
From:
Sent: Friday, 1 March 2024 1:24 PM
To: Australian Accounting Standards Board
Cc:
Subject: LGNSW Feedback on Exposure Draft ED SR1 Australian Sustainability Reporting Standards

Importance: High

Dear AASB,

Local Government NSW (LGNSW) is the peak body for councils in NSW. LGNSW appreciates the opportunity to provide feedback on [ED SR1](#) *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*.

The development of sustainable reporting standards relating to climate-related disclosures is supported in principle and is consistent with a past resolution of the 2019 LGNSW Annual Conference which called for a framework to enable mandatory reporting of climate risk exposure in line with the industry-led Task Force on Climate-related Financial Disclosures.

Following consultations with stakeholders including the NSW Office of Local Government (OLG) and Australian Local Government Association (ALGA), LGNSW would like to highlight the following matters.

While we understand and appreciate the importance of transparent and comprehensive reporting on sustainability matters, including climate-related financial disclosures, it is also important to highlight the financial constraints and administrative burden already faced by NSW councils.

The proposed amendments, including alignment with broader government initiatives, would necessitate additional resourcing and technical expertise for councils to comply effectively. For many councils, the requisite expertise and resourcing will not be available. Considering the capacity constraints of councils, it is appropriate that any such amendments to reporting standards be voluntary.

We also note that the exposure draft reflected concerns raised by the Heads of Treasuries Accounting and Reporting Advisory Committee during an earlier consultation on climate-related financial disclosure:

- *mandatory versus voluntary – preparers of public sector entities’ financial statements commented to the Treasury that climate-related financial disclosures should not be mandated for not-for-profit public sector entities until the requirements have been appropriately tailored for the not-for-profit context and can be implemented in a cost effective and meaningful manner;*
- *cost-benefits – preparers of public sector entities’ financial statements commented that many public sector entities, including local governments, manage a high number of assets and have diverse services to the community; therefore, the cost of preparing climate-related financial disclosures would be high. The cost of preparing such disclosures needs to be balanced with the benefits of such disclosures, particularly when climate-related impact reporting rather than financial disclosures seems to be the main interest of users.*

These concerns remain applicable.

We note the proposed timeline for entities in adopting these amendments, and in general are supportive of phased approaches to implementation that allow councils sufficient time to adopt changes. However, the proposed timeline does not appear adequate. Further, many councils, especially smaller ones, operate with limited resources and may struggle to allocate sufficient resources to meet the proposed reporting requirements.

The AASB should carefully consider the cost and resourcing implications for local councils and consider options for providing technical assistance and guidance to support councils to comply if the changes are made mandatory.

Thank you for considering our feedback on this matter. For further enquiries, please contact Shaun McBride, LGNSW Chief Economist at shaun.mcbride@lgnsw.org.au or 02 9242 4072.

Kind regards,

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