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**Response to you Consultation Paper on Public Sector Sustainability Reporting
issued in May 2022 Comment**

Thank you for the opportunity to respond to your questions concerning the advancement of public sector sustainability reporting.

I am responding as a Professor of Accounting and member of the Institute of Chartered Accountants with experience in sustainability reporting practice and policy development. Of particular relevance to the public sector, I have led the development of award-winning university sustainability reports and sustainability management and governance processes and conducted research in public sector sustainability and integrated reporting. Further details are [here](#). I am currently working with CIPFA on updating their public sector sustainability reporting guidance.

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

If we think of public sector work as comprising four key categories: professional services (e.g. health care and education), 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 other 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. Thus, GRI's sector standards apply to both privately owned and state-owned organisations with specific mention of state-owned enterprises where relevant. For example, GRI 11, the standard for the oil and gas sector states (p54): *"State-owned enterprises (SOEs) face specific challenges in relation to corruption because they may have less effective internal controls and be subject to partial independent oversight. In addition to driving profit, SOEs may also pursue broader objectives such as community development."* In such cases state-owned organisations may choose to provide additional information or be required to by law.

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.

The IFAC building block approach to sustainability reporting works well for the private sector. Public sector sustainability reporting guidance has a heavy focus on the impacts of the organisation, but also includes additional disclosure types (see, for example, CIPFA 2013; HM Treasury, 2022). GRI's (2004)

resource document in support of its project to develop a public agency sector supplement noted that, with respect to sustainability:

“Public agencies in general deal with three different types of measurements:

- *operational impacts;*
 - *policy effectiveness; and*
 - *the state of economic, environmental, and social conditions in areas under their jurisdiction.”*
- (GRI, 2004, p 9)

Since that time there has also been a recognition of the impacts of sustainable development trends on the risks and opportunities that have implications for *strategies to create value* for themselves (the organisation), for their stakeholders, their providers of finance and society more broadly. Public sector guidance also tends to require financial accountability for spend on sustainable development initiatives.

So, 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:** Information concerning the creation of long-term value for the organisation, economy, society and the environment -
- **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 sustainability reporting 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, health and education providers. 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 different from the private sector. In particular it has an even stronger emphasis on impact reporting and also some emphasis on: value creation for the organisation, economy, society and the environment (i.e. beyond enterprise value); state of the environment/community and outcomes of policies; and, financial accountability.

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

I will set out my response following the headings in the consultation paper:

The Conceptual Framework addressing non-financial information

GRI 101 and GRI 102 together cover all the concepts and principles addressed in the IPSASB Conceptual Framework. In addition, GRI Standards cover the following additional concepts and principles that are specific to sustainability reporting and are not covered in the IPSASB Conceptual Framework.

Principles, characteristics & practices of reporting	Global Reporting Initiative (GRI)
Material topics	GRI 3 defines material topics and provides guidance on how to determine them.
Sustainability context	Requires the organisation to report “information about its impacts in the wider context of sustainable development”. GRI 101
Format	Organisations must publish a GRI content index (for which a template is provided) showing where required disclosure items are located. (This recognises the preferences of different (types of) organisation with regard to the balance of annual report, specific report or website for reporting different types of information.)
Baseline	Must be stated along with the rationale for choosing it and reasons for any recalculation of base year figures (see, for example, GRI 305-1d)
Use of estimates	Used where information is not available and assumptions disclosed (e.g. GRI 305, p 10)

Existing relevant guidance

There is little in the existing suite of Recommended Practice Guidance that is relevant to sustainability reporting. Impact reporting is the key focus of public sector sustainability reports and guidance¹. GRI Standards have been developed since the late 1990s. Indicators in extant public sector sustainability reporting guidance referred to in preparing this response demonstrates a strong overlap with GRI Standards.

Current guidance development projects and high-quality processes and global relationships

Whilst the developments listed are welcomed, they do not indicate a greater level of experience, processes and relationships relevant to sustainability reporting than those developed by GRI over 25 years (approx.). Like the IPSASB, the GRI also has significant links with governments and public

¹ See list of materials referred to in developing this response at the end of this document.

agencies and has invested heavily in increasing accountability on the UN Sustainable Development Goals and the UN Guiding Principles (on Business and Human Rights) (United Nations, 2011) which are particularly relevant for public sector organisations and their supply chains.

In summary, in response to your preliminary view 2:

- Both IPSASB and GRI have significant links with governments and public sector agencies. There is likely to be complementarity across these links (i.e. with different government departments and agencies).
- IPSASB lacks experience relative to the GRI in impact reporting (which is also the basis for state of the environment/community reporting). Impact reporting is a requirement of extant public sector reporting guidance.

One way forward (in terms of achieving effective change toward sustainable development) would be a public agency and local government sector standard developed jointly by the IPSASB and GRI using both bodies' excellent and rigorous due processes. This might involve a close cross board collaboration on all content and/or with each board focussing primarily on their area of expertise. Another would be for GRI to develop a public agency sector supplement with IPSASB developing a standard on financial matters.

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.*

The criteria of 'prevalence' and 'consequence' used to prioritise projects for financial reporting (your para 3.10) are inappropriate for sustainability reporting because they use financial reporting and the financial statements as a reference point. (The GRI has developed criteria for prioritising topic standards.)

The GRI Universal Standards (GRI 101, GRI 102 and GRI 103) already cover many of the elements in your Figure 5. Many public sector organisations use GRI Standards.

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.*

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

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.

I agree with this list except 'coordination' with other international standard setters is insufficient with respect to GRI. I would add:

- Governance and partnership agreement with the GRI
- IPSASB members knowledgeable about public sector impact reporting

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

See recommendations regarding the approach above.

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

Willing to provide expert input informed by evidence.

Yours sincerely



Policy materials reviewed in preparing this response

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IPSASB (2021) Strategy and work program 2019-2023: Mid-period work program consultation. IPSASB.

IPSASB (2020) Climate change: relevant IPSASB guidance. IPSASB.

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