue with national standard setters

Regarding striking the right balance between quality, timeliness and cost.

We advocate for emphasizing timeliness over quality when developing general sustainability, climate-related and nature-related guidance. By emphasising timeliness we mean that once a sufficient minimum quality has been achieved the guidance be released with clear indication (with a set timeline if possible) that the guidance will be revisited and improved. The emphasis of timeliness over quality is appropriate in an environment where forecasting uncertainty and measurement challenges exist which greatly exceed those in a historical financial reporting environment.

We ask for IPSASB to carefully consider limiting the scope of general sustainability to help achieve this objective. For example, consideration should be given to qualitative disclosures as part of initial guidance with the goal to move towards quantitative disclosures with increasing levels of accuracy. In spite of recent global developments and increased focus on sustainability reporting, it is still only an emerging area.

As noted on the A4S website on their BUSINESS AND FINANCE COMMUNITY RESPOND TO THE PROPOSED IFRS SUSTAINABILITY DISCLOSURE STANDARDS page:

“REPORTING IS A MEANS TO AN END

Sustainability factors can present both risks and opportunities to organizations, but without the right information neither businesses nor investors will be able to make fully informed decisions.

In determining what disclosures are required, **the focus needs to remain on enabling action**. Reporting is a means to an end, not an end in itself.”

We agree with A4S that the focus needs to remain on enabling action and action can be better enabled through timely guidance of sufficient quality. Although a strategy of evolving quality may be less desirable for financial reporting guidance, we believe it is the right strategy for sustainability reporting given the urgent need for such guidance and the nascent status of sustainability reporting.

As noted in your consultation paper “the exact nature of sustainability reporting is unclear at this time, whether it is a framework, standards, guidelines or some mix of all”. Therefore, with the sustainability reporting domain still in its early days, especially when it comes to the public sector, and the need for timeliness to support action, we encourage you to utilize the reporting guidance formats and development processes that best support timeliness.

Innovative processes such as iterative draft releases used by the Task Force on Nature-related Financial Disclosures where organizations may pilot and learn from implementation so as to better evolve the standards towards their final form should be considered by IPSASB.

Regarding Appropriate Resourcing

Sufficient resources are always a key enabler for any initiative. We would ask IPSASB to reconsider its commitment to continuing to develop and maintain its suite of financial reporting guidance and consider redirecting resources used for those activities to sustainability reporting taking into consideration of course the practicality and efficiency of doing so.

IPSASB has an existing robust set of financial reporting guidance and we would argue that sustainability reporting development should take priority over further financial reporting guidance development, at least for the next few years until a strong foundation for public sector sustainability reporting has been established and public sector organizations are comfortable with adoption.

IPSASB identified five strategic themes in the Strategy and Work Plan 2019-2023

- Theme A: Setting standards on public sector specific issues
- Theme B: Maintaining IFRS convergence
- Theme C: Developing guidance to meet users’ broader financial reporting needs
- Theme D: Promoting IPSAS adoption and implementation
- Theme E: Advocating the benefits of accrual in strengthening PFM

We believe IPSASB taking the lead on sustainability reporting will raise the profile of your organization resulting in raised IPSAS awareness and financial reporting guidance adoption, as much or potentially more than developing additional financial reporting guidance would. Work on sustainability closely aligns with your strategic themes aimed at maintaining IFRS convergence and developing guidance to meet users’ broader financial reporting needs. Also, sustainability is likely to significantly raise the profile of your recommended practice guidelines related to long-term financial sustainability and

service reporting performance which, if resulted in greater adoption, could contribute significantly to strengthening Public Financial Management.

Regarding Effective and efficient use of IPSASB Member time

Similar to the general resourcing enabler, we ask you to consider minimizing financial reporting work to focus on sustainability work.

Communication Strategy as an Additional Enabler

A significant barrier that must be overcome is the understanding and priority that needs to be placed on climate related reporting, to support best possible decision making in municipalities. A communications strategy to ensure stakeholder support will be needed because in many cases it is the operational stakeholders who will provide the information required for reporting. The communications strategy should be developed with influential international stakeholder groups that can be allies with the Accounting profession. These groups would include international sustainability and engineering organizations that are capable of considering various types of public sector entities, including municipal governments.

Specific Matter for Comment 1. If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritized by the IPSASB.

Response

As local government entities, given the nature of services we provide, our public sector sustainability reporting priorities are:

1. Climate-related reporting
2. Nature-related and Natural Asset related reporting
3. General sustainability reporting
4. Other Environmental sustainability related reporting
5. Social sustainability
6. Governance

As stated in our response to Preliminary View 4, we believe that climate-related reporting is the most pressing topic, not only for our jurisdiction but globally. The need to address climate change has been identified for decades, global response has been slow and insufficient, to the extent reporting can be used as a means to action it should be done so and without delay.

Climate-related strategies and objectives include nature-related and natural asset considerations which is why we have ranked that guidance as the next area that should be addressed.

Specific Matter for Comment 2. To what extent would you be willing to contribute financial or other support to the IPSASB for the development of global public sector specific sustainability reporting guidance?

Response

We are willing to contribute a substantial amount of intellectual resources through our staff who have a passion for sustainability and a good amount of experience and knowledge in this area as we have been individually and collectively making our way along the sustainability reporting journey.

For reference we are providing the links to our most recent climate-related financial disclosures included in our annual financial reports.

City of Edmonton

Task Force for Climate-related Financial Disclosures: page 105

<https://www.edmonton.ca/sites/default/files/public-files/2021FinancialAnnualReport.pdf>

City of Montreal

Unaudited Climate-related Financial Disclosure: page 79

https://portail-m4s.s3.montreal.ca/pdf/rapport_annuel_financier_2021_ang_vf.pdf

City of Toronto

Our climate-related financial disclosures: page 100

<https://www.toronto.ca/wp-content/uploads/2022/08/8f03-City-of-Toronto-YE-2021-AFR-08-15-2022.pdf>

City of Vancouver

Task Force for Climate-Related Financial Disclosures (TCFD): page 43

<https://vancouver.ca/files/cov/2021-financial-statements.pdf>