

Meeting: IPSASB Consultative Advisory Group

Meeting Location: Toronto, Canada

Meeting Date: December 5, 2022

Agenda Item

3

PROGRAM AND TECHNICAL DIRECTOR'S REPORT

Project summary	The purpose of this session is to receive updates on changes on the work program.	
Meeting objectives	Topic	Agenda Item
Discussion items	Update on IPSASB Work Program	3.1
Other supporting items	IPSASB Work Program: December 2022	3.2.1
	Consultation Paper, Advancing Public Sector Sustainability Reporting June 2022 — Report Back	3.2.2
	Measurement June 2022 — Report Back	3.2.3

Update on IPSASB Work Program

Purpose

1. To receive the Program and Technical Director's report on the work program, including key changes since June 2022.

Program and Technical Director's Report

Work Program Updates

2. Staff highlights that the IPSASB approved ED 83, *Reporting Sustainability Program Information*, at its September 2022 meeting. ED 83 was published for consultation in November 2022 and is currently out for comment until January 16, 2023. ED 83 relates to the limited scope project added by IPSASB to the in March 2022 following the results of the Mid-Period Work Program Consultation. The IPSASB CAG received an overview of the scope of the proposed non-authoritative amendments in ED 83 at the June 2022 meeting and shared input which was considered by IPSASB in developing and approving ED 83.
3. The IPSASB work program has adjusted since the June 2022 as follows:
 - (a) Retirement Benefit Plans. The initial review of responses to ED 82, *Retirement Benefit Plans*, has been deferred until March 2023 as a result of the lack of agenda time available in September and December 2022 because of the ongoing projects at critical stages approaching final approval.
 - (b) Natural Resources. The initial review of responses to the CP, *Natural Resources* (comment period closed October 17, 2022) was put back to March 2023 because of lack of agenda time in December, as well as not having staff resources available to start the response analysis.
4. The IPSASB work program also required adjusting to sequence a number of proposed approvals across the December 2022 and March 2023 meetings by balancing:
 - (a) The amount of agenda time available across the meetings;
 - (b) The number of approvals the IPSASB can reasonably be expected to consider during a single meeting;
 - (c) The ability for staff to action IPSASB decisions and instructions and work through the drafting; and
 - (d) Integration of ongoing projects and management of cross-cutting issues.

IPSASB staff have sequenced the proposed approvals by balancing the above factors and evaluating which projects are likely to be ready for approval. Projects ready for approval have been prioritized for December. This resulted in the Measurement, Revenue and Transfer Expenses projects being adjusted on the work program to be approved in March 2023.
5. Staff highlights the following work program developments since the June 2022 CAG Meeting on key ongoing projects not addressed above.
 - (a) Property, Plant and Equipment. The IPSASB received strong support for the proposals in ED 78. The CAG received an initial overview of the responses to the measurement suite of EDs at the December 2021 meeting, including ED 78. The only substantive comments received

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on ED 78 related to the new measurement concepts proposed on the public sector measurement basis, Current Operational Value, which the CAG discussed during the measurement discussions at its June 2022 meeting. The IPSASB agreed to move forward with the proposals related to the structure of the guidance, the characteristics of infrastructure and heritage assets, additional public sector specific disclosures for unrecognized heritage assets, and other non-authoritative guidance to help with the application of the core principles to heritage and infrastructure. The IPSASB also agreed that the primary objective for why an entity holds an asset should drive an entity's selection of a measurement basis (historical cost or current value). The IPSASB will be looking to approve the new standard on property, plant and equipment arising from this project at the December 2022 meeting.

- (b) Other Lease-Type Arrangements. The IPSASB continues to discuss the feedback received on the request for information (RFI) on lease like and other lease type arrangements to determine if it should propose public sector specific amendments to IPSAS 43, *Leases*. An ED is being developed, including consequential changes to IPSAS 43. The IPSASB is also developing a feedback statement capturing how the IPSASB has addressed constituents' comments. The IPSASB intends to approve the Exposure Draft of amendments to IPSAS 43 arising from this project and review a feedback statement related to the Request for Information at the December 2022 meeting.
 - (c) Limited Scope Update of the Conceptual Framework–Next Stage. In September 2022 the IPSASB started its review of responses to ED 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*. In December 2022 the IPSASB will start to undertake a detailed review of the responses and the plan for the project is to finalize amendments to the Conceptual Framework by June 2023.
 - (d) Differential Reporting and Presentation of Financial Statements. The IPSASB added these two major projects in March 2022 based on the strong support received to the Mid-Period Work Program Consultation. The initial activities related to research and scoping for each project have commenced as staff resources became available in H2 2022. The IPSASB had an initial discussion on early research findings on Differential Reporting at the September 2022 meeting, and it will have initial discussions on research related to Presentation of Financial Statements at the December 2022 meeting. The CAG will be consulted on the development of project briefs for both projects in 2023.
6. The IPSASB will review the work program included in [Agenda Item 3.2.1](#) at its upcoming June 2022 meeting.

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IPSASB WORK PROGRAM THRU 2024: DECEMBER 2022

Project	Meetings								
	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	Mar 2024	Jun 2024 (CAG)	Sep 2024	Dec 2024 (CAG)
I. Current Projects									
Revenue¹	DI/IP	[IP]			RR/IP				
Transfer Expenses¹	DI/IP	[IP]			RR/IP				
Conceptual Framework—Limited Scope Update-Measurement	CF								
Conceptual Framework—Limited Scope Update-Next Stage	RR/DI	DI/CF	CF CAG						
Measurement	IP	IP							
Property, Plant, and Equipment ² (i) Infrastructure Assets (additional guidance) (ii) Heritage Assets (additional guidance)	IP								
Other Lease-Type Arrangements [Public sector specific]	ED		RR/DI CAG	RR/DI	RR/IP	IP			
Natural Resources		RR/DI	RR/DI CAG	RR/ED	ED			RR/DI	RR/DI
Retirement Benefit Plans		RR/DI	RR/IP CAG	IP					
Improvements		ED		IP		ED		IP	
Strategy and Work Program 2024—2028	CAG	DI	DI/CP	CP			RR/DI CAG	SWP	
Advancing Public Sector Sustainability Reporting	RR/Way Forward Decision CAG								
IPSASB Handbook		Publish				Publish			
II. New 2022 Projects³									

¹ Due process requires the IPSASB to consider the need for re-exposure after it approves a new standard. Because of changes since the Revenue and Transfer Expense exposure drafts, there is the potential that IPSASB may vote to re-expose the final new pronouncements, and the work program indicates the impact if it decides to re-expose.

² The amendments arising from Infrastructure Assets and Heritage Assets are included in ED 78, *Property, Plant, and Equipment*, which will replace IPSAS 17, *Property, Plant, and Equipment*.

³ The IPSASB also added four limited-scope projects to its 2023 work program as pre-commitments with project work to commence as resources become available from 2023 onwards. The limited scope projects are: IPSAS 21, *Impairment of Non-Cash Generating Assets*; IPSAS 31, *Intangible Assets*; IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*; and Practice Statement: *Making Materiality Judgements*.

Project	Meetings								
	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	Mar 2024	Jun 2024 (CAG)	Sep 2024	Dec 2024 (CAG)
Reporting Sustainability Program Information (Theme C)		RR/DI/RP	RR/DI/RP						
Presentation of Financial Statements	RS	RS							
Differential Reporting	RS CAG	RS							

Legend:

DI = Discussion of Issues; RR = Review Responses; CAG = Discussion of Issue with CAG

PB = Approval of Project Brief

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

IP = Approval of Final Standard or Amendments to IPSAS

CF = Approval of Amendments to Conceptual Framework

RP = Approval of Final Recommended Practice Guidance

RWP = Approval of Revised Work Program

ST = Approval of Strategy and Work Program

= Planned Consultation Period

RS = Initial Project Research and Scoping Activities

Project Management—Outputs:

Consultation Papers:

Advancing Public Sector Sustainability Reporting

Natural Resources

Exposure Drafts:

ED 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*

ED 82, *Retirement Benefit Plans*

ED 83, *Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-Authoritative Guidance*

PROJECTS COMPLETED AND/OR PUBLISHED DURING 2019-2023 STRATEGY AND WORK PROGRAM PERIOD

Project	Date Issued
IPSAS 44, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	May 2022
IPSAS 43, <i>Leases</i>	January 2022
<i>Improvements to IPSAS, 2021</i>	January 2022
<i>Amendments to IPSAS 5, Borrowing Costs—Non-Authoritative Guidance</i>	November 2021
<i>Non-Authoritative Amendments to IPSAS 41, Financial Instruments</i>	December 2020
<i>COVID-19: Deferral of Effective Dates</i>	November 2020
<i>Collective and Individual Services, (Amendments to IPSAS 19)</i>	January 2020
<i>Improvements to IPSAS, 2019</i>	January 2020
IPSAS 42, <i>Social Benefits</i>	January 2019
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019

Status of Application of Due Process – December 2022

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓= ELEMENT COMPLETE)						ANTICIPATED FINAL APPROVAL
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED	E. APPROVAL	
		CP PHASE (IF APPLICABLE)	ED PHASE				
Revenue	✓	✓	✓	✓	ONGOING		March 2023 [December 2023]
Transfer Expenses	✓	✓	✓	✓	ONGOING		March 2023 [December 2023]
Conceptual Framework—Limited Scope Update- Measurement	✓	N/A	✓	✓	ONGOING		December 2022
Conceptual Framework—Limited Scope Update-Next Stage	✓	N/A	✓	✓	ONGOING		June 2023
Measurement	✓	✓	✓	✓	ONGOING		March 2023
Property, Plant, and Equipment Update - Infrastructure Assets	✓	N/A	✓	✓	ONGOING		December 2022

Status of Application of Due Process – December 2022

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	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED	E. APPROVAL	
		CP PHASE (IF APPLICABLE)	ED PHASE				
Property, Plant, and Equipment Update - Heritage Assets	✓	✓	✓	✓	ONGOING		December 2022
Other Lease-type arrangements [Public sector specific]	✓	N/A	ONGOING				March 2024
Natural Resources	✓	CP PUBLISHED MAY 2022					December 2024
Retirement Benefit Plans	✓	N/A	✓	ED 82 PUBLISHED APRIL 2022			June 2023

N/A – Consultation Paper (CP) phase is not a required due process element, IPSASB determines on a project-by-project basis whether a CP is needed.

Overview of Due Process steps:

A. Project Commencement—due process step complete when project proposal (project brief) approved.

B. Development of Standard—due process step complete when exposure draft approved for public exposure.

C. Public Exposure—due process step complete when exposure draft comment period ends and comments received publicly posted on IPSASB website.

D. Consideration of Exposure Comments—due process step complete when significant issues raised on exposure have been deliberated by IPSASB.

E. Approval—due process step complete after board approval of final standard, considered the need for re-exposure, agreed the basis for conclusions and set an effective date for the standard.

Consultation Paper, Advancing Public Sector Sustainability Reporting June 2022 – Report Back

June 2022 CAG Discussions

1. Extracts from the draft minutes of the June 2022 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2022 CAG Meeting Comments	
IPSASB Director, Dave Warren, introduced the session and gave an overview of the Preliminary Views (PV) and SMCs in the IPSASB's Consultation Paper (CP), Advancing Public Sector Sustainability Reporting. Mr. Warren informed the CAG that virtual roundtables are scheduled throughout July 2022 to receive constituent comments on this CP. The CAG was asked to consider the following PVs and SMCs and provide any feedback. Mr. Warren noted that CAG feedback would be included in the IPSASB response analysis in Q4 2022.	
The CAG members commented as PV 1 follows:	
1. Ms. Colignon agreed with the PV but stated that the scope as proposed seems very broad, especially with respect to the term "global" and considering the end of the last sentence in §1.13 "[...] to achieve the SDGs and/or other specific public policy objectives". She noted the CP talked about SDGs and ESGs and advised the IPSASB to consider articulating the two more clearly.	Mr. Smith responded if the Board agrees to take it forward, and allocates resources, it will then consider the specifics based on the large volume of input it expects from the consultation. The Board's key decision at this time is whether it is the appropriate body to develop this guidance in the public sector.
2. Mr. Chowdhury agreed with the PV but asked whether there had been a consultation with the OECD, Global Reporting Initiative, and the IFRS Foundation and the International Sustainability Standards Board (ISSB). Did these institutions indicate that the IPSASB should lead the consultation in the public sector.	Mr. Smith responded that discussions were had with the Public Interest Committee (PIC) and the OECD, and there were ongoing discussions with ISSB.
3. Mr. Zhang agreed with the PV but suggested the need for a clear "sustainability" definition in the public sector.	This point was noted by IPSASB staff. The advice from CAG members was included, along with the feedback received via the regional roundtables and the written comment letters, in the IPSASB response analysis. See Agenda Item 5 for the analysis of responses and summary of key themes for which the IPSASB is seeking input from CAG members.

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Representatives' and Observers' Comments	IPSASB Response
<p>4. Ms. Cearns agreed with the PV and noted that the IPSASB should start and proceed. Sustainability is evolving quickly, but there will be a slowdown where everyone will have to catch up. She advised the IPSASB outlining the boundary about what government does compared with policy encouraging citizens what they can do (e.g., building a road vs. telling people what they can drive on that road) will be an issue.</p>	<p>See response to point #3.</p>
<p>5. Mr. Williamson advised the IPSASB to clearly define sustainability. He echoed Ms. Cearns agreeing government policy and regulation will be more important regarding the impact on climate change rather than expenditure policy. He noted the UK government said that regulation has a far bigger impact on sustainability outcomes than expenditures.</p>	<p>See response to point #3.</p>
<p>The CAG members commented as PV 2 follows:</p>	
<p>6. Ms. Aldea Busquets agreed but highlighted the need for different kinds of resources, understanding of all challenges with sustainability reporting, and review of all initiatives already in motion. A lot of work is required to analyze the different initiatives and present it as guidance. The IPSASB is well positioned to advance.</p>	<p>See response to point #3.</p>
<p>7. Ms. Colignon also agreed but wanted to flag that the availability of resources is important, and this may be out of the control of the IPSASB, and it is not only what the IPSASB can bring and do but it is also the current context. She noted it is difficult to access sustainability experts given the high demand for their time.</p>	<p>This point is noted, the IPSASB staff continues efforts to address resourcing requirements needed to undertake sustainability reporting guidance development.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>8. Ms. Sanderson stated that she is supportive but has some reservations. Scope, capacity issues and additional skill requirements must be considered. She advised the IPSASB to expand its current network in developing sustainability guidance. Well-established relationships exist with finance personnel in the public sector, but new relationships may need to be developed if the intention is to go into broader impacts of sustainability.</p>	<p>See response to point #3.</p>
<p>9. Ms. Stachniak agreed that the IPSASB is fit for this activity. She asked how this project is connected with the Conceptual Framework (CF) when we are talking about non-financial information and whether there will be two sets of authoritative standards issued by one board.</p>	<p>See response to point #3.</p> <p>The scope of the ongoing project to update the CF is not related to the topic of sustainability.</p> <p>The IPSASB has not yet considered what the output would be in terms of guidance as of yet. This will be one of the strategic issues the IPSASB is seeking CAG member input on in Agenda Item 5.</p>
<p>10. Mr. Smith responded that these are good questions. He noted that the IPSASB has discussed initial considerations on the execution and funding of the project, and intends to consider this further. The IPSASB wished to ask constituents whether the IPSASB should undertake this initiative in the meantime.</p>	<p>No comment necessary.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>11. Mr. Gisby agreed as there is no alternative organization with the standard setting experience and wide range of contacts with different stakeholders globally. A lot will depend on how IPSASB will scope its work. There are lots of private sector sustainability standards available at an entity level, but there are competing standards. For example, the EC is developing guidance, similar in respect to GRI. Mr. Gisby noted he is not aware of any whole of government strategic level, and this will be difficult to get governments to agree to a commonality and reporting because this impacts directly on their sovereign powers, and it may disclose information they do not want disclosed.</p>	<p>See response to point #3.</p>
<p>12. Ms. Cearns also agreed and noted it will be important to have sufficient capacity and capability to address the issues. She advised the IPSASB consider why the ISSB was set up as a separate board from the IFRS.</p>	<p>See response to point #3.</p>
<p>13. Mr. van Schaik agreed with Ms. Cearns' comment on the separation of the ISSB and highlighted the substantial time and expertise needed. The set up with the sustainability reference group is a great idea but it should be temporary to get things going quickly using the expertise of the IPSASB in standard setting. He advised the IPSASB aim to develop international public sector sustainability standards separate from the IPSAS.</p>	<p>See response to point #3.</p>
<p>14. Mr. Chowdhury agreed that the IPSASB has the necessary experience, processes, and relationships. He agreed that there may be situations where the IPSASB may need external expertise.</p>	<p>See response to point #3.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>15. Mr. Williamson agreed. His organization was one of the proponents for the IPSASB to take on this initiative, and offered the support of their personnel. He emphasized how the public sector can tap into the capacity already working in this area rather than the IPSASB try to go it alone.</p>	<p>Mr. Carruthers responded to Mr. Williamson's comment and highlighted the Board's numerous discussions on the preliminary views. The IPSASB was cognizant of the factors raised in terms of resources in the broadest sense, and to avoid reinventing the wheel unnecessarily. Mr. Carruthers noted that there is no answer at this time as to whether we need two boards, as it will depend on what, and to what extent, the IPSASB can leverage different sources of existing guidance to create something that works for the public sector.</p>
<p>The CAG members commented as SMC 1 follows:</p>	
<p>16. Ms. Colignon referred to Mr. Williamson's previous comment that defining sustainability and the scope of what it should apply to is the top priority.</p>	<p>See response to point #3.</p>
<p>17. Mr. Gisby wondered if this was what was meant by complete sector versus entity, and noted it depends on whether the IPSASB is going to take a top-down approach (e.g., look at the whole of government) or a bottom-up approach (e.g., look at the entity level disclosures for the operations etc.). From his perspective, the biggest impact for the public sector is at the whole of government level, to exercise things like subsidies, tax policy and regulation, and change the behavior of the private sector and citizens. SDGs generally fit more with whole of government than with smaller entities and local governments.</p>	<p>See response to point #3.</p>
<p>The CAG members commented as PV 3 and PV 4 follows:</p>	

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Representatives' and Observers' Comments	IPSASB Response
<p>18. Mr. Simpson agreed with the principle to use existing guidance where appropriate. He advised the IPSASB to clarify blocks one and two. Block one seemed to relate to the impact of the environment on the organization (e.g., provide a provision for a warehouse in a low-lying area that may be flooded). This seems to go against what most people think about sustainability reporting – which is what are you doing for the environment not what the environment is doing to you. He also cautioned about treating the SDGs as a single block. They are wide-ranging, and a lot is about development rather than sustainability.</p>	<p>Mr. Smith responded that the IPSASB received feedback and need to think through more and prioritize specific SDGs. He also noted that block one and block two is more related to stakeholders. Block one is looking from the ISSB perspective is about enterprise value and their sustainability programs. Block two, where the IPSASB will likely focus more, takes a broader stakeholder approach and may relate to the enterprise-level or broader impact. This comes down to the dual role in the public sector, for example, the power to regulate but also as an emitter.</p>
<p>19. Mr. Gisby agreed with using existing standards and developing general guidance first. The IPSASB should use the ISSB guidance only where appropriate as some may not translate to the public sector. For example, the ISSB standard is its focus on value creation. The ISSB has said that over time, value creation will effectively produce double materiality so the ISSB will not only deal with the impact of climate but also the enterprises impact on the climate.</p>	<p>See response to point #3.</p>
<p>20. Mr. Williamson commented it is incorrect to assume it is only the private sector moving sustainability reporting forward. There is ongoing public sector work though it may not be in the form of standards. There are existing IPSAS that are relevant to develop these standards. He reiterated the importance of having a tight definition and clear framing of 'sustainability' (e.g., environmental, fiscal sustainability, development etc.) and highlighted the challenge of measuring outputs and outcomes in a standard way across jurisdictions.</p>	<p>Noted.</p>

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Representatives' and Observers' Comments	IPSASB Response
21. Mr. Chowdhury asked if sustainability can remain bifurcated as a separate CP from related information such as climate related disclosures.	Mr. Carruthers responded that the inclusion of climate-related disclosures is pragmatic. The ISSB will likely issue its first two standards by the end of 2022 or shortly after. Mr. Carruthers expects valuable information to be included on how sustainability or sustainability reporting are defined. Mr. Carruthers also reflected on the debate during the development of RPG 1, where the IPSASB was criticized for only focusing on financial sustainability. During its development it was important to develop a definition of financial sustainability to frame the project.
22. Mr. Page commented that there is a lot of logic to looking at general requirements for information before moving to something specific with respect to something like standards. From a project management perspective.	Noted.
The CAG members commented as PV 5 and SMC 2 follows:	
23. Ms. Colignon noted the IPSASB is well placed to coordinate at the international organization level but worried the jurisdictional level may be more challenging.	See response to point #3.
24. Ms. Stachniak suggested organizing recurring meetings with the ISSB and its staff to support the development of sustainability guidance in the public sector.	Mr. Carruthers responded that the IASB has always been open to working with IPSASB. There may be a need for a more structured approach once a decision to move forward has been made. Mr. Carruthers also cited support from, and good discussions with, the GRI.
25. Mr. Williamson informed the CAG that there is an emerging group called the Coalition of Finance Ministers for Climate Action, which has gained momentum since inception. The group includes approximately 70 members including the IMF and World Bank. Mr. Williamson encouraged the IPSASB to engaged with this group at events in the future.	Mr. Carruthers responded that he had the opportunity to address that group and will continue to do so.

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Representatives' and Observers' Comments	IPSASB Response
26. Ms. Aldea Busquets commented that within the EC they are trying to bring this capacity in and are bringing in new skills through member states. She said they are open to discussing current work with the IPSASB.	Noted.

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.

Measurement June 2022 – Report Back

June 2022 CAG Discussions

3. Extracts from the draft minutes of the June 2022 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2022 CAG Meeting Comments	
<p>IPSASB Senior Manager, Tashriq Allie, introduced Agenda Item 4 and provided background on Specific Matters for Comment (SMC) 5 & 6 in the <i>Measurement</i> Exposure Draft (ED 77), which focus on the IPSASB's proposed public-sector specific measurement basis, current operational value (COV). Mr. Allie noted that COV was developed to address constituents' concerns that fair value is difficult and impractical to apply because the concepts of 'highest and best use' and market-based measurement are not applicable in the public sector.</p> <p>Mr. Allie asked CAG members to consider two questions:</p> <ul style="list-style-type: none"> • Question 1: Do the CAG Members agree that the IPSASB should continue developing COV as a measurement basis that focuses on the valuation of an asset based on its inputs? • Question 2: Do the CAG Members agree that valuing an asset based on how it is currently being used is a core principle in COV, and should be clarified in IPSAS Measurement? 	
The CAG members commented on Question 1 as follows:	
<p>1. Ms. Colignon acknowledged the outcome or outputs approach is difficult for now, and advised the IPSASB to pursue the input approach.</p>	<p>At its June 2022 meeting the IPSASB considered advice from CAG members and agreed COV should value the existing asset (inputs as discussed by the CAG). The IPSASB agreed it was impracticable to measure the outcome/outputs and it was inconsistent with the Conceptual Framework which requires financial information be reliable. Given there is not an established practice of measuring the value of services (outcomes/outputs), the IPSASB agreed measuring them would not provide reliable information. Furthermore, the IPSASB agreed with CAG member advice that services are generally provided by more than one asset. It is difficult to allocate the portion of the value of the service to the asset under measurement (i.e., the value of educational services is delivered by more than the school). Finally, the IPSASB noted measurement of the existing asset is consistent with current measurement guidance in IPSAS.</p>

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Representatives' and Observers' Comments	IPSASB Response
2. Ms. Sanderson agreed input is the right way but thinks there is a need to reconcile the language, because "service potential" is often interpreted as an output when there is no cash flow generation, but that does not seem to be the IPSASB's intended interpretation.	See response to point #1. The IPSASB agreed COV should measure the existing asset. The IPSASB has described COV as the amount paid for the remaining service potential of the asset. Service potential is clarified as the current age, condition and functionality of the asset.
3. Mr. Page asked how the implementation of the inputs approach will impact and promote sustainability. He acknowledged that the focus on inputs is practical, as it is more tangible and provides better estimates. However, he noted as the world is aiming to take carbon out of the economy, does service potential from input approach appropriately capture different values. For example, a charging station type of asset has a different type of value that a gas station owned by the public sector.	See response to point #1. As noted above, the IPSASB determined it was impracticable to provide a reliable measure for the value of the services provided by an asset. However, the example provided by Mr. Page will be explored further as part of the Natural Resources project as the IPSASB analyses responses to its CP in H1 2023.
4. Mr. Simpson acknowledged that there are few practical applications and noted that the input is a more practical approach. He advised the IPSASB to consider whether COV is the right term, and whether it will be interpreted incorrectly.	See response to point #1.
5. Mr. Müller-Marqués Berger noted that the term 'input' created confusion, as it seems to refer to inputs into asset (i.e., historic cost) rather than the current cost model.	See response to point #1. The IPSASB agreed to apply the inputs approach when measuring COV. However, the IPSASB has clarified the concept to be measurement of the 'existing asset'.
6. Ms. Stachniak agreed that the input approach is the most practical. She highlighted in IPSAS, the focus is on measurement of individual assets, whereas outputs and outcomes are delivered through the collective use of assets. Ms. Stachniak advised the IPSASB to consider how to support governments in understanding the complexity of the inputs approach, as certain jurisdictions may already struggle with the complexity of current theories.	See response to point #1.

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Representatives' and Observers' Comments	IPSASB Response
7. Mr. Williamson noted that there are various inputs to produce an asset, and an asset is an input into providing services. He agrees the IPSASB is heading in the right direction by measuring the inputs but advised considering a different term than 'current operational value'. A simple and clear term will be more appropriate, given the broader performance metrics and the ambition of going beyond inputs in the sustainability space.	See response to point #1.
8. Mr. Gisby acknowledged that constituents agreed with IPSASB and that while there was sympathy for the output lens, it would not be practical to implement. Mr. Gisby advised the IPSASB to continue development of the measurement basis that focuses on the valuation of an asset based on its inputs.	See response to point #1.
9. Mr. Zhang supported the IPSASB's approach to continue to develop COV, as valuation of assets based on outcomes and outputs is not practical, and agreed that only inputs can meet the reliability criterion. He advised the IPSASB conduct an in-depth analysis as to how to measure inputs using COV and provide examples.	See response to point #1. As part of the development of the final measurement IPSAS, the IPSASB has developed implementation guidance to support its application.
10. Mr. Chowdhury agreed the IPSASB should continue development of COV. He asked how the input approach accounts for future changes in the valuation and advised the IPSASB to incorporate provisions in the asset valuation.	Mr. Carruthers noted there is a need to clarify the concept and what it is trying to measure. The fundamental difference between COV and fair value is fair value measures an asset in its highest and best use, whereas COV measures the asset in its current use. Mr. Müller-Marqués Berger replied to Mr. Chowdhury's point as to how changes in service potential are reflected in the subsequent measurement of COV. He noted this would be consistent with fair value, where changes in the revenue stream would be accounted for in the new fair value assessment.

Agenda Item 3.2.3

Representatives' and Observers' Comments	IPSASB Response
<p>11. Ms. Aldea Busquets agreed with the proposal and while she believes that the outputs/outcomes approach is important, advised it would be difficult to implement because it is useful information from a performance reporting perspective rather than as a measure of physical value.</p>	<p>See response to point #1.</p>
<p>12. Mr. Smith Mansilla noted that an output-based approach is attractive but is not practical as it requires unreliable assumptions and forecasts.</p>	<p>See response to point #1.</p>
<p>13. Mr. Simpson asked what the information would be used for, and if it is useful for decision-makers. He cautioned that being able to provide the information does not necessarily mean we should.</p>	<p>See response to point #1.</p> <p>As part of the decision to focus COV measurement on 'existing assets' the IPSASB considered measurement across IPSAS. Financial statements currently present the value of the assets that provide services. Departing from an 'existing asset' measurement to focus on valuation of services would be departure from other IPSAS.</p>
<p>14. Mr. Carruthers noted several issues. The IPSASB and the accounting profession struggle with whether to measure on a historical basis or current value basis. Views differ based on whether you believe what you are being accountable for is what you spent originally, or relative values for different assets held. Another issue is how valuers are using the information, and what precisely they are measuring, and to consider whether it fits with the overall philosophy of COV. The IPSASB will hear about what is done in practice from valuers at this June IPSASB meeting.</p>	<p>No comment necessary.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>15. Mr. Müller-Marqués Berger highlighted that it is a two-step decision process when deciding what is the most useful information. First, consider whether historical cost is more useful than current value. If current value is more useful, consider whether the asset can be sold; if yes, fair value is appropriate. If no, consider what the measurement would be, and whether to value the service potential of the asset.</p>	<p>No comment necessary.</p>
<p>16. Ms. Cearns agreed with other members, and highlighted the need to focus on accountability, and communicating to constituents how money is used, how assets are valued, and whether the government is doing the right thing with them and generating value for money.</p>	<p>See response to point #13.</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>17. Ms. Sanderson noted she is uncertain about a measurement based on existing use. She noted that the objective of, and output from, a measurement basis are extremely important. An example to illustrate the importance is the valuation of schools, as good schools would have a high value given the demand and implication on property values and resulting positive reinforcement cycle of value accretion. As such, any new school in the area would thus be very expensive. Ms. Sanderson concluded that it is not clear whether we need a separate public sector measurement guidance. Ms. Sanderson advised the IPSASB to consider the need for application guidance on operational assets that are not held for their 'highest and best use', and asked whether the existing principles in IFRS 13 can be used if you do not apply 'highest and best use'. Ms. Sanderson warned that introducing a public sector-specific measurement may result in undue complexities. It is important to clearly communicate what assets need a different, bespoke valuation, and whether existing principles can be used in a different way.</p>	<p>The IPSASB has reaffirmed the COV principles proposed in ED 77 from the ground up. This exercise has facilitated an enhanced clarity in the guidance developed explain how COV is applied in practice. This responds to key issue raised by stakeholders who responded to ED 77 that while COV was useful in the public sector, more clarity is necessary. The IPSASB has also discussed in detail, and developed guidance, illustrating the differences between COV and fair value, and COV and replacement cost.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>18. Ms. Stachniak understood the reason identified for deriving a public sector specific measurement basis, but urged the IPSASB to check whether existing conceptual principles apply in the public sector before concluding that a new basis with an entity-specific approach is needed. Both the public and private sectors have business models, which is a general consideration, and entities then determine whether they have the asset to deliver a specific service. Since the main issue is 'highest and best use', she advised the IPSASB to consider the issue from the public sector angle on how to deliver services rather than making profit, and whether to modify the angle of 'highest and best use' and clarify and simplify that concept.</p>	<p>The IPSASB has identified 'current use' as a key COV principle that differentiates the measurement basis from fair value. The COV guidance in IPSAS, Measurement emphasizes this point and makes clear the impact this has on public sector measurement.</p>
<p>19. Ms. Cearns noted this is a complex issue and had sympathy for the last two comments, but urged against losing sight of 'highest and best use', and focusing discussions only on select types of assets or on the existing use basis. Ms. Cearns noted other examples, such as office space assets for consideration, and highlighted that the preferred delivery model may change over time. She worried that an existing use basis favors standing still in a way when assets rationalization is actually quite good in the public sector.</p>	<p>See response to point #17.</p>
<p>20. Mr. Close is supportive of Ms. Sanderson and Ms. Stachniak's view on 'highest and best use', and whether the concept of restriction has been well considered in its application. Using the school analogy, what restriction would be in place that will require the school to continue as a school – i.e., is it a legal restriction. Mr. Close noted that restrictions should be considered in the valuation to ensure information is valid and reported fairly to users of financial statements.</p>	<p>The IPSASB concluded 'restrictions' are implicitly taken into account when measuring an asset in its existing use. If a building has an external restriction imposed requiring it be used as a school, this restriction is included in the valuation by way of the building being measured as a school (i.e., its existing use).</p>

Representatives' and Observers' Comments	IPSASB Response
21. Mr. Müller-Marqués Berger cautioned the IPSASB against looking at operational decisions, as opposed to accounting decisions. He highlighted that the discussion is around assumptions about the use of the asset when we are measuring it at the balance sheet date, and not about preventing political decisions or future decisions by making an accounting decision.	The IPSASB agreed existing use is based on the use of the asset at the measurement date. Any policy decisions that would alter the use of the asset are taken into account when the decision is made.
22. Mr. Williamson suggested the need for information on the 'highest best value' on the balance sheet. Disclosures should explain why for accountability purposes.	Mr. Carruthers commented that IPSAS 44 addresses situations where you can realize the 'highest and best value' when you dispose of something. The support received for both the CP and ED 77 indicate a need for something else. However, the challenge is determining whether the various techniques in IFRS 13 can be used to measure something that the public sector can use to provide a service. There is a need to better articulate what we are trying to measure more clearly, listen to what valuation experts use, and understand how information is generated and used for decision-making.

Matters for CAG Consideration

1. Representatives and Observers are asked to note the Report Back.