



<b>Project:</b>	<b>Service Performance Reporting</b>	<b>Board Meeting</b>	Sept 2024 (M208)
<b>Topic:</b>	<b>Working draft of SPR principles and related guidance</b>	<b>Agenda Item:</b>	7.1
		<b>Date:</b>	20 August 2024
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Developing SPR principles and related guidance

## OVERVIEW OF PAPER

### Objective

1. The objective of this agenda item is for the Board to **decide** on:
  - (a) a structure and the content for a Working Draft of service performance reporting (SPR) principles and related guidance (Working Draft); and
  - (b) an approach for using the Working Draft as a vehicle for initial consultation with targeted stakeholders.

As noted in paragraph 3 of the Background section below, the Board has decided that the Working Draft should be primarily based on [NZ PBE FRS 48 Service Performance Reporting](#). Accordingly, the focus of this paper is on the suitability of the staff recommended Working Draft as a communication/outreach document rather than a technical analysis of the NZ Standard's SPR principles and related guidance.

### Background

2. The not-for-profit (NFP) SPR [Project Plan](#) adopted by the Board at its March 2024 meeting lists ten key matters the project will address. The initial stage of the first key matter (i.e., a working definition of 'service') was finalised by the Board at its 26 June 2024 meeting.<sup>1</sup> Decisions made on the scope of the project through that working definition provide a context for addressing the second key matter (i.e., a first working draft of generic and scalable SPR principles for initial consultation with stakeholders, referred to in this paper as 'the Working Draft'), which is the subject of this paper.

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<sup>1</sup> At the 26 June 2024 meeting ([Agenda Paper 3.1](#)), the Board decided to adopt the following working definition of 'service': "goods or services, including funding activities, provided by a not-for-profit (NFP) entity to recipients (other than the entity itself) in pursuit of the entity's objectives" for the purposes of a common understanding of the project direction and scope and the relationship to other aspects on which an NFP entity might report. The Project Plan notes that, in due course, staff will analyse and make a recommendation about the need for a formal definition/description of 'service' in an SPR pronouncement. (See the Board meeting [minutes](#))

3. The Project Plan describes the broad approach to key matter 2 as: “Develop a first draft of SPR principles using [NZ PBE FRS 48 Service Performance Reporting](#) as the primary point of reference, supplemented from other SPR and related frameworks.”<sup>9”2</sup>
4. The Project Plan goes on to anticipate that the Working Draft will provide a basis for initial consultation with targeted stakeholders on not only SPR principles and related guidance but also on their application.<sup>3</sup> This is despite SPR application issues not being scheduled to be addressed until later in the project, after the Board’s views on SPR principles have been informed by targeted stakeholders’ comments on the principles included in the Working Draft.
5. Incorporating application issues into the Working Draft could help stakeholders who might otherwise find it difficult to comment on the SPR principles and related guidance without the application context. This could be the case even though stakeholders previously had an opportunity to comment on SPR application issues in the Australian context through AASB ED 270, given that significant time has elapsed since that consultation and the SPR principles and related guidance in the Working Draft are expressed at a higher level and expected to be different in many respects from those proposed in AASB ED 270.<sup>4</sup>
6. Feedback received through the Working Draft, combined with insights from the later scheduled research activities including benchmarking studies noted in paragraph 24 below, will help the Board decide what preliminary views or proposals to include in the next due process document (the nature of which is the subject of key matter 10) in relation to SPR principles and related guidance and the following application issues (and related guidance):
  - (a) sector neutrality. As noted in the Project Plan, consistent with adopting the NZ Standard as the primary point of reference, the AASB has made a working assumption for the purposes of developing the Working Draft that a sector-neutral SPR pronouncement will be developed;
  - (b) Tier neutrality. As noted in the Project Plan, consistent with adopting the NZ Standard as the primary point of reference, the AASB has made a working assumption for the purposes of developing the Working Draft that a Tier-neutral SPR pronouncement will be developed, initially with a focus on Tiers 1 and 2;
  - (c) the status (i.e., mandatory or voluntary) of any pronouncement that might ensue. As noted in the Project Plan, despite the NZ Standard being mandatory, it is not necessary for the AASB to make a working assumption on this matter for the purposes of the Working Draft because the Board will apply the same level of rigour throughout the project irrespective of whether a mandatory or voluntary pronouncement is to be

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2 Footnote 9 of the Project Plan states: “May 2023 AASB [Agenda Paper 4.4](#) provides a list of existing frameworks that could help supplement NZ PBE FRS 48 as the primary point of reference ... In addition, comments received on [AASB ED 270 Reporting Service Performance Information](#) and through further outreach to stakeholders will help inform the development of draft principles.”

3 To help structure this paper, and therefore the Working Draft, a distinction is made between SPR principles and related guidance (which address the why, what and how aspects of SPR) and application of those principles (which addresses the who, where, whether and when aspects of SPR, including whether the SPR principles and guidance should be applied in a sector- and Tier-neutral way [the subjects of key matters 4 and 5 respectively]; be mandatory or voluntary [key matter 6]; and whether the resulting service performance information should be located in general purpose financial statements (GPFS), a general purpose financial report (GPFR) or elsewhere, and subject to assurance [key matter 7]), discussed in further detail in paragraphs 9 to 12 below.

4 One of the main criticisms of AASB ED 270 from respondents was that, like the NZ Exposure Draft that was the precursor to the NZ Standard, it was too rules-based and therefore not at a sufficiently high principles level.

issued. Accordingly, a working assumption will not be made until the project has progressed and more insights are gained;<sup>5</sup> and

- (d) the location of service performance information disclosures (whether within or outside general purpose financial reports [GPFR]) and whether they should be subject to assurance. As noted in the Project Plan, despite the NZ Standard requiring SPR to be included within GPFR, the AASB has not made a working assumption on the matter for the purposes of the Working Draft. A working assumption will not be made until the project has progressed and more insights are available, along with monitoring of the NFP Conceptual Framework and Management Commentary projects and in consultation with the Auditing and Assurance Standards Board (AUASB).<sup>6</sup>

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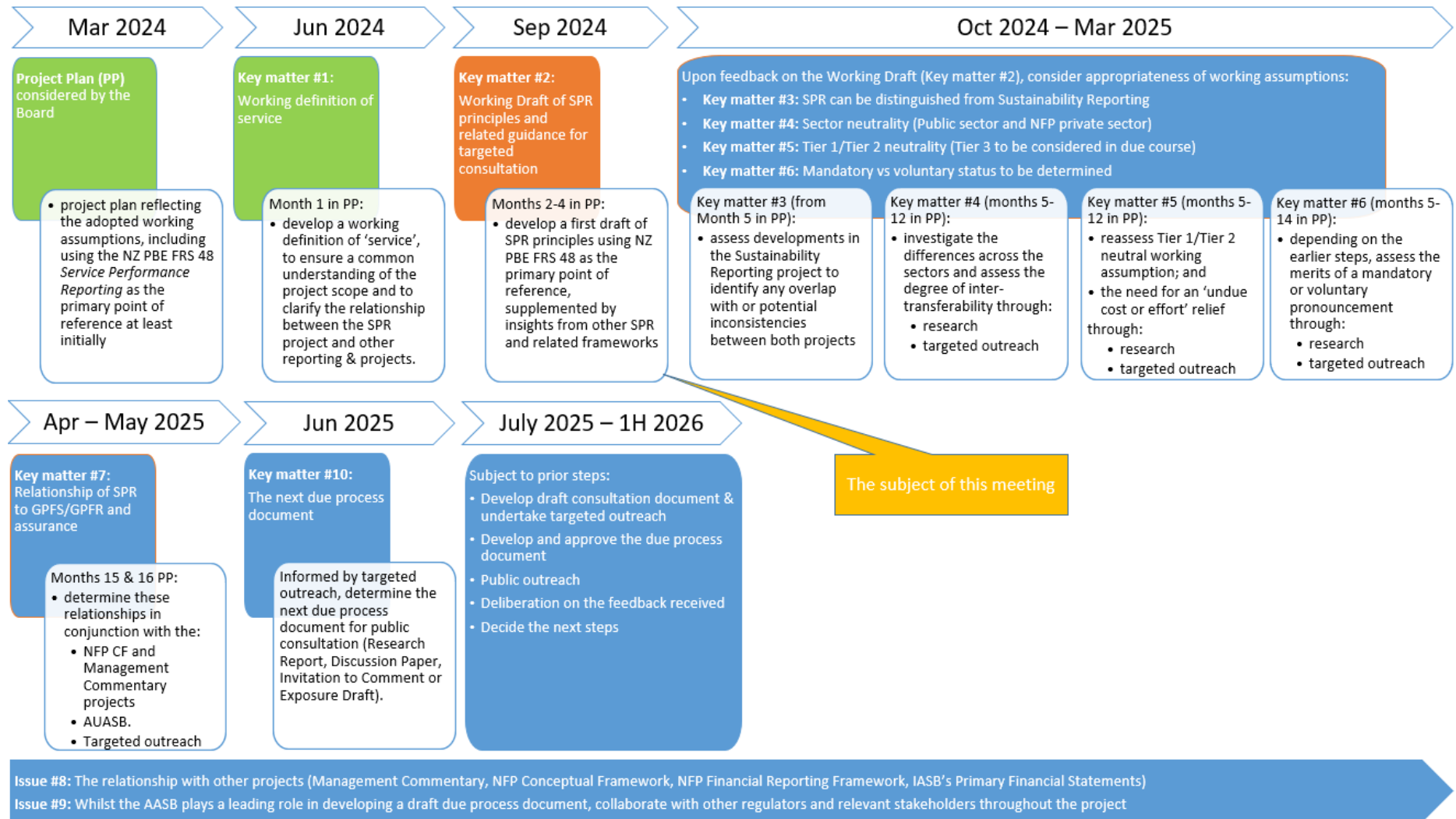
5 Of note is that, although the NZ Standard is mandatory, it includes some options and encouragements. These are identified where relevant in the paragraph-by-paragraph analysis in this paper.

6 As noted in paragraph 2 above, the SPR Project Plan lists ten key matters. The key matters not mentioned in paragraph 6 of this paper are:

- (a) key matter 1, a working definition of 'service', which was the subject of agenda paper 3.1 of the Board's 26 June 2024 meeting, the Board decisions at which are summarised in the footnote to paragraph 2 above;
- (b) key matter 3, the relationship of SPR to Sustainability Reporting;
- (c) key matter 8, the relationship of the SPR project to other AASB projects. As noted in paragraph 6(d) the NFP Conceptual Framework and Management Commentary projects will help inform deliberations on key matter 7; and
- (d) key matter 9, the AASB's role in the development of an SPR pronouncement. Consistent with the New Zealand Accounting Standards Board (NZASB) issuing the NZ Standard, as noted in the Project Plan, the Board has decided to play a leading role in developing a draft SPR due process document, and to collaborate with other regulators and relevant stakeholders throughout the project.

The preliminary outcomes of these key matters will also inform the Board when developing the next due process document.

7. The following chart represents an overview of the Project Plan, its ten key matters and a timeline:



## Structure of this paper

8. The rest of this paper is structured under the following sections:
  - (a) An approach to developing an SPR principles and related guidance Working Draft (paragraphs 9 to 16 of this paper), comprising:
    - (i) Using the NZ Standard as the primary point of reference (paragraphs 11 to 13)
    - (ii) Gaining additional insights from selected other SPR-related frameworks (paragraphs 14 to 16)
  - (b) Details of how staff recommend aspects of SPR are included in the Working Draft (paragraphs 17 to 22), which includes:
    - (i) Table 1: Analysis of the NZ Standard's SPR *principles and related guidance* paragraphs, including and accompanied by specific questions for targeted stakeholders
    - (ii) Table 2: Analysis of the NZ Standard's SPR *application and related guidance* paragraphs
    - (iii) Table 3: Analysis of other SPR-related frameworks' additional SPR principles and related guidance paragraphs, with specific questions for targeted stakeholders
  - (c) Project update and next steps (paragraphs 23 to 27)
  - (d) Appendix A: The staff approach applied in incorporating the NZ Standard's paragraphs into the Working Draft
  - (e) Appendix B: Insights to date from the development and implementation of the NZ Standard
  - (f) Appendix C: The staff recommended approach to gaining insights from other SPR-related frameworks for inclusion in the Working Draft

This agenda item also includes:

- (a) Supplementary Paper 7.2 Staff analyses of other SPR-related frameworks (as a supplement to Appendix C)
- (b) Supplementary Paper 7.3 The NZ Standard's implementation experience to date (as a supplement to Appendix B) (Board only)

## **AN APPROACH TO DEVELOPING AN SPR PRINCIPLES AND RELATED GUIDANCE WORKING DRAFT**

9. The distinction between SPR principles and related guidance and their application noted in paragraph 4 above can be extended to drawing a distinction between the different types of SPR principles/related guidance (i.e., those that address the key questions of why, what, how) and drawing a distinction between the different types of application issues (i.e., those that address the key questions of who, where, whether, when). Because the Board has decided to use the NZ Standard as the primary point of reference for the SPR principles and related guidance Working Draft, it is useful to summarise the NZ Standard using that construct as depicted in the following table:

	Key question	Key SPR question	The relevant NZ Standard's sections and paragraphs that address the key SPR question
(a)	Why	Why should NFPs report service performance information?	Objectives: para 1
(b)	What	What service performance information should NFPs report?	Objectives: para 2 (which provides a definition of service performance information) Information to be Reported: paras 11 to 28 Comparative Information and Consistency of Reporting: paras 36 to 39 (which address comparatives) Disclosure of Judgements: paras 44 to 46
(c)	How	How should NFPs report service performance information?	Principles: paras 6 to 10 Presentation: paras 29 to 35 Comparative Information and Consistency of Reporting: paras 40 to 43 (which address consistency of reporting)
(d)	Who	Who (i.e., which NFP sectors and Tiers) should report service performance information? (Related to key matters 4 and 5 of the SPR Project Plan)	Scope: para 3
(e)	Where	Where should service performance information be reported (i.e., within or separately from an NFP's GPFR)? (related to key matter 6)  [Although this key SPR question encompasses whether service performance information should be located within or outside condensed, prospective, summarised, interim and full year GPFR, the focus of this paper is on the question as it relates to full year GPFR].	Objective: para 1 Scope: paras 4 & 5
(f)	Whether	Whether a pronouncement on service performance information should be voluntary or mandatory and, if mandatory, whether it should include options and encouragements (related to key matter 7)  [Although this key SPR question encompasses whether service performance information should be mandatory or voluntary for condensed, prospective, summarised, interim and full year reporting, the focus of this paper is on the question as it relates to full year reporting].	Objective: para 1 Scope: paras 3 to 5 Presentation: para 32 Comparative Information and Consistency of Reporting: paras 38A & 42
(g)	When	When should a pronouncement on service performance information become operative?	Effective Date: paras 48 & 49

The last column shows that some NZ paragraphs address more than one SPR key question. Despite this, staff expect that utilising this construct will help focus the targeted consultation on SPR principles and related guidance within a relevant application context and thereby limit the risk of distraction from the potentially more controversial application aspects of the project.

10. This paper proceeds on the basis that the Working Draft will:

- (a) incorporate, most prominently, that part of the body of the NZ Standard that specifies SPR principles<sup>7</sup> and related guidance in its entirety (both bold- and non-bold-type

<sup>7</sup> As evident from the Table in paragraph 9 above, the NZ Standard uses the heading 'Principles' only for paragraphs 6 to 10 of the total number of 50 paragraphs in the Standard, which mainly only addresses some parts of the how and where aspects of SPR. Staff regarded that focus as too narrow for the purposes of the Working Draft.

paragraphs) and ask targeted stakeholders for their views on the suitability of those principles and guidance in the Australian context;

- (b) ask targeted stakeholders for their views on how those SPR principles and related guidance should be applied in the Australian context, supported by an addendum that provides a detailed analysis of the NZ SPR application and related guidance paragraphs (both bold- and non-bold-type);
- (c) distinguish between the different types of SPR principles and related guidance paragraphs in the order of why, what, how;
- (d) distinguish between the different types of SPR application and related guidance paragraphs in the order of who, where, whether, when; and
- (e) amend (shown as marked up text) the NZ paragraphs to the extent necessary to reflect the Australian context, the stage of the Board's deliberations with respect to key matters 4 to 7 (including whether working assumptions on them have been made or not) and to maximise the effectiveness of the Working Draft as a consultation document.

A justification for this approach is provided in Appendix A below. In implementing this approach, the following section (particularly paragraphs 11 to 13) explains how staff broadly recommend the NZ paragraphs are changed for the Australian context.

### **Using the NZ Standard as the primary point of reference**

11. As noted in AASB May 2023 [Agenda Paper 4.3](#), the NZ Standard's approach to SPR is expected to be particularly relevant in an Australian context because of the similarities in the respective jurisdictions' legal structures and arrangements, standard-setting processes, culture, and economic cooperation through trans-Tasman arrangements. By way of further background, Appendix B of this paper summarises:

- (a) the process by which the NZ Standard was developed; and
- (b) the NZ Standard's implementation experience to date.

The observations made in the Appendix provide support for the view that the NZ Standard is a suitable basis from which the AASB can develop the SPR principles and related guidance Working Draft.

### ***Adapting the NZ Standard to the Australian context for the purposes of the Working Draft***

12. The NZ Standard's use of NZ specific terminology and citations can be readily changed to refer to Australian terminology and citations. Similarly, the language used to describe the principles contained in cited pronouncements can be readily changed where the NZ descriptions differ from the Australian descriptions (e.g., the description of 'decision usefulness' in the respective Conceptual Frameworks). Furthermore, the NZ language used for application issues (including key matters 4 to 7) can be readily changed (or retained) for consistency with the AASB's working assumptions or lack of working assumptions. For example:

- (a) consistent with the AASB having made working assumptions, the NZ language that conveys sector-neutrality (key matter 4) and Tier-neutrality (key matter 5) could be retained for the purposes of the Working Draft; and

- (b) consistent with the AASB not yet making working assumptions, NZ terminology that conveys a mandatory status (key matter 6) and the location of service performance information in a GPFR (key matter 7) can be neutralised in the Working Draft. For example, although most of the NZ paragraphs are expressed as mandatory requirements for the service performance information that is to be included in a GPFR, the Working Draft could avoid taking a stance on those key matters. Instead, the Working Draft could explicitly flag the aspects of the NZ Standard that would otherwise prematurely resolve key matters 4 to 7 and include open-ended questions.
13. However, it is necessary to make some substantial modifications to certain of the NZ paragraphs whilst being consistent with the Board's decision to adopt the NZ SPR Standard as the primary point of reference (and therefore without changing the underlying NZ SPR principles per se) for the Australian context. The substantial modifications recommended by staff, and incorporated into the paragraph-by-paragraph review in Tables 1 and 2 below, broadly fall into the following four types:
- (a) modifications to the way an NZ SPR principle and related guidance is articulated and explained, for greater clarity or to otherwise enhance the articulation of the principle for the Australian context. Given the nature of these modifications, staff recommend the Working Draft include targeted questions that ask the consulted stakeholders to comment on each Working Draft SPR principle and related guidance that includes the suggested modifications;
  - (b) modifications to remove an NZ exception to an SPR principle (or its application). These arise from staff recommending that a rebuttable presumption is adopted for the Working Draft to exclude exceptions to underlying requirements. This is on the basis that, as evident from the NZ Basis for Conclusions, the NZ exceptions are in response to the NZ context and therefore might not be needed or suitable in the Australian context. Furthermore, staff believe that this approach could simplify the Working Draft, keep it at a suitably high level, and better facilitate open-ended input from stakeholders. Rather than include NZ exceptions or speculate about Australian exceptions in the Working Draft, the consulted stakeholders could be asked to comment on the need for exceptions (including the NZ exceptions) through targeted questions;
  - (c) modifications to remove an option and/or add an SPR principle or related guidance within a paragraph, as a sub-paragraph or as a separate paragraph. Staff recommend these types of modifications to supplement the existing NZ SPR principles and related guidance. Consistent with the approach described in paragraphs 14 to 16 below, staff identified some of these modifications from the insights gained from the analyses to date of other SPR-related frameworks and reflected in either Table 1 or Table 3 below. Given the nature of these recommended modifications, the Working Draft could ask targeted questions to elicit the consulted stakeholders' comments on each of the principles and related guidance that includes the suggested modifications; and
  - (d) modifications to align with, and seek comments on, the working definition of 'service' adopted by the AASB at its 26 June 2024 meeting.

In relation the SPR application issues, stakeholders could be asked for their preliminary views on those issues in the Australian context **if** the SPR principles and related guidance included in the SPR principles and related guidance Working Draft (Table 1 below) were to be adopted in a mandatory sector- and Tier-neutral Australian Standard that requires service performance



information to be included in GPFR or GPFS and subject to assurance.<sup>8</sup> An addendum to the Working Draft (Table 2 below) analysing the NZ application paragraphs could provide additional context, to help elicit comments from the targeted stakeholders that would inform the Board's subsequent deliberations. This approach is consistent with the Project Plan, which anticipates key matter working assumptions being made and possibly subsequently modified as the project progresses and further insights are gained through research and stakeholder outreach.

### **Gaining additional insights from selected other SPR-related frameworks**

14. Although this paper is mainly informed by the NZ Standard, consistent with the footnote to paragraph 3 above, staff have considered the feedback received on AASB ED 270 and started reviewing some other SPR-related frameworks to help supplement, enhance or clarify the SPR principles and related guidance in the NZ Standard for the Australian context. Tables 1 and 3 below incorporate the results of those reviews. Appendix C below identifies the other frameworks considered to date and explains the approach staff took to selecting and reviewing them.
15. Consistent with the Project Plan, an analysis of the frameworks not analysed in this paper will be undertaken as the project progresses and when more project resources become available. For example, as noted in the Project Plan, public sector and private sector SPR-related frameworks not analysed in this paper are scheduled to be considered as part of key matter 4: The public sector vs private sector NFP issue. Indeed, the focus of future analyses might be informed by comments on the Working Draft.
16. In the interest of a timely Working Draft, it is neither practical nor necessary to consider every potentially relevant 'other SPR and related framework' at this stage of the project. Despite the limited consideration to date, staff are of the view that the range of frameworks considered in this paper and the level of analysis thereof provides a sufficient basis for developing a Working Draft that is sufficient for initial targeted consultation purposes.

### **DETAILS OF HOW STAFF SUGGEST ASPECTS OF SPR ARE INCLUDED IN THE WORKING DRAFT**

#### **Paragraph-by-paragraph review of the NZ Standard**

17. Consistent with the approach described in paragraphs 11 to 13 above and justified in Appendix A below, Tables 1 and 2 below provide a detailed staff analysis of each paragraph in the body of the NZ Standard.<sup>9</sup> They comprise:
  - (a) Column 1, which, consistent with the construct described in paragraph 9 above, lists the broad subject matters of the principles (Table 1 – in the order of why, what, how)

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8 In arriving at the suggested targeted questions, a limited staff analysis of the NZ Standard's paragraphs that have implications for key matters 4 to 7 is included within the paragraph-by-paragraph analysis in Table 2 below.

9 The analysis of the NZ Standard's paragraphs in this paper has been informed by the IN (Introduction) and BC (Basis for Conclusions) NZ paragraphs in order to provide a context to the main paragraphs and understand the NZASB's thinking behind the NZ SPR principles and related guidance and their application. Where relevant, those paragraphs are referred to in the analysis.

or application aspects (Table 2 – in the order of where, who, whether, when) of SPR associated with each paragraph;<sup>10</sup>

- (b) Column 2, which:
  - (i) provides a verbatim record of the way the NZ Standard articulates an SPR principle and related guidance (Table 1) or application aspect and related guidance (Table 2). Accordingly, the Column includes material that is copyright of the NZ External Reporting Board (XRB) 2017. The Column replicates the NZ Standard’s use of bold- and non-bold-type;
  - (ii) marks up (by striking through NZ text staff recommend is deleted and underlining staff recommended new/replacement text for the Australian context) the staff recommended necessary modifications to:
    - (1) align with AASB terminology, citations and other language;
    - (2) align with the AASB’s working assumptions for key matters 4 and 5; and
    - (3) neutralise the language relating to key matters 6 and 7, as referred to in paragraph 12 above; and
  - (iii) highlights in grey the parts of the NZ Standard’s paragraphs that staff suggest warrant:
    - (1) more substantial modifications for the Australian context – as referred to in paragraph 13 above. The specific staff recommended substantial modifications are also shown as mark ups; or
    - (2) aspects of the NZ Standard that, although not in need of modification for the Australian context, warrant particular attention by the Board in considering the draft Working Draft given their implications in the Australian context;
- (c) Column 3, which provides a staff observation on relevant aspects of the NZ paragraph or a staff comment on and explanations for some of the recommended modifications, and particularly includes reasons for the staff:
  - (i) recommended ‘substantial’ modifications including, where relevant, references to additional insights to date from some other SPR-related frameworks; and
  - (ii) highlighting it for the Board’s attention despite not recommending any modifications for the Australian context; and
- (d) Column 4, which summarises the staff recommended targeted question and/or additional context where relevant for each principle and related guidance (Table 1) and application aspect and related guidance (Table 2) of SPR.

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10 As noted in the text immediately below the table in paragraph 9 above, some NZ paragraphs address both or more than one type of SPR principles and related guidance and application issues, and therefore do not necessarily fall neatly into the structure of why, what, how; who, where, whether, when. Accordingly, not all the NZ paragraphs presented in Tables 1 and 2 are in numerical order and there is some unavoidable repetition in the analysis.

**Table 1: Analysis of the NZ Standard’s SPR principles and related guidance paragraphs (the main focus of the Working Draft)**

Aspect of SPR principles	Related NZ Standard’s paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
<p><b>1: WHY</b> Reported service performance information should be <b>decision useful</b></p>	<p><b>Objective</b></p> <p><b>1. The objective of this Standard Working Draft is to establish-articulate principles and requirements guidance for an entity to present service performance information that is useful for accountability and decision-making purposes (including assessing managements’ stewardship of the entity’s economic resources) in a general purpose [financial report]*.</b></p> <p><b>Principles</b></p> <p><b>6. An entity shall presents service performance information that is useful for accountability and decision-making purposes (including assessing managements’ stewardship of the entity’s economic resources) in the same general purpose financial report as its financial statements. Presentation of both service performance information together with and financial statements enables users to make assessments of the entity’s performance.</b></p> <p><i>*see row 2 of Table 2 below for an explanation of why staff have put ‘financial report’ in square brackets for the purposes of the Working Draft.</i></p>	<p>The NZ Standard’s focus on decision usefulness is common across a range of SPR-related frameworks and is suitable for inclusion in the Working Draft. The <a href="#">Project Plan</a> notes under the ‘Activities’ to be undertaken in fulfilling key matter 2 that “In light of the feedback received on ED 270 and ITC 46 [AASB Agenda Consultation 2022-2026], staff update earlier work on the demand for SPR, including understanding user needs and costs and benefits* ... This would include a review of the current academic literature ...” (* footnote added) This work is scheduled to be undertaken in due course.</p> <p><i>* The recently released Productivity Commission 2024, Future foundations for giving, <a href="#">Inquiry Report no. 104</a>, Canberra reinforces the need for further cost/benefit analysis: “The Commission recognises that there can be benefits to enhancing the quality and comparability of how charities report on their performance, but also notes that any additional reporting requirements would place a burden on charities, particularly smaller charities. Therefore, the introduction of any further requirements should be based on evidence that the benefits of additional reporting requirements would exceed the costs, including the benefits to donors.” (See page 339 in the subsection headed ‘The AASB’s ongoing work on not-for-profit service performance reporting’). Staff expect that feedback received on the Working Draft from targeted stakeholders will help inform the Board’s cost/benefit assessment.</i></p> <p>The mark-ups to NZ paras 1 and 6 relating to the relationships between decision making, accountability and stewardship are for consistency with the Board’s decisions to date in the NFP Conceptual Framework project. For example, paragraphs 63 to 66 of the March 2024 <a href="#">agenda paper 6.1</a> discuss the question of the prominence accountability and stewardship should have in articulating the objective of NFP general purpose financial reporting. In that meeting the Board decided to maintain its view that stewardship (and accountability) are encompassed by the broader objective of providing information useful for making decisions about the allocation of resources, as for example reflected in draft paragraph Aus1.3.1 in the 6-7 June 2024 <a href="#">staff paper 7.2</a>. (In due course, the project’s key matter 8 will address the relationship of the SPR project to other AASB projects, including the NFP Conceptual Framework project.)</p> <p>NZ para 6 is also amended for consistency with para 13(d), to neutralise the language about the relationship between financial</p>	<p>Would it be appropriate to adopt the NZ SPR WHY principle of decision usefulness reflected in NZ paras 1 and 6 (as amended) in the Australian context? If not, why not, and what different SPR objective should be specified?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
<p><b>2A. WHAT</b> Definition of 'service' and 'service performance information'</p>	<p>2. Service performance information is information about what the entity has done during the reporting period in working towards its <del>broader service aims and objectives</del>, together with supporting contextual information. <u>[Service is goods or services, including funding activities, provided by the entity to recipients (other than the entity itself) in pursuit of the entity's objectives]*.</u></p> <p><i>* staff have put the AASB's working definition of 'service' in square brackets for the purposes of the Working Draft to indicate that the Board has not yet decided whether the next due process document should include such a definition. This Working Draft provides an opportunity to solicit stakeholder comments on the working definition at an early stage of the project.</i></p>	<p>statements and service performance information and their respective locations (see Table 2 below).</p> <p>NZ para 2 provides a definition of 'service performance information'. The NZ Standard does not provide a definition of 'service'.</p> <p>The <b>grey</b> highlight amendments in NZ para 2 are made for consistency with the Board's decision on the working definition of 'service' (see AASB 26 June 2024 <a href="#">minutes</a> relating to <a href="#">Agenda Paper 3.1 A Working Definition of 'Service'</a>). Although the Board has not yet considered whether a definition of service is necessary or appropriate, it is included in the Working Draft to facilitate discussion. The third row of Table 3 below addresses the question of whether an SPR pronouncement should include a glossary of defined terms.</p>	<p>Would it be appropriate to adopt the NZ para 2 definition (as amended) of 'service performance information' in the Australian context? If not, why not?</p> <p>Would it be necessary or appropriate to include the working definition of 'service' shown in square bracketed marked-up text in NZ para 2? If so, would the working definition be suitable in the context of a future pronouncement?*</p> <p><i>* As a context to this question: At the 26 June 2024 AASB meeting (<a href="#">Agenda Paper 3.1</a>), the Board decided to adopt the working definition of 'service' depicted in Column 2 of this row for the purposes of a common understanding of the project direction and scope and the relationship to other aspects that an NFP entity might report on.</i></p>
<p><b>2B. WHAT</b> Service performance information should be presented for <b>the same reporting entity</b> and <b>reporting period</b> as the financial statements</p>	<p><b>Information to be Reported</b></p> <p><b>Reporting Entity and Reporting Period</b></p> <p><b>11. <del>Except as otherwise required by legislation, an</del> An entity shall present service performance information for the same reporting entity and reporting period as the financial statements.</b></p> <p>12. The reporting entity and reporting period concepts are relevant for both financial statements and service performance reporting. This <del>Standard Working Draft</del> discusses some additional factors that <del>need to be</del> <u>are</u> considered when applying these concepts to service performance information.</p> <p>13. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that <b>entire economic entity</b>. If the reporting entity is a single entity, then service performance is reported in respect of that single entity. <del>Where legislation or regulation requires service performance information to be prepared for a reporting entity that differs from the reporting entity for which historical general purpose financial statements are presented, an entity is compelled to comply with such legislation or regulation.</del></p> <p>14. This <del>Standard Working Draft articulates</del> <u>establishes</u> requirements <u>principles</u> for reporting on an entity's service performance for a reporting period. However, <u>public benefit</u></p>	<p>Not all other SPR-related frameworks adopt this SPR principle, although they typically address the SPR reporting entity and the SPR reporting period. Despite this, consistent with adopting the NZ Standard as the primary point of reference, the underlying NZ SPR principle in NZ para 11 is suitable for inclusion in the Working Draft.</p> <p>The <b>grey</b> highlight in NZ para 11 and at the end of para 13: AASB ED 270 did not propose a legislation-based exception to the underlying SPR principle. Consistent with the staff comment on NZ para 3 in the first row of Table 2 below, it is questionable whether the exception in NZ para 11 would be appropriate or necessary in the Australian context.* This is because the AASB's general approach, reflected in AASB 101 <i>Presentation of Financial Statements</i> (and <a href="#">AASB 18 Presentation and Disclosure in Financial Statements</a>, operative for NFPs from 1 January 2028), is to work within its conceptual framework (rather than within its conceptual framework except when it differs from a legislative conceptual framework) and therefore where there is a difference between legislation and an AASB Standard, the legislation should apply in addition to, not in lieu of, the Standard.</p> <p>Accordingly, and consistent with the rebuttable presumption described in para 13(b) of this paper, the exception in NZ para 11, together with the last sentence of NZ para 13, should be excluded for the purposes of the Working Draft.</p> <p><i>* Para BC30 in NZ PBE FRS 48 states: "The Standard requires that, except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and</i></p>	<p>Would adopting NZ paras 11 to 14 (as amended, and therefore without the legislative exception) be appropriate in the Australian context? If not, why not?</p> <p>The following provides a context to the question, to the extent it relates to the <b>reporting period</b>:</p> <ul style="list-style-type: none"> <li>the question of whether service performance information should be reported for the same reporting period as that of the entity's financial statements was addressed as specific matter for comment 7 of AASB ED 270;</li> <li>in contrast to the NZ Standard, AASB ED 270 proposed allowing different reporting periods where it would provide more useful information, can be justified on cost/benefit grounds, and is accompanied by an explanation for the difference. ED 270 did not refer to the possibility of legislation rather than an accounting standard specifying the relationship between financial statements and service performance information reporting periods;</li> <li>a collation of comments on that matter is provided in <a href="#">agenda paper 13.1</a> of the AASB's December 2016 meeting (paras 46 to 49);</li> <li>the majority of respondents agreed with the AASB ED 270 proposal; and</li> <li>including NZ paras 11 to 14 in the Working Draft, amended as shown in Column 2, provides targeted stakeholders with an opportunity to comment further on the issue in the context of SPR principles that differ from those proposed in AASB ED 270.</li> </ul>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p><u>not-for-profit</u> entities often have long-term service performance objectives. Judgement is <del>required</del> <u>applied</u> in deciding how much information to provide about the entity's service performance in the current reporting period and how much information to provide about progress towards its long-term <u>service</u> objectives. In reporting on its current period's service performance an entity is likely <del>to need</del> to provide information that relates to previous periods or future periods (such as trend data) to provide context.</p>	<p><i>reporting period as the financial statements. The NZASB added the reference to legislative requirements following comments from respondents that an entity may be subject to legislative requirements which specify the activities for which service performance information is required."</i></p> <p>The first <u>grey</u> highlight in NZ para 13 relating to economic entity: consistent with the analysis of NZ para 3 in Table 2 below, the Working Draft should include a targeted question that asks stakeholders to comment on the implications of adopting this SPR principle for WoG and GGS reporting.</p>	<p>The following provides a context to the question, to the extent it relates to <b>reporting entity</b>:</p> <ul style="list-style-type: none"> <li>in contrast to the NZ Standard, AASB ED 270 did not propose an exception to the reporting entity being the same for both financial statements and service performance information;</li> <li>the question of whether the reporting entity for which service performance information is reported should be the same as that used for the entity's financial statements is addressed as specific matter for comment 5 in AASB ED 270;</li> <li>a collation of comments on that matter is provided in <a href="#">agenda paper 13.1</a> of the AASB's December 2016 meeting (paras 30 to 35);</li> <li>the majority of respondents agreed that the reporting entity for service performance information should be the same as for the financial statements. No respondents commented on the absence of a legislative exception. However, roundtable participants expressed significant concern in relation to the NFP public sector, particularly at a WoG level;* and</li> <li>consistent with the Project Plan and as noted in Table 2 below in relation to NZ para 3, the relationship of any SPR pronouncement with any SPR-related legislation/regulation will be consulted on, including with relevant regulators.</li> </ul> <p><i>* para 33 of AASB December 2016 agenda paper 13.1 notes the following views in relation to the NFP public sector: the information reported would be meaningless; WoG or state plans are just political tools which are likely to change in an instant with a change of government; the WoG does not provide a service therefore there is nothing to report performance against; and WoG objectives tend to be long-term and therefore reporting performance on these long-term outcomes may be problematic. Some of these concerns relate to the economic-entity-nature of WoG as a reporting entity, which is the subject of the next question ...</i></p> <p>Would there be any adverse implications of applying the SPR principles in this Working Draft at the <b>economic entity</b> level?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>the question of whether SPR requirements should apply to entities that prepare consolidated financial statements was addressed as specific matter for comment 4 in AASB ED 270;</li> <li>a collation of comments on that matter is provided in <a href="#">agenda paper 13.1</a> of the AASB's December 2016 meeting (paras 25 to 29);</li> </ul>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
			<ul style="list-style-type: none"> <li>the majority of respondents were particularly concerned with a requirement to report service performance information at the WoG and GGS level. Some were also concerned in relation to non-WoG or GGS entities that are groups due to it being complex, laborious and overwhelming; and</li> <li>those concerns were expressed in relation to the particular proposals in AASB ED 270, which were criticised for being insufficiently principles based.</li> </ul> <p>In relation to WoG and GGS SPR, the analysis in Table 2 below of NZ para 3 raises the issue of the relationship between the Working Draft's SPR principles and the Productivity Commission's RoGS principles and whether compliance with RoGS principles at a WoG/GGS level would satisfy the SPR principles or otherwise be sufficient to meet the needs of users.</p>
<p><b>2C. WHAT</b> Reported service performance information should provide useful <b>contextual information</b> and <b>information about what the entity has done in working towards its service objectives</b></p>	<p><b>Service Performance Information</b></p> <p><b>15. An entity's service performance information shall:</b></p> <p><b>(a) Provides users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term through the service it provides, and how it goes about this; and</b></p> <p><b>(b) Provides users with information about what the entity has done during the reporting period in working towards its broader service aims and objectives, as described in (a) above.</b></p> <p>16. Paragraph 15 establishes requirements articulates principles about the service performance information to be reported. Presentation of service performance information is discussed in paragraphs 29 to 35.</p>	<p>This SPR principle (WHAT) is expressed at a higher-level and in more general terms than was proposed in the ED precursor to the NZ Standard (and in AASB ED 270). It is common in many of the SPR-related frameworks considered in developing this paper, albeit expressed at different levels, and is suitable for inclusion in the Working Draft.</p> <p>NZ XRB Research Report 1 (see para 9(a) of Appendix B below) concluded that the experience in implementing this SPR principle as expressed in NZ para 15(a) "... For charitable PBEs there were pockets of excellence, but many charities did not adequately provide an appropriate level of context ...". Accordingly, the Report questioned the implementation of the SPR principle rather than the merits of the principle per se.</p> <p>The grey highlight recommended amendments to NZ para 15(a) and (b): are consistent with the Board's decision on the working definition of 'service' (see AASB 26 June 2024 <a href="#">minutes</a> relating to <a href="#">Agenda Paper 3.1 A Working Definition of 'Service'</a>).</p> <p>Furthermore, the grey highlight recommended amendment to NZ para 15(a): removing the reference to "the medium to long term" generalises the principle to any timeframe that might be relevant in the Australian circumstances.</p> <p>NZ paras 16 and 17 support the SPR principle in NZ para 15 (as amended) and are therefore suitable for inclusion in the Working Draft.</p> <p>In relation to NZ para 17, some AASB constituents might not yet be familiar with some of the terms in the phrase "a performance</p>	<p>Would adopting NZ para 15 (as amended) be appropriate in the Australian context? If not, why not?</p> <p>Would adopting NZ paras 16 and 17 (as amended) be appropriate in the Australian context? In particular, would the terminology relating to "performance framework, theory of change or intervention logic" be appropriate? Do those terms warrant a definition or otherwise need to be clarified in the Australian context?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>17. Paragraph 15(a) <del>requires</del> <u>addresses</u> contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information <del>should be</del> <u>is</u> drawn from relevant documents such as founding documents, governance documents, accountability documents and planning documents. For example, a not-for-profit entity would consider documents such as its constitution, trust deed, mission statement (vision, purpose) and its most recent plans and strategies. If an entity uses a <u>performance framework, theory of change or intervention logic</u> at its highest level of management or in the governance of the entity, the contextual information <del>should</del> <u>also draws</u> upon that performance framework, theory of change or intervention logic. For example, a local authority's Long-Term Plan provides a meaningful performance framework for its activities.</p>	<p>framework, theory of change or intervention logic". They are terms that have emerged in the language adopted around SPR, including 'impact reporting'. For example, <a href="#">Measuring Social Impact for Better Reporting</a>, published by Chartered Accountants Australia New Zealand (CAANZ) in October 2023 to provide guidance for outcome and impact reporting in the context of NZ PBE FRS 48, in drawing on other sources, defines on pages 5 and 6 the following terms and uses related terms in those definitions:</p> <ul style="list-style-type: none"> <li>• Impact model: "A visual representation of the logic of how an activity will lead to social or environmental change. Impact models include: <b>theory of change</b>, logic model, program logic, program theory, causal model, outcomes hierarchy, results chain, or <b>intervention logic</b>. Often the term '<b>theory of change</b>' is used as an umbrella term for all impact models". (emphasis added)</li> <li>• Logic model: "A visual representation of how a program or organisation will achieve its goals or purposes, including the short, medium and long-term outcomes. This model may also be referred to in practice as a <b>theory of change</b>." (emphasis added)</li> <li>• Theory of change: "An explicitly theory or model of how an activity, program or organisation will achieve the intended or observed outcomes. It articulates the hypothesised causal relationships between a program's activities and its intended outcomes and identifies how and why changes are expected to occur."</li> </ul>	
	<p>18. In providing the contextual information <del>required</del> <u>referred to</u> by paragraph 15(a), an entity <del>shall</del> <u>explains</u> the main ways in which it carries out its service performance activities. For example:</p> <p>(a) Delivering goods and services directly to individuals, entities or groups (including members);</p> <p>(b) Working together with other entities that share common objectives;</p> <p>(c) Contracting with <u>or entering into an arrangement under the direction of</u> other entities to deliver goods and services on their behalf; or</p> <p>(d) Making grants to other individuals or entities.</p>	<p>NZ para 18 supports the SPR principle in NZ para 15 (as amended) and is therefore suitable for inclusion in the Working Draft.</p> <p>The <u>grey</u> highlight staff recommended amendment in NZ para 18(c): acknowledges <a href="#">AASB 1050 Administered Items</a>, which is applicable to government departments. For consistency with AASB terminology, the staff recommended phraseology is drawn from paragraph F8 of <a href="#">AASB 15 Revenue from Contracts with Customers</a>.</p>	<p>Would adopting NZ para 18 (as amended) be appropriate in the Australian context?</p> <p>By way of context to that question as far as it relates to government departments, the AASB intends to consider the implications of SPR for government departments (including the relationship of NZ para 18 [and therefore NZ para 15] with <a href="#">AASB 1050 Administered Items</a>) in due course. By way of background, AASB 1050 is in effect a legacy Standard that arose out of the AASB project completed in 2007 that withdrew <i>AASB 29 Financial Reporting by Government Departments</i>. At the time, paragraph BC13 of AASB 1050 noted that a longer-term project on administered items as part of a review would be undertaken in due course. Since then, the Board has initiated a post-implementation review of selected public sector pronouncements, including AASB 1050. (For the latest, see AASB May 2023 <a href="#">agenda item 5</a>, in particular <a href="#">agenda paper 5.3</a>, being the latest draft of 'AASB Invitation to Comment <i>Post-implementation Review of Selected Public Sector Pronouncements</i>'.) Currently, the plan is to commence the post-implementation review of AASB 1050 in the first quarter of 2026.</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
			<p>Although not explicitly mentioned in the SPR Project Plan's discussion of cross-cutting issues (see paragraph 30 of the Project Plan), the implications of the relationship between the SPR project and the post-implementation review of AASB 1050 (including its timing relative to progress of the SPR project) will be considered as part of the SPR Project Plan's key matter 8 "The relationship with other projects ...".</p>
	<p>19. The nature of the information that an entity provides to <del>meet the requirements of</del> <u>satisfy</u> paragraph 15(b) will depend on the circumstances of the entity. An entity <del>shall</del> <u>shall</u> consider all of the following factors in deciding what to report.</p> <p>(a) What it is accountable/responsible for. Some entities have responsibility for working towards particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society. For example, a public sector entity may be required to target its <u>controlled or administered</u> resources to reduce disparity in educational achievement between different groups in society. In this case, the entity's service performance information is likely to focus on whether and the extent to which those particular improvements occurred. In other cases, entities are primarily responsible for the delivery of specific types and/or volume of goods or services to a target population, rather than trying to bring about particular improvements in the health, education, welfare and/or social or economic well-being of the recipients of those goods and services. For example, an entity may be required to provide support services to elderly people in a city. In that case, the entity's service performance information is likely to focus on the delivery of the specified goods or services. Even in cases where an entity determines the nature and extent of its service performance itself, it <del>will need to consider</del> <u>shall</u> the nature of its accountability to funders and service recipients.</p> <p>(b) What it intended to achieve during the reporting period. The information that an entity provides about its planned performance will be influenced by how much information the entity has previously published about its planned performance. If a not-for-profit entity has identified specific performance goals or targets when obtaining funding from other parties, its service performance information is likely to focus on reporting whether, and/or the extent to which, it met those goals or targets. If a not-for-profit entity has been working towards general service performance objectives for the reporting period (for example, a planned increase in the range or volume of goods or services provided or a planned</p>	<p>NZ para 19 supports the SPR principle in NZ para 15 (as amended) and is therefore suitable for inclusion in the working draft.</p> <p>The <u>grey</u> highlight staff recommended amendment to NZ para 19(a): reflects that unlike NZ, as noted in the analysis of NZ para 18 immediately above, Australia has AASB 1050 <i>Administered Items</i>. That Standard currently only applies to the financial aspects of administered income, expenses, assets and liabilities. In due course, it will be necessary for the Board to consider the implications of the SPR project for AASB 1050.</p> <p>NZ para 19(b): refers to comparisons between actual and planned performance. Rather than discuss that issue here, it is discussed in the context of NZ para 38A below.</p>	<p>Would adopting NZ para 19 (as amended) be appropriate in the Australian context, including the highlighted sentence in NZ para 19(d)? If not, why not?</p> <p>By way of context to this question as far as it relates to government departments and local governments, as part of the post-implementation reviews noted in Column 4 of the row immediately above relating to NZ para 18, in due course the Board will consider the implications of SPR for:</p> <ul style="list-style-type: none"> <li>• <a href="#">AASB 1050 Administered Items</a>, which is applicable to government departments. For example, the Board will consider whether it is necessary for SPR to distinguish between 'controlled' and 'administered' services; and</li> <li>• <a href="#">AASB 1052 Disaggregated Disclosures</a>, which is applicable to local governments and government departments and currently specifies: <ul style="list-style-type: none"> <li>○ classification according to function or activity by local governments; and</li> <li>○ disclosure of service costs and achievements by government departments.</li> </ul> </li> </ul> <p>Depending on the timing of these post-implementation reviews relative to the progress of the SPR project, the SPR project will be informed by the findings of the post-implementation reviews.</p>



Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>improvement in the entity's effect on a target population) rather than specific service performance goals or targets, its service performance information is likely to focus on reporting whether, and/or the extent to which, it made progress in relation to those general objectives. Public sector entities are often required to publish information about planned <u>service performance</u> in planning documents. In such cases this <del>Standard requires</del> <u>Working Draft anticipates the disclosure of comparisons between actual and planned service performance</u> (see paragraph 38A).</p> <p>(c) How it went about achieving its service performance objectives. If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it <del>needs to</del> <u>considers</u> the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed <u>or otherwise committed</u> to deliver goods and services and then contracts with <u>or enters into an arrangement that directs</u> another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity <del>needs to</del> <u>exercises judgement</u> in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a <u>government</u> department may administer an appropriation used by another <u>government</u> department or it may use an appropriation administered by another <u>government</u> department. <u>Subject to the principles for reporting administered items in AASB 1050 Administered Items, the</u> <del>The</del> information a <u>government</u> department includes in its service performance information will reflect which <u>government</u> department has responsibility for reporting on such appropriations.</p> <p>(d) Other factors relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance). <u>Furthermore, when an entity has multiple service performance objectives, an indication of the entity's priorities is given.</u></p>	<p>The first <u>grey</u> highlight staff recommended amendments to NZ para 19(c): is for consistency with AASB 1050. (In due course, the SPR project might also have implications for AASB 1052 <i>Disaggregated Disclosures</i>.)</p> <p>The second <u>grey</u> highlight in NZ para 19(c): in arriving at its working definition of 'service' at its 26 June 2024 meeting, the AASB decided that the working definition should not include 'goods and services funded by an NFP but provided directly by another entity'. Rather, the working definition should only include 'goods or services, including funding activities, provided by an NFP'. This was for consistency with the view that reporting by an entity should reflect what the entity controls and the boundary of the reporting entity. Retaining the highlighted NZ sentence would not be inconsistent with the Board's deliberations in June 2024 as the sentence relates to the contextual information referred to in NZ para 15(a) rather than information about what the NFP itself has done in pursuit of its service objectives (which is the subject of NZ para 15(b)). Accordingly, staff recommend retaining the highlighted sentence (as amended).</p> <p>The <u>grey</u> highlight staff recommended amendment to NZ para 19(d): is based on para 20 of IPSASB <u>RPG 2 Financial Statement Discussion and Analysis</u> (see Supplementary Paper 7.3 of this meeting), which, in the context of an entity's discussion of its objectives and strategies, unlike the NZ Standard, explicitly refers to information being included that "... enables users to understand the entity's priorities ...".</p>	

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
<p><b>2D. WHAT</b> Reported service performance information should provide an <b>appropriate and meaningful mix of service performance measures and/or descriptions</b></p>	<p><b>Performance Measures and/or Descriptions</b></p> <p><b>20. In reporting on what an entity has done during the reporting period an entity shall provides users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:</b></p> <p><b>(a) Quantitative measures: Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;</b></p> <p><b>(b) Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or</b></p> <p><b>(c) Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?</b></p> <p>21. An entity shall exercises judgement to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its general purpose [financial report] with sufficient, but not excessive, information about its service performance for the period. In determining the type and extent of information to provide, the entity considers a balance between providing:</p> <p>(a) Enough information to provide users with an overall picture of its service performance for the period; and</p> <p>(b) Not so much information that it could obscure the overall picture.</p> <p>22. In selecting the performance measures and/or descriptions to be reported an entity shall considers the qualitative characteristics and the pervasive constraints on of useful information in general purpose [financial reports]</p>	<p>This SPR principle is broadly consistent across the SPR-related frameworks that were considered in developing this paper and is suitable for inclusion in the Working Draft.</p> <p>NZ XRB Research Report 1 (see para 9(a) of Appendix B below) concluded that the experience in implementing this SPR principle "... For charitable PBEs there were pockets of excellence, but many charities did not adequately provide ... a sufficient mix of measures to assess performance ...". Accordingly, the Report questioned the implementation of the SPR principle rather than the merits of the principle per se.</p> <p>The IASB's May 2021 <a href="#">Exposure Draft</a> 'Management Commentary' includes Part C 'Selection and Presentation of Information', which addresses the topics of 'Making materiality judgements', 'Completeness, balance, accuracy and other attributes', 'Metrics', and 'Examples of information that might be material'. The material in Part C will provide useful input to the Board's deliberations on the suitability of NZ paras 20 to 28 in the Australian context.</p> <p>Grey highlight NZ para 21: notably, the NZ Standard does not explicitly require disclosures about how each reported service performance measure has been measured or evaluated. NZ paras 44 to 47 require the disclosure of judgements that have the most significant effect on the selection and measurement of service performance information (see the analysis of NZ paras 44 to 47 below in this Table). NZ XRB issued <a href="#">Staff Guidance Disclosing how you measure your service performance</a> (A guide for Tier 1 and Tier 2 Public Benefit Entities (Public and NFP Sectors)) in August 2023. The guidance notes that "Information about how an entity assesses and measures its service performance is an important disclosure when applying the PBE FRS 48 principles of <i>understandability, faithful representation, and verifiability</i>."</p> <p>The AASB NFP Conceptual Framework (para QC 35) only refers to cost as a pervasive constraint, whereas the NZ PBE Conceptual Framework also refers to materiality and the balance between qualitative characteristics. Deleting the reference to 'pervasive constraints' (which would otherwise be replaced by a reference to</p>	<p>Would adopting NZ paras 20 to 22 (as amended) be appropriate in the Australian context? If not, why not?</p> <p>Should an Australian SPR pronouncement include an explicit requirement/encouragement for an NFP to disclose how its service performance is measured or evaluated, or would NZ paras 44 to 47 (as amended), perhaps supplemented with guidance along the lines of NZ XRB Staff Guidance, be sufficient in the Australian context?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p><u>referred to in paragraph 7 above</u>. Judgement is <del>needed</del> <u>applied</u> to determine the most appropriate and meaningful performance measures and/or descriptions to be reported. The most appropriate and meaningful performance measures and/or descriptions are those that measure or describe aspects of performance that are of particular value or importance for <del>accountability or decision-making purposes (including assessing managements' stewardship of the entity's economic resources)</del>. The qualitative characteristics may also influence the data collection and compilation methods used by an entity.</p>	<p>'pervasive constraint' in the Australian context) avoids the implication that individual entities could depart from a Standard on the basis of their own assessments of the costs and benefits of particular requirements of a Standard. Accordingly, NZ references to 'pervasive constraints' have been deleted throughout for consistency with the Australian context. (See also the analysis of NZ paras 7 to 10 below)</p>	
	<p><u>22A. Depending on circumstances, suitable qualitative descriptions referred to in paragraph 20(c) may take the form of anecdotes. Such anecdotes could be used in lieu of:</u></p> <p>(a) <u>or to supplement aggregate quantitative statistics that might not convey relevant heterogeneity; or</u></p> <p>(b) <u>detailed quantitative statistics that might otherwise be excessive.</u></p> <p><u>Judgement is exercised to select representative anecdotes. A statistically significant random sample of the relevant phenomenon could be selected as the basis for the reported service performance information.</u></p>	<p>Grey highlight new para 22A: broadly, the way in which the SPR principle in NZ para 20 and related NZ paras are articulated is suitable for the Working Draft, except that, consistent with the comment made by staff in paragraph 27(m) of December 2022 <a href="#">Agenda Paper 7.1</a>, which addressed developments in best practice since AASB ED 270 (and, therefore, since the NZ Standard) was issued, the Working Draft should provide greater guidance in circumstances where there is a risk that mere anecdotes about a NFP's service are unrepresentative and where aggregate statistics would obscure relevant heterogeneity. The staff recommended new para 22A is based on insights noted in the footnote to paragraph 27(m) of December 2022 Agenda Paper 7.1, which refers to Christian and Griffiths (2016, Chapter 9) who state that "When it comes to handling a qualitatively unmanageable problem, something so thorny and complicated that it can't be digested whole ... sampling offers one of the simplest, and also the best, ways of cutting through the difficulties."*</p> <p>This would also be consistent with the guidance provided in the IASB's May 2021 <a href="#">Exposure Draft</a> 'Management Commentary' Part C 'Selection and Presentation of Information' (which includes some commentary on 'aggregation') that is referred to in the analysis of NZ para 20 above. Para 12.10 of the IASB ED states "Information in management commentary generally aggregates more detailed information available to management. If that information is aggregated too much, material information might be omitted. If it is not aggregated enough, material information might be obscured by immaterial information."</p> <p>* <i>Christian, B. and T. Griffith (2016), Algorithms to Live By: The Computer Science of Human Decisions, New York, Henry Holt and Company, 2016.</i></p>	<p>Would adopting this commentary paragraph as guidance for NZ para 20 (as amended) be appropriate in the Australian context?</p>
	<p>23. In general, performance measures and/or descriptions <del>sh</del> have an external focus. However, this does not preclude an entity from providing information on internal activities, processes, plans or policies if it considers that this</p>	<p>NZ paras 23 to 28 support the SPR principle in NZ para 20 and are therefore suitable, as amended, for inclusion in the Working Draft.</p>	<p>Would adopting NZ paras 23 to 28 (as amended) be appropriate in the Australian context? If not, why not?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>information provides important context for its service performance.</p> <p>24. Performance measures and/or descriptions may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.</p> <p>25. Performance measures and/or descriptions may be used to inform assessments of the broad or longer-term effects of a project or an entity's work (also referred to as the difference the entity makes) on individuals who are direct recipients of a project or an entity's work, effects on those who are not direct recipients, or effects on society or subgroups of society. Examples of broad or longer-term effects include changes to these individuals' and groups' educational achievements or health, or changes to groups' or societal poverty or crime levels.</p> <p>26. Performance measures and/or descriptions are more useful when they are accompanied by comparisons (for example, comparisons over time (trend data), comparisons by population or <u>provider subgroups</u>, international comparisons and comparisons against a target or standard).</p> <p>27. If an entity determines that reporting on goods and services delivered provides appropriate and meaningful service performance information, performance measures and/or descriptions for goods and services may include:</p> <ul style="list-style-type: none"> <li>(a) The quantity of the goods and services;</li> <li>(b) The quality of the goods and services;</li> <li>(c) The timeframe over which the goods and services were produced;</li> <li>(d) The physical location where the goods and services were delivered; and</li> <li>(e) The cost of the goods and services (see paragraph 28).</li> </ul> <p>28. In reporting on the cost of goods and services there are some important considerations. <u>General purpose financial statements and general purpose service performance information are both important inputs to an assessment of the performance components of a public benefit not-for-profit entity.</u> The service performance information <del>needs to be</del> <u>is</u> linked to the financial statements to convey a coherent picture about the performance of an entity. This link is generally made, where practicable and appropriate, by reporting on the cost of goods and services. An entity</p>	<p>NZ para 26 acknowledges the usefulness of comparisons by provider subgroups. However, notably, the para does not require an entity to benchmark itself against other comparable entities. Nor does it require all entities within a subgroup of like entities to publish or agree on definitions for performance measures or descriptions. (See also the analysis of NZ para 36 below.)</p>	

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>reporting on the cost of goods and services <del>shall</del> provides a reconciliation between the expenses in the financial statements and the total goods and services costs reported in the service performance information and, where appropriate, an acknowledgement of the use of donated goods or services which have not been recognised in the financial statements (<del>PBE IPSAS 23 Revenue from Non-Exchange Transactions</del> <u>AASB 1058 Income of Not-for-Profit Entities</u> establishes requirements for the recognition of and <u>disclosures about</u> donated goods and services in the financial statements). In some cases, for example where an entity relies heavily on donated goods and services, information on how donated resources have contributed to the entity's service performance may be more useful than cost information in providing an overall picture of the entity's performance.</p>		
<p><b>2E. WHAT Comparative service performance information should be reported</b></p>	<p>36. Service performance information <del>should</del> provides users with a basis and context to compare an entity's service performance over time, and where appropriate, against <u>planned performance or the performance of other entities</u>. Consistency of reporting aids comparability and this <del>Standard establishes requirements</del> <u>Working Draft articulates principles for consistent reporting</u>. However, an entity's service performance activities and performance measures and/or descriptions may change over time. This <del>Standard requires</del> <u>Working Draft anticipates</u> that an entity provides information about those changes.</p> <p><b>37. An entity <del>shall</del> reports comparative information in respect of the preceding period. An entity <del>shall</del> reports comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period.</b></p> <p>38. Comparative information <del>shall be</del> <u>is</u> included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information <del>shall be</del> <u>is</u> included for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. Judgement is <del>required</del> <u>applied</u> in deciding when to provide comparative narrative and descriptive information.</p>	<p>This SPR principle is typically included in the SPR-related frameworks considered during the development of this paper and is suitable for inclusion in the Working Draft.</p> <p>In relation to the <u>grey</u> highlight in NZ para 36: Notably, NZ para 36 anticipates that an entity might, but is not required to, provide users with a basis and context for comparing the entity's service performance against the performance of relevant other entities. As noted in the analysis of NZ para 26 above, the NZ Standard also does not require entities to provide information that is directly comparable to the information provided by other entities, even if those entities undertake the same kind of service. Although agreed definitions of different kinds of service provided by like entities might be developed in due course by representative bodies or regulators of subgroups of NFPs, such coordination is beyond the scope of the NZ Standard (and the AASB SPR project).</p>	<p>Would adopting NZ paras 36 to 38 (as amended) be appropriate in the Australian context? If not, why not?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>• in contrast to NZ para 37, para 79 of AASB ED 270 proposed allowing an entity to elect to report actual service performance against previous period's service performance if it provides relevant and useful information;</li> <li>• no respondents to AASB ED 270 explicitly commented on that proposal; and</li> <li>• as noted in para BC50 of AASB ED 270, IPSASB RPG 3 is silent on whether entities may report against prior period's service performance.</li> </ul>
	<p>38A. An entity <del>may also be required by legislation, or may elect, to</del> reports comparisons of previously published prospective service performance information <u>that was originally planned</u> and current period service performance</p>	<p>NZ para 19(b) (see above) includes a cross-reference to NZ para 38A. Any decisions the Board makes on NZ para 38A might have implications for NZ para 19(b).</p>	<p>Would adopting NZ paras 38A and 39 (as amended) be appropriate in the Australian context? If not, why not?</p> <p>The following provides a context to that question:</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>information (also referred to as budget versus actual). In such cases particular an entity shall reports comparisons of previously published prospective information and current period information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. Explanations for major variances shall be are given.</p> <p>39. An entity reporting against previously published prospective service performance information shall consider whether original levels of planned activity, or revised plans provide the most relevant and useful information. Information about published revisions to plans during the period may help explain variances between original plans and actual results.</p>	<p>Grey highlight in NZ para 38A: the option provided in NZ para 38A is related to the mandatory vs voluntary issue (key matter 6, which is discussed in Table 2 below). The option is rationalised in NZ para BC33 on the basis that PBE IPSAS 1 <i>Presentation of Financial Reports</i>, which has actual vs budget reporting requirements (para 148.1) for public sector PBEs, has no equivalence in the Standards applying to private sector NFP PBEs.</p> <p>Despite the rationale provided by NZ for the NZ context, consistent with the approach described in para 13(b) and (c) of this paper and the principles in <a href="#">AASB 1055 Budgetary Reporting</a>, staff recommend that the option is omitted from the Working Draft and replaced with the general principle that budget versus actual disclosures are made where prospective service performance information has been published, whether mandatorily or voluntarily.</p> <p>Grey highlight in NZ para 39: is for consistency with the budget vs actual reporting principles in <a href="#">AASB 1055 Budgetary Reporting</a>. For example, para 6 of AASB 1055 requires the comparison to be against the original budget, and para 11 anticipates disclosure of the revised budget in addition to the original budget for the purposes of explaining major variances.</p>	<ul style="list-style-type: none"> <li>the recommended amendments to NZ paras 38A and 39 are consistent with: <ul style="list-style-type: none"> <li>the principles in AASB 1055 <i>Budgetary Reporting</i> (despite it only applying in the public sector);</li> <li>the proposals in paras 76 to 78 of AASB ED 270;* and</li> <li>an objective of providing information for decision making and meeting the needs of users.</li> </ul> </li> </ul> <p>*The collation of comments on ED 270 (December 2016 <a href="#">agenda paper 13.1</a>) did not identify any particular comments on those proposals, except in relation to concerns about SPR at the WoG and GGS level (see para 26(a) of the collation).</p>
<p><b>2F. WHAT Judgements</b> should be disclosed</p>	<p><b>Disclosure of Judgements</b></p> <p><b>44. An entity shall discloses those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation and disclosure of service performance information reported in accordance a manner consistent with this Standard Working Draft that are relevant to an understanding of the entity's service performance information.</b></p> <p>45. In applying the principles in this Standard Working Draft an entity will need to makes a number of judgements, such as those discussed in paragraphs 19, 21 and 22. These judgements reflect the entity's consideration of its specific facts and circumstances, including the information needs of its primary users. An entity therefore needs to identify identifies those judgements that have the most significant effect on the selection, measurement, aggregation and presentation and disclosure of service performance information and considers their relevance to a user's understanding of the entity's service performance information.</p>	<p>This SPR principle is included in some other SPR-related frameworks in addition to the NZ Standard and is suitable for inclusion in the Working Draft, particularly if the high-level principles and general descriptions are adopted from the NZ Standard.</p> <p>Unlike the NZ paras:</p> <ul style="list-style-type: none"> <li>section A.2.5.5 of the Canadian Treasury Board <a href="#">Directive on Results</a> (applicable to government departments) explicitly requires "... in establishing, implementing and maintaining Performance Information Profiles for Programs, must include ... Valid and reliable indicators for outcomes and, where appropriate, for outputs of the program including relevant information on methodology, data type, data collection frequency, data source, data owner, targets and thresholds as appropriate for each indicator ..." (emphasis added); and</li> <li>para 5.2.3 of the UK's <a href="#">The Government Financial Reporting Manual</a>: 2021-22 explicitly states: "preparers should include trend data to give context to statistics and other metrics, including explanations of the information provided" (emphasis added).</li> </ul> <p>As noted in the analysis of NZ para 21 above in this Table, a question arises as to whether, in the Australian context, NZ paras 44 to 47 (as amended) would be sufficient in ensuring an</p>	<p>Would adopting NZ paras 44 and 45 (as amended) be appropriate in the Australian context? In particular, related to the question above in relation to NZ para 21, would NZ para 44 and related commentary result in disclosure of sufficient relevant information about the judgements an entity makes in deciding the performance measures and descriptions the entity adopts? If not, why not?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>para 63 of AASB ED 270 notes that "Judgement is needed to decide what information should be reported ...", but AASB ED 270 does not go on to require disclosure of that judgement;</li> <li>para 65(d) of AASB ED 270 proposed the disclosure of "the assumptions and methodologies adopted in compiling the service performance information"; and</li> <li>no respondents to AASB ED 270 explicitly commented on the proposals in paras 63 and 65(d).</li> </ul>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
		<p>appropriate level of disclosure of relevant information about the performance measures and descriptions an entity adopts.</p> <p>The grey highlight in NZ paras 44 and 45: to acknowledge that significant judgements might also affect the <b>disclosure</b> of service performance information, the working draft should include NZ paras 44 and 45 amended to include an explicit reference to disclosure.</p>	
	<p>46. In deciding what judgements to disclose in accordance with paragraph 44, an entity considers:</p> <p>(a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's <u>overall service purpose and strategies</u>. If it is not, users may need to understand why not.</p> <p>(b) The extent to which the entity's service performance information reported is consistent with that used by the entity for internal decision making. If it is not, users may need to understand why not. <u>For example, in limited circumstances it might not be appropriate to externally disclose information used for internal decision making. This is the case where the external disclosure would compromise the safety or wellbeing of individuals working/volunteering for or beneficiaries of the not-for-profit entity. The external disclosure of the information could prejudice the ability of the not-for-profit entity to achieve its service objectives. When such prejudicial information would meet the principles in this Working Draft but has not been disclosed externally, the not-for-profit entity discloses that the general purpose [financial report] containing service performance information has been prepared having regard to such issues but does not provide any information that would have the effect of highlighting the nature or substance of the information. This exception to disclosure is not used as a way of hiding poor service performance.</u></p>	<p>NZ paras 46(a) and (b) provide guidance for the NZ para 44 principle and are suitable in the Australian context.</p> <p>The amendment shown in the grey highlight in NZ para 46(a) is made for consistency with the Board's decision on the working definition of 'service' (see AASB 26 June 2024 <a href="#">minutes</a> relating to <a href="#">Agenda Paper 3.1 A Working Definition of 'Service'</a> (see also the analysis of NZ para 2 above).</p> <p>To the extent NZ para 46(b) requires externally reported information to be consistent with information used for internal decision making, it allows the internal SPR regime to form the basis for an external SPR regime. This could help allay concerns about the cost of implementing a SPR regime in Australia.</p> <p>Similar to the underlying principle in NZ para 46(b):</p> <ul style="list-style-type: none"> <li>para 5.2.3 of the UK The Government Financial Reporting Manual states that: "... performance reporting should reflect the structure and activity of the organisation, and the <b>information used by internal decision makers</b>, ..." (emphasis added); and</li> <li>para AG35.3 of INPAG ED1 emphasises the link between internal and external service performance information. It states that "Reporting should be on the objectives that the NPO executive/management has set to monitor the activities or performance of the NPO. Performance objectives should not be created purely for the purpose of the narrative report." This is consistent with the SPR objective of decision usefulness specified in NZ para 1.</li> </ul> <p>There is also some precedent for adopting a 'through the eyes of management' approach in AASB Standards to determining what an entity reports externally. For example, in specifying how an entity is to identify an operating segment for the purpose of reporting information about segments, <a href="#">AASB 8 Operating Segments</a> defines an operating segment as including one whose "... operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance ..." (para 5).</p>	<p>Would adopting NZ para 46(a) and (b) (as amended) be appropriate in the Australian context – in particular, the addition to NZ para 46(b) of an example of circumstances where external and internal SPR would be different? If not, why not?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
		<p>To the extent NZ para 46(b) allows externally reported information to differ from information used for internal decision making assists in reinforcing the point that SPR is not simply a compliance exercise. However, it also begs the question of when such differences can be justified. The NZ para does not provide further clarification. In contrast, the following authoritative material are examples where such clarification is provided in the context of those authorities:</p> <ul style="list-style-type: none"> <li>• para G35.7 of INPAG ED1, states that “Exceptionally an NPO shall not disclose aspects of performance information ... that would compromise the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides goods and services, because the information is sensitive and/or could prejudice the ability of the NPO to deliver its mission. ... When a sensitive information exception has been used, the NPO should disclose that the narrative report has been prepared in accordance with the requirements of this paragraph but is not required to provide any information that would have the effect of highlighting the nature or substance of the sensitive information. ...” (Respondents’ comments on this INPAG ED 1 proposal are summarised in section 5 of the 14 May 2024 IFR4NPO Technical Advisory Group <a href="#">Issue Paper</a>. Staff have not yet considered the implications of those comments for the Working Draft);</li> <li>• section 16E(4) of <a href="#">PGPA Rule</a> requires publication of information only if it does not contain information that is confidential or commercially sensitive, or could prejudice national security;</li> <li>• IFRS Foundation Advisory Council meeting March 2019 <a href="#">Agenda Paper 3 Disclosure of Sensitive Information</a>;</li> <li>• ACNC Commissioner’s Interpretation Statement: Commercially Sensitive Information <a href="#">CIS 2016/01</a>; and</li> <li>• para 92 of <a href="#">AASB 137 Provisions, Contingent Liabilities and Contingent Assets</a> states that “In extremely rare cases, disclosure of some or all of the information required by paragraphs 84-89 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed”.</li> </ul> <p>Although discretion over the disclosure of prejudicial information is arguably implicit in the NZ Standard, for the Australian context the Working Draft could explicitly clarify the extent to which</p>	



Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
		<p>inconsistency between internal and external SPR should arise by acknowledging the matter through an example in NZ para 46(b) (as highlighted in grey in Column 2, which is primarily based on the INPAG ED 1 approach noted in the first dot point above), particularly given the vulnerability of the clients of some Australian NFPs and the nature of the activities of some Australian public sector NFPs.</p>	
	<p><del>(c) How much discretion the entity has over the selection, measurement aggregation and presentation of service performance information. The more discretion the entity has over what it reports, the more users are likely to be interested in the entity's judgements. In situations where there is significant judgement involved, such disclosures shall include the key factors (see paragraph 19) that formed the basis of those judgements. In some cases an entity's service performance information might be largely determined by external requirements or agreements with external parties. In other cases an entity's service performance information may be largely determined internally, or it may be based upon a combination of internal determinations and external contractual determinations or frameworks. In all cases, information about the level of discretion that an entity has, and the judgements it has made, would be relevant to users seeking to understand the entity's service performance information.</del></p> <p>(d) The extent to which the application of the qualitative characteristics and pervasive constraints on information (see paragraph 10) has influenced its service performance information.</p> <p>(e) The extent to which consultation with users influenced the reporting of service performance information.</p> <p>(f) The judgements made in deciding when to provide comparative narrative and descriptive information.</p> <p>(g) The judgements made about methods used in the selection, measurement, aggregation, and presentation <u>and disclosure</u> of performance measures and/or descriptions.</p> <p>47. An entity may cross-reference to other documents such as statements of intent or performance frameworks in disclosing information about judgements.</p>	<p>NZ paras 46(c) to (g) and 47 provide further guidance in applying the NZ para 44 principle. All are suitable in the Australian context, except for NZ para 46 (c), as explained in the following.</p> <p>The grey highlight in NZ para 46(c): for consistency with the amendment to NZ para 11 noted above (and the last sentence of NZ para 3(b) noted in Table 2 below), NZ para 46(c) should be excluded for the Australian context. This is on the basis that, in the Australian context, an entity should apply the SPR principles articulated in the Working Draft when making judgements about the selection, measurement, aggregation, presentation and disclosure of service performance information. If another authority imposes different SPR principles for making the judgements, those SPR principles would apply in addition to, not in lieu of, the working draft principles.</p> <p>The amendment to NZ para 46(d) is consistent with the amendment to NZ para 7 noted below.</p> <p>The amendment to NZ para 46(g) is consistent with the amendment to NZ paras 44 and 45 noted below.</p>	<p>Would removing NZ para 46(c) be appropriate in the Australian context? If not, why not?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
<p><b>3A. HOW</b> Reported service performance information should satisfy the <b>qualitative characteristics</b> identified in the Conceptual Framework</p>	<p><b>7. In selecting and presenting service performance information in a general purpose [financial report] an entity shall apply <u>applies the qualitative characteristics of useful information and the pervasive constraints on information identified in the Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework)-AASB Conceptual Framework. Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose [financial reports] that contain service performance information.</u></b></p> <p>8. The qualitative characteristics of <u>useful financial information included in general purpose financial reports identified in Chapter 3 of the AASB Conceptual Framework</u> are the attributes that <u>also make that general purpose service performance information useful to users of that information and support the achievement of the objectives of general purpose financial reporting.</u> The <u>fundamental qualitative characteristics identified in the PBE AASB Conceptual Framework</u> are <u>relevance, and faithful representation. The enhancing qualitative characteristics are , understandability, timeliness, comparability, and verifiability, timeliness and understandability. The AASB Conceptual Framework includes a discussion about each of the qualitative characteristics. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting in general purpose financial reports. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary. An entity considers the needs of users and the objectives of financial reporting in the application of the qualitative characteristics to service performance information.</u></p> <p><u>9. When applying the qualitative characteristics to service performance information the following are important:</u></p> <p><u>(a) Relevance: Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality<sup>2</sup> of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity's accountability for service performance and in making decisions that rely on information about service performance (for example,</u></p>	<p>This SPR principle (HOW) is broadly common across a range of SPR-related frameworks and is suitable for inclusion in the Working Draft.</p> <p>In relation to NZ paras 8 to 10, NZ para BC22 states: "... the NZASB expanded the discussion of relevance, faithful representation and verifiability. The NZASB noted that although these concepts are discussed in the PBE Conceptual Framework, not all those applying this Standard would necessarily be familiar with that document. The NZASB agreed that reiterating key messages about those concepts could facilitate discussion between preparers, and between preparers and auditors about the application of the qualitative characteristics and pervasive constraints to an entity's service performance reporting." Also, in response to feedback on the NZ ED, NZASB decided to include a discussion on the trade-off needed between the qualitative characteristics, and to emphasise the role of neutrality in faithful representation (see NZ para BC21).</p> <p>It is questionable whether such extensive guidance on application of the qualitative characteristics and the pervasive constraint is warranted in the Australian context. For example:</p> <ul style="list-style-type: none"> <li>there is a risk that using different words to describe the qualitative characteristics and pervasive constraint* in a SPR pronouncement could inadvertently create confusion about the meaning of the AASB Conceptual Framework;</li> <li>the AASB Conceptual Framework applicable to NFPs is in the process of being amended and if NZ paras 9 and 10 were to be retained in the Working Draft the question arises as to whether they should be amended to reflect the current Conceptual Framework or the imminent revised Conceptual Framework in the Australian context; and</li> <li>it could be argued that if the proposals for Management Commentary rely on the relatively brief discussion on the objective of Management Commentary in Chapter 3 of the ED (with further explanation of linkage to the Conceptual Framework in the Basis for Conclusions) rather than repeat or explain how the qualitative characteristics are to be applied in that context, a similar approach should be taken in relation to SPR. (On the other hand, it is acknowledged that International Sustainability Standards Board (ISSB) S1 incorporates Conceptual Framework material as it would apply to sustainability and the AASB decided at its 19 July 2024 meeting to incorporate the conceptual content of the baseline requirements into the ASRS Standards rather than merely referencing the <i>Conceptual Framework for Financial Reporting</i> and the <i>Framework for the Preparation and Presentation of Financial Statements</i>).</li> </ul>	<p>Would adopting NZ paras 7 and 8 (as amended) and excluding NZ paras 9 and 10 be appropriate in the Australian context? If not, why not? In particular:</p> <ul style="list-style-type: none"> <li>would the existing guidance on materiality be sufficient in the context of SPR? If not, why not?</li> <li>would it be sufficient to simply cross-reference to the AASB Conceptual Framework rather provide expanded discussion of the qualitative characteristics?</li> <li>would the discussion of qualitative characteristics in the AASB Conceptual Framework be suitable in an SPR context?</li> </ul>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p><del>whether to provide funding to an entity or whether to work with an entity in the pursuit of common goals). Relevance should be applied in considering what, and how much, to report on service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability. (Footnote 1: Refer to paragraphs 46A.1 and 46A.2 of PBE IPSAS 1 Presentation of Financial Reports for guidance on making judgements about materiality in relation to service performance information.)</del></p> <p><del>(b) Faithful Representation: To be useful, service performance information must be a faithful representation of the entity's service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity's service performance with appropriate links to financial information. Neutrality is the absence of bias. For service performance information to be neutral it needs to report on both favourable and unfavourable aspects of the entity's service performance in an unbiased manner. Free from material error means that there are no errors or omissions that are individually or collectively material in the service performance information.</del></p> <p><del>(c) Understandability: Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.</del></p> <p><del>(d) Timeliness: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.</del></p> <p><del>(e) Comparability: Service performance information should provide users with a basis and context to compare an entity's service performance over time, and where appropriate, against planned performance or the performance of other entities.</del></p> <p><del>(f) Verifiability: This is the quality of information that helps assure users that service performance information faithfully represents the entity's service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is enhanced when the assumptions</del></p>	<p><i>* As noted in the analysis of NZ para 22 above, the AASB NFP Conceptual Framework (para QC 35) only refers to cost as a pervasive constraint, whereas the NZ PBE Conceptual Framework also refers to materiality and the balance between qualitative characteristics. Accordingly, NZ references to 'pervasive constraints' have been deleted for consistency with the Australian context.</i></p> <p>In relation to the NZ para 9 footnote's reference to PBE IPSAS 1 on materiality, it is relevant to note that paragraph QC11 of the AASB Conceptual Framework addresses the topic of materiality. In addition, the AASB has issued guidance on materiality (AASB <a href="#">Practice Statement 2 Making Materiality Judgements</a>). Furthermore, AASB ED 311 <i>Management Commentary</i> (issued June 2021) proposes including similar guidance in Chapter 12 <i>Making Materiality Judgements</i>, which would provide further guidance on how to apply the materiality concept to management commentary."</p> <p>The Board previously decided to not explicitly address SPR in the review of the NFP Conceptual Framework and that the decision may be revisited in future depending on any insights gained from this SPR project that would warrant such action.</p> <p>On balance, for the purposes of the Working Draft, staff recommend:</p> <ul style="list-style-type: none"> <li>• showing NZ paras 9 and 10 as struck through text in the Working Draft, even if they could readily be amended to reflect the current or imminent AASB Conceptual Framework; and</li> <li>• simply amending through mark up NZ para 8 to effectively provide a cross-reference to the AASB Conceptual Framework.</li> </ul>	

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>underlying the information are explicit, the methods adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.</p> <p>10. The pervasive constraints on information identified in the PBE Conceptual Framework are materiality, cost-benefit and balance between the qualitative characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.</p>		
<p><b>3B. HOW</b> Reported service performance information should be clearly identified as such</p>	<p><b>Presentation</b></p> <p><b>29. An entity shall clearly identify identifies the service performance information presented in accordance with this Standard Working Draft.</b></p> <p>30. An entity may find it helpful to present the information required by this Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform?</p> <p>31. This Standard Working Draft does not prescribe specify the format of service performance information. Entities develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, tables, narrative, infographics, explanatory comments in 'pop-up' boxes or similar.</p> <p>32. An entity may cross-reference the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.</p> <p>33. In presenting service performance information in accordance consistent with this Standard Working Draft an entity may incorporate, by cross-reference, information outside the general purpose [financial report] that contains the service performance information. The use of cross-referencing is permitted subject to the following requirements has regard to the following matters.</p> <p>(a) It is still possible to identify the complete set of service performance information presented in accordance consistently with this Standard Working Draft.</p>	<p>This SPR principle is broadly adopted in the SPR-frameworks considered in developing this paper and is suitable for inclusion in the Working Draft.</p>	<p>Would adopting NZ paras 29 to 34 (as amended) be appropriate in the Australian context? If not, why not?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
	<p>(b) Locating the information elsewhere enhances the understandability of the general purpose [financial report] <u>containing the service performance information</u> as a whole and the service performance information remains understandable and fairly presented.</p> <p>(c) The cross-referenced information is available to users of the service performance information on the same terms as the general purpose [financial report] <u>that contains the service performance information</u> and at the same time.</p> <p>34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:</p> <p>(a) Links related information together so that the relationships between items of information are clear; and/or</p> <p>(b) Reduces duplication of information.</p>		
	<p>35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:</p> <p>(a) Discloses, together with the a statement of compliance in accordance <u>that is consistent</u> with paragraph 287 of PBE <del>IPSAS 1 Presentation of Financial Reports</del> <u>AASB 1054 Australian Additional Disclosures</u>, a list of cross-referenced information that forms part of a complete set of service performance information <del>in accordance that is consistent</del> with this <del>Standard</del> <u>Working Draft</u>;</p> <p>(b) Depicts cross-referenced information as being information prepared <del>in accordance in a manner consistent</del> with this <del>Standard</del> <u>Working Draft</u> (and audited if applicable);</p> <p>(c) Makes the cross-referencing direct and precise as to what it relates to; and</p> <p>(d) Ensures cross-referenced information remains unchanged and available over time at the cross-referenced location.</p>	<p>The grey highlight in NZ para 35(a): although the citation of PBE IPSAS 1 <i>Presentation of Financial Reports</i> corresponds to AASB 101 <i>Presentation of Financial Statements</i> [and <u>AASB 18</u> <i>Presentation and Disclosure in Financial Statements</i>, operative for NFPs from 1 January 2028], the subject matter of the particular PBE IPSAS 1 paragraph cited is found in AASB 1054. Because AASB 1054 applies to financial statements and the Board has not yet made a decision about the location of service performance information, NZ para 35(a) has been amended for the purposes of the Working Draft to be consistent with a statement of compliance being made in relation to service performance information irrespective of where it might be presented.</p> <p>On a related issue, it is notable that NZ PBE FRS 48 para BC41 states that: “Consistent with its view that service performance information is an integral component of a general purpose financial report, the NZASB changed the title of PBE IPSAS 1 <i>Presentation of Financial Statements</i> to <i>Presentation of Financial Reports</i> and amended PBE IPSAS 1 to refer to both financial and service performance information where appropriate. The NZASB noted that this was a significant change to PBE IPSAS 1, but considered that the changes were consistent with the PBE Conceptual Framework and would make it easier for entities preparing service performance information to understand how PBE IPSAS 1 applies to service performance information. The NZASB also noted that this approach would allow for an audit opinion on the entire general purpose financial report.”</p>	<p>A question for targeted stakeholders about WHERE service performance information should be located is provided in Table 2 below in relation to NZ paras 1 and 6.</p> <p>The question of whether the AASB should make changes to AASB 101/AASB 18 in the same way NZ made changes to PBE IPSAS 1 will be addressed in due course as part of key matter 7 “Assess the relationship of service performance information to GPFs/GPFR and assurance”. This is expected to include consideration of an alternative to the NZ approach whereby an Australian SPR pronouncement would provide guidance on how to apply the principles in AASB 101/AASB 18 to service performance information. This Working Draft does not ask targeted stakeholders to comment on the alternative approaches at this stage.</p> <p>Notably, as noted in Table 2 below, AASB ED 270 proposed allowing service performance information to be presented in the same report as the financial statements, in a separately issued report or in a variety of different reports. It did not propose a requirement to disclose a statement of compliance, and no respondents to the ED commented on the issue.</p> <p>Would adopting the NZ para 35(a) requirement to disclose a statement of compliance with an SPR pronouncement be appropriate in the Australian context?</p>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
		<p>NZ para BC42 goes on to explain that: "The NZASB considered and rejected an alternative approach of making minimal changes to PBE IPSAS 1. This alternative approach would have left open the possibility of the NZASB making further changes to PBE IPSAS 1 at a later stage. The NZASB was of the view that this approach would have led to less clarity about the application of PBE IPSAS 1 to service performance information."</p> <p>Rather than ask targeted stakeholders for their views on this issue at this stage, staff recommend that the Working Draft merely note that the AASB will consider whether (if any) changes might need to be made to AASB 101/AASB 18 in relation to SPR later in the project. Similarly, future consideration will be given to where the need for a compliance statement should be located (e.g., whether in AASB 1054 or within the SPR pronouncement).</p>	
<p><b>3C. HOW</b> Service performance information should be reported consistently</p>	<p><b>40. An entity shall reports service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explains the nature of those changes and their effect on the current period's service performance information.</b></p> <p>41. There are a number of reasons why an entity might change what it reports or how it reports its service performance information. Possible reasons include changes in:</p> <p>(a) The nature of the entity's activities from the prior period or from what was planned;</p> <p>(b) The descriptions of goods and services or the way in which they are aggregated;</p> <p>(c) The performance measures and/or descriptions used; and</p> <p>(d) The costing policies.</p>	<p>This SPR principle is typically adopted in the SPR-related frameworks considered in developing this paper and is suitable for inclusion in the Working Draft.</p>	<p>Would adopting NZ para 40 (as amended) and NZ para 41 be appropriate in the Australian context? If not, why not?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>NZ para 40 is consistent with the proposal in para 81 of AASB ED 270, which proposed that "An entity shall report service performance information consistently" and also noted that "an entity may change its service performance objectives" and "When this occurs, an entity shall report on the nature of those changes and their effect on the current period"; and</li> <li>no respondents to AASB ED 270 explicitly commented on the proposal.</li> </ul>
	<p>42. Changes to comparative information are <del>permitted, but not required made, unless impracticable</del>. If an entity <del>chooses to restate</del> comparatives it discloses the effect of the changes on that comparative information. <u>Disclosure is made of whether the comparatives have been restated.</u></p>	<p>Grey highlight in NZ para 42: consistent with the approach described in para 13(b) and (c) of this paper, for the Australian context and broadly consistent with the 'unless impracticable' relief approach in <a href="#">AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</a>, the working draft should include amended NZ para 42 as shown in Column 2, rather than provide a free choice.</p>	<p>Would adopting NZ para 42 (as amended) be appropriate in the Australian context? If not, why not?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>NZ para BC34 acknowledges the difficulties that might arise in providing comparatives for narrative information and therefore the need for judgement in deciding when to provide comparative narrative and descriptive information, and the need to consider whether to disclose those judgements;</li> <li>AASB ED 270 did not refer to changes to comparative information, except in the context of "If an entity reports service performance against previous period's service performance, comparative information shall be restated for</li> </ul>

Aspect of SPR principles	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff recommended questions/context for targeted stakeholders
			<p>material errors discovered" (para 83) – see the analysis of NZ para 43 below;</p> <ul style="list-style-type: none"> <li>no respondents to AASB ED 270 explicitly commented on the proposals or the absence of other proposals on this matter; and</li> <li>as noted in para BC51 of AASB ED 270, IPSASB RPG 3 does not require correction or restatement of service performance information reported.</li> </ul>
	<p><b>43. An entity shall corrects material prior period errors, in the first service performance information authorised for issue after discovery of the errors, by restating the comparative information for any prior period(s) presented in which the error occurred and disclosing an explanation of the error. If the error relates solely to narrative information, an explanation of the error shall be is disclosed.</b></p>	<p>This SPR principle is suitable in the Australian context, although consideration could be given to providing 'unless impracticable' relief for consistency with the requirements in <a href="#">AASB 108</a> <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (albeit expressed in terms of financial reporting).</p>	<p>Would adopting NZ para 43 (as amended) be appropriate in the Australian context? If not, why not? For example, should the Board consider introducing 'unless impracticable' relief to restating comparative information?</p> <p>The following provides a context to that question:</p> <ul style="list-style-type: none"> <li>paras 82 and 83 of AASB ED 270 contain similar proposals to the requirements in NZ para 43, and do not propose 'unless impracticable' relief;</li> <li>no respondents to AASB ED 270 explicitly commented on those proposals; and</li> <li>as noted in para BC51 of AASB ED 270, IPSASB RPG 3 does not require correction or restatement of service performance information reported.</li> </ul>

### Application of the Working Draft SPR principles and related guidance

18. Staff also recommend the following supplementary questions for targeted stakeholders about application of the Working Draft SPR principles and related guidance:

“If the NZ SPR principles and related guidance, modified for the Australian context as presented in Column 2 of the above Table, were to be adopted in an Australian SPR pronouncement:

- who should they apply to (i.e., should they apply in a sector- and Tier1&2-neutral way)? If not, what sector- and Tier1&2-differences should apply?
- where should the resulting service performance information be presented (i.e., in the GPFR, GPFS or elsewhere) and should it be subject to assurance?
- should the pronouncement be mandatory? If not, why not?
- when should such a pronouncement become operative (i.e., how much time would NFPs need to prepare for its implementation)?”

19. Table 2 below provides background and context to these application questions. It shows how the NZ Standard requires its SPR principles to be applied. In summary, the NZ Standard adopts a Tier1&2- and modified sector-neutral mandatory approach for the inclusion of service performance information in general purpose financial reports for periods beginning on or after 1 January 2022.

20. As noted in paragraph 5 of this paper above, the AASB will consider SPR application issues for the Australian context after it has further advanced its thinking on the SPR principles and related guidance based on feedback received through the Working Draft. Hence, any comments from targeted stakeholders on the four supplementary questions above will help inform the Board's future deliberations, which will also be informed by the research referred to in paragraph 24 below.



**Table 2: Analysis of the NZ Standard’s SPR application paragraphs (to be presented as an addendum in the Working Draft, for context only)**

Application aspect of SPR	Related NZ Standard’s paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff suggested context for targeted stakeholders
<p><b>1: WHO Tiers</b></p> <p><b>Sectors</b></p> <p><b>3A: WHETHER Status of pronouncement</b></p>	<p><b>Scope</b></p> <p><del>3. This Standard applies to Working Draft is aimed at:</del></p> <p><del>(a) All Tier 1 and Tier 2 public sector and private sector not-for-profit public benefit entities that mandatorily or voluntarily publish general purpose [financial reports] that contain service performance information, and</del></p> <p><del>(b) Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.</del></p>	<p>In relation to the SPR <b>WHO</b> aspect of NZ para 3, the Board has decided to adopt working assumptions of sector- and Tier1&amp;2-neutrality, and to not address Tier3 at this stage. Accordingly, and consistent with paras 12(a) and 13(b) of this paper, the mark-ups in NZ para 3 (including the grey highlight in para 3(b)) reflect pure sector- and Tier1&amp;2 neutrality.</p> <p>Despite the NZ Standard being sector neutral with respect to the SPR principles required to be applied, a public sector public benefit entity (PBE) is required to comply with those principles only if it is required by legislation to provide service performance information in accordance with GAAP. In contrast, NZ private sector NFPs are required to comply with the Standard irrespective of whether a legislative requirement exists.</p> <p>NZ paras BC10 to BC18 provide the NZASB’s reasons for treating the public sector differently from the private sector in this way. They include an acknowledgement that the public sector had pre-existing SPR-related legislative requirements and relatively more experience with SPR than the private sector. These factors were taken into account during the NZASB cost/benefit considerations when developing the Standard.</p> <p>The AASB is due to consider whether the same NZASB rationale would apply in the Australian context in the context of key matters 4 and 5 later in the project. In particular, the AASB is expected to consider the question of:</p> <ul style="list-style-type: none"> <li>whether legislation should be the only determinant of whether an NFP should prepare general purpose service performance information. As part of that consideration regard could be had to the approach taken in <a href="#">AASB 1057 Application of Australian Accounting Standards</a> that, albeit addressing financial reporting, is not limited to requiring information to be reported only where entities, irrespective of sector, have a legislative obligation to report; and</li> <li>whether accounting principles in their own right should determine the activities an NFP reports, rather than the accounting pronouncement limiting the reportable activities to those specified in legislation.* As part of that consideration regard could be had to the principle implicit in <a href="#">AASB 101 Presentation of Financial Statements / AASB 18 Presentation and Disclosure in Financial Statements</a> and AASB 18’s <a href="#">consequential amendments</a> to <a href="#">AASB 108 Basis of Preparation of Financial Statements</a>,</li> </ul>	<p>In relation to the suitability of the SPR principles and related guidance in Table 1 for both Tier1&amp;2 entities in the private and public sectors irrespective of whether SPR is a legislative requirement, it is expected that the Board would consider:</p> <ul style="list-style-type: none"> <li>the costs and benefits for each sector and Tier of such an approach, including whether there would be a need for and the practicability of an ‘undue cost or effort’ relief criterion (as mooted in Appendix D of May 2023 <a href="#">Agenda Paper 4.2</a>);</li> <li>in acknowledging the roles ACNC and other private or public sector regulators play in regulating NFPs in Australia, whether an alternative to the NZ approach should be considered (e.g., that the SPR principles should only apply if an NFP, irrespective of sector, is required by legislation to report general purpose service performance information; or if an NFP is required to report or voluntarily reports); and</li> <li>the implications at a whole of government (WoG)/general government sector (GGS) level, including whether the relationship between the working draft’s SPR principles and the Productivity Commission’s Report on Government Services (RoGS) principles would mean that compliance with RoGS principles at a WoG/GGS level would satisfy the Working Draft SPR principles, or otherwise be sufficient to meet user needs. (See also the staff comment in Column 4 relating to NZ para 13 below).</li> </ul> <p>The following context is relevant to the issue of <b>sector neutrality</b>:</p> <ul style="list-style-type: none"> <li>the suitability of a sector-neutral approach in the Australian context is due to be addressed as key matter 4 “The public sector vs private sector NFP issue” later in the project;</li> <li>a collation of comments on specific matter for comment 2 on whether AASB ED 270 should apply in both sectors is provided in <a href="#">agenda paper 13.1</a> of the AASB’s December 2016 meeting (paras 16 to 21);</li> <li>notably, in contrast to NZ para 3(b), AASB ED 270 did not propose providing an exemption for public sector NFPs that do not have a legislative requirement to report service performance in accordance with GAAP;</li> <li>the majority of constituents commenting on AASB ED 270 agreed that SPR requirements should apply to NFPs in both the public and private sectors;</li> <li>a minority expressed concern about a mandatory status (although, that could have been influenced by the particular proposals in AASB ED 270) or did not think the requirements should apply to the public sector at all because existing reporting requirements are adequate; and</li> </ul>

Application aspect of SPR	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff suggested context for targeted stakeholders
		<p>operative for NFPs from 1 January 2028], which, albeit addressing financial reporting, generally would require that if differences exist between legislation and an accounting principle required by an AASB Standard, the legislation should apply in addition to, not in lieu of, the accounting principle (for example, see para AusCF15 of AASB 101 or para 6A of recently amended AASB 108, which include the statement that “The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.”). The AASB’s general approach is to work within its conceptual framework (rather than within its conceptual framework except when it differs from a legislative conceptual framework).</p> <p><i>*The last sentence of NZ para 3(b) specifies that a public sector PBE’s relevant legislation determines the range of activities about which disclosure is required. NZ para 5 only encourages compliance with the NZ Standard in relation to activities outside that range – see the para 5 row of this Table below.</i></p> <p>It is also notable that the Project Plan anticipates the AASB considering (and potentially minimising) the risks and implications of SPR principles being developed for an AASB pronouncement purposes being different from current legislative SPR-related requirements as the project progresses. For example, the Project Plan anticipates a significant level of collaboration with other regulators throughout the project – see, for example, key matter 9.</p> <p>In relation to the SPR <b>WHETHER</b> aspect of NZ para 3, the Board has decided to make no working assumption about key matter 6 (i.e., the mandatory or voluntary status of an SPR pronouncement) at this stage. Accordingly, and consistent with para 12(b) of this paper, the mark-ups in the lead-in of NZ para 3 neutralise the NZ language.</p>	<ul style="list-style-type: none"> <li>some constituents suggested the AASB work with regulators to determine the overlap in existing legislative requirements and SPR proposals, which the AASB will do.</li> </ul> <p>The following context is relevant to the issue of <b>Tier neutrality</b>:</p> <ul style="list-style-type: none"> <li>the suitability of adopting a Tier1&amp;2-neutral approach in the Australian context will be addressed as key matter 5 “Differential reporting” later in the project;</li> <li>AASB ED 270 did not explicitly mention differential SPR; and</li> <li>in response to the AASB ED 270 question of ‘do you agree that this [draft] Standard should be mandatory for NFP entities?’, the collation of comments notes that some constituents made the following observation and suggestion relating to Tier neutrality: <ul style="list-style-type: none"> <li>“some not-for-profit entities may change their financial reporting framework from Tier 2 Reduce Disclosure to special purpose to overcome additional administrative burden of complying with the standard.” (See para 63(f)); and</li> <li>“some constituents who were particularly concerned with the burden on small and medium sized not-for-profits recommended that smaller entities should be granted reduced disclosure requirements or exam-toons, as to not adversely affect these entities through the costs and resources required.” (See para 64(b)).</li> </ul> </li> </ul> <p>The following context is relevant to the <b>mandatory vs voluntary</b> issue:</p> <ul style="list-style-type: none"> <li>the issue is due to be addressed as key matter 6 “Mandatory vs voluntary” later in the project;</li> <li>a collation of comments on whether the proposed requirements in AASB ED 270 should be mandatory is provided in <a href="#">agenda paper 13.1</a> of the AASB’s December 2016 meeting (paras 62 to 73);</li> <li>because the comments on AASB ED 270 were made in the context of the particular proposed SPR principles and rules in the ED, the comments are not summarised here; and</li> <li>the issue of mandatory vs voluntary is also discussed in paragraphs 37 to 41 of <a href="#">agenda paper 4.2</a> of the AASB’s May 2023 meeting, which provides a preliminary staff discussion of arguments for and against the AASB developing a mandatory SPR pronouncement.</li> </ul> <p>The AASB will consult with public sector and private sector NFP regulators to identify circumstances where existing SPR regulations would be more onerous than/inconsistent with any SPR principles that might emerge out of the Working Draft targeted consultation process, with the aim of achieving consistency. If consistency cannot</p>

Application aspect of SPR	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff suggested context for targeted stakeholders
			be achieved, subject to cost/benefit considerations, the AASB would need to consider in due course whether to adopt the principle implicit in AASB 101 / AASB 18 and amended AAASB 108 of: the regulations should be applied in addition to, not in lieu of, any Standard.
<p><b>2A: WHERE</b> Location of annual service performance information: <b>GPFS/GPFR or elsewhere</b></p> <p><b>3B: WHETHER</b> Status of pronouncement</p>	<p><b>Objective</b></p> <p><b>1. The objective of this Standard-Working Draft is to establish articulate possible principles and requirements guidance suitable in the Australian context for an entity to present service performance information that is useful for accountability and decision-making purposes (including assessing managements' stewardship of the entity's economic resources) in a general purpose [financial report].</b></p> <p>...</p> <p><b>Principles</b></p> <p><b>6. An entity shall presents service performance information that is useful for accountability and decision-making purposes (including assessing managements' stewardship of the entity's economic resources) in the same general purpose financial report as its financial statements. Presentation of both service performance information together with and financial statements enables users to make assessments of the entity's performance.</b></p>	<p>NZ para 1 grey highlight: The SPR <b>WHERE</b> aspect (i.e., where service performance information should be located) varies across a range of SPR-related frameworks. It will be addressed as part of the SPR Project Plan's key matter 7, for which the AASB has not yet made a working assumption. Accordingly, consistent with para 12(b) of this paper, this Working Draft neutralises the NZ requirement by putting the term 'financial report' in square brackets. This signifies that although the NZ Standard specifies where service performance information is to be located, the AASB has not yet addressed the question. This approach also conveys that, like the NZ Standard, the AASB is focused on service performance information that is general purpose in nature.</p> <p>NZ para 6 is amended for consistency with the analysis of NZ para 1 above. It aligns with the AASB NFP Conceptual Framework and, consistent with para 12(b) of this paper, neutralises language about the relationship between financial statements and service performance information and their respective locations.</p>	<p>The following context is relevant to the <b>WHERE</b> issue:</p> <ul style="list-style-type: none"> <li>the question of whether service performance information should be included in a GPFS/GPFR will be addressed in key milestone 7 "Assess the relationship of service performance information to GPFS/GPFR and assurance" later in the project;</li> <li>AASB ED 270 (para 17) proposed not specifying that service performance information was to be included in the GPFS/GPFR, and proposed specified disclosures when service performance information is reported separately from the financial statements;</li> <li>a collation of comments on where the AASB ED 270 proposed service performance information should be located is provided in <a href="#">agenda paper 13.1</a> of the AASB's December 2016 meeting (paras 35 to 45); and</li> <li>the collation of comments on specific matter for comment 6 of AASB ED 270 states that "The majority of constituents agreed that the Standard should not specify the location of service performance information. Constituents agreed that flexibility would allow entities to determine how and where users would find the information most valuable." (see para 36 of December 2016 agenda paper 13.1).</li> </ul> <p>The context for the <b>WHETHER</b> issue is provided in the row above.</p>
<p><b>2B. WHERE; and</b> <b>3C. WHETHER</b></p> <p><b>Interim SPR</b></p> <p><b>Summary SPR</b></p> <p><b>Prospective SPR</b></p>	<p>4. This Standard Working Draft does not apply to address service performance information that is condensed, prospective or summarised. <a href="#">PBE IAS 34-AASB 134 Interim Financial Reporting</a>, <a href="#">AASB 1055 Budgetary Reporting</a> and <a href="#">PBE FRS 43 Summary Financial Statements</a> <a href="#">AASB 1039 Concise Financial Reports</a> [establish] requirements principles for service performance information presented in general purpose [financial reports] that include interim [financial statements], budgetary disclosures and summary condensed [financial statements] respectively. This Standard Working Draft does not apply to address other non-financial information presented in a general purpose [financial report] (for example, information about an entity's performance relating to its environmental goals or values), unless this information is directly linked to its service performance.</p>	<p>NZ para 4 clarifies that the NZ Standard does not apply to service performance information that is condensed, prospective or summarised. NZ has specified interim and summarised SPR requirements in topic-specific Standards.</p> <p>For the purposes of the Working Draft, issues relating to interim and concise SPR are treated as being beyond the SPR principles that would be the focus of the Working Draft and are more related to the 'whether' question (i.e., whether service performance information should be included in interim and concise general purpose [financial reports]). Furthermore, it is too early in the project to consider interim, prospective, ex-post budgetary* and condensed SPR issues in the Australian context. They will be considered in due course.</p> <p><i>*The inclusion of a reference to <a href="#">AASB 1055</a> in Column 2 is made for consistency with the staff comment under NZ para 38A in Table 1 above.</i></p>	<p>The AASB will separately consider interim, prospective, ex-post budgetary, summarised, concise and condensed SPR issues in due course. This Working Draft does not seek targeted stakeholders' comments on those issues at this stage.</p> <p>AASB ED 270 made no reference to condensed, prospective, summarised or interim SPR. Paras 63(b) and 72 referred to users being provided with 'a concise overview', but not in the context of AASB 1039. As noted in the analysis of NZ para 38A in Table 1 above, paras 76 to 78 of AASB ED 270 refer to reporting against planned service performance. Paras AG57 and BC35 also refer to budgetary reporting (and AASB 1055).</p>

Application aspect of SPR	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff suggested context for targeted stakeholders
		It is notable that <a href="#">AASB 1039</a> only applies to a concise financial report prepared by an entity in accordance with para 314(2)(a) in Part 2M.3 of the Corporations Act and is therefore of limited relevance in the NFP sector.	
<p><b>3D. WHETHER Application of SPR principles to service performance information outside the scope of the pronouncement</b></p>	<p>5. Nonetheless, application of the principles and <u>guidance requirements</u> of this <u>Standard Working Draft</u> to service performance information outside the scope of this <u>Standard Working Draft</u> is encouraged to the extent applicable.</p>	<p>As noted above, NZ para 3(b) specifies that a public sector PBE's relevant legislation determines the range of activities about which disclosure is required. NZ para 5 only encourages application of the NZ Standard's principles and requirements in relation to activities outside that range. The staff recommendation for NZ para 3(b) is that the 'legislative override' is removed for the purposes of the Working Draft in the Australian context.</p>	<p>The Board will consider (and consult on) in due course whether an equivalent kind of encouragement is appropriate in the Australian context.</p>
<p><b>4. WHEN Operative date</b></p> <p>Deferral of operative date</p>	<p><b>Effective Date</b></p> <p><del>48. A public benefit entity shall apply this Standard. This Working Draft is operative for annual [financial] reports that contain service performance information covering periods beginning on or after 1 January 2022. Xx XXXXXXXX 20XX. Earlier application adoption is permitted encouraged.</del></p> <p>49. <del>2020 Amendments to PBE FRS 48, issued in August 2020, amended paragraphs 19, 37 and 48 and added paragraph 38A. these amendments revised the effective date of PBE FRS 48 from 1 January 2021 to 1 January 2022. If an entity elects to apply PBE FRS 48 to annual financial reports beginning on or after 1 January 2021 it shall also apply those amendments. Earlier application of the amendments is permitted.</del></p>	<p>It would not be necessary (nor appropriate) for the Working Draft to include an effective date.</p> <p>If and when the time comes for the AASB to make decisions about an effective date of any SPR pronouncement it develops, the AASB should consider the types of factors the NZASB considered (see NZ paras BC38, BC39 and BC46)* in deciding to adopt a longer than usual effective date.</p> <p><i>* NZ BC38 states: "The 2016 ED proposed a two-year implementation period. Although the majority of respondents supported a two-year implementation period, others requested that the NZASB consider a longer period. Those who favoured a longer period were of the view that those responsible for governance in NFP entities would need time to understand the requirements and to embed service performance reporting into their planning and management processes. They also noted the time needed to develop systems to record service performance measures and the need to implement and test systems."</i></p> <p><i>NZ BC39 states: "The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted."<sup>3</sup> [Footnote 3: 2020 Amendments to PBE FRS 48, issued in August 2020, subsequently deferred the effective date by one year. See paragraphs BC46 and BC47.]"</i></p> <p><i>NZ BC46 states: "In May 2020 the NZASB issued ED 2020-1 Proposed 2020 Amendments to PBE FRS 48. The ED proposed to defer the effective date of PBE FRS 48 by one year (from 1 January 2021 to 1 January 2022). The NZASB acknowledged that the disruption caused by the COVID-19 pandemic in 2020 would have resulted in some PBEs being unable to complete the steps required to implement PBE FRS 48 by its original effective date. The ED also proposed to clarify that explanations of variances are</i></p>	<p>The Board will consider (and consult on) in due course a suitable operative date that would be appropriate in the Australian context.</p>

Application aspect of SPR	Related NZ Standard's paras, showing staff recommended amendments for the Australian context	Staff comments and explanations	Staff suggested context for targeted stakeholders
		<p><i>required only when an entity presents comparisons of actual versus prospective information."</i></p> <p><i>NZ BC47 states: "The NZASB finalised the amendments in August 2020."</i></p>	

## Additional insights from selected other SPR-related frameworks

21. Table 3 below provides staff recommendations for how aspects of SPR addressed in other SPR-related frameworks but not explicitly addressed in the NZ Standard, identified through the process described in Appendix C below, should be treated for the purposes of the Working Draft. In the main, consistent with adopting the NZ Standard as the primary point of reference, staff recommend the potential additional aspects of SPR are the subject of targeted questions rather than embedded in the NZ paragraphs that are the primary basis of the Working Draft.

**TABLE 3 Analysis of other SPR-related frameworks’ relevant paragraphs (to supplement Table 1)**

Additional SPR principle	The additional SPR principle, as expressed by other SPR-related frameworks	Staff comments and explanations	Staff suggested targeted questions
<p><b>1A. WHAT</b> Risks and uncertainties that affect service performance should be disclosed</p>	<p>Para G35.18 of INPAG ED1: “An NPO shall discuss the <b>principal risks and uncertainties</b> that affect the achievement of its performance objectives ...” (emphasis added)</p> <p>The UK’s <a href="#">The Government Financial Reporting Manual</a> states in para 5.3.1: “... give the user a ... summary that provides them with sufficient information to understand the organisation, its purpose, the outcomes it is aiming to achieve, its objectives, its performance against delivering those outcomes and/ or objectives and both <b>the impact of and management of key risks.</b>” (emphasis added)</p>	<p>There is precedent in AASB Standards for requiring disclosure of information about risks. For example, <a href="#">AASB 7 Financial Instruments: Disclosures</a> includes a section on ‘nature and extent of risks arising from financial instruments’. Indeed, para 1 of AASB 7 states: “The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate ... the nature and extent of <b>risks</b> arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those <b>risks.</b>” (emphasis added)</p> <p>It is also a topic that is relevant in the context of Management Commentary, and therefore related to the SPR project’s key matter 8 “The relationship with other projects (Management Commentary ...)”. <a href="#">AASB ED 311 Management Commentary</a> (June 2021) is particularly relevant. For example, para IN14 of ED 311 states “The proposed disclosure objectives cover six areas of content ... (d) <b>risks</b> that could disrupt the business model, strategy, resources or relationships ...” (see Chapter 8 ‘Risks’ – emphasis added).</p> <p>Para G35.19 of INPAG ED1 explains that information about risks and uncertainties, albeit in the context of narrative reporting rather than narrower SPR: “... help users to evaluate the impact of those <b>risks and uncertainties</b> on the achievement of the NPO’s performance objectives ... in the current period, as well as expected longer term outcomes.” (emphasis added)</p> <p>Rather than include the sentiment of this aspect of SPR in the Working Draft, the Working Draft could include a targeted question on the issue.</p>	<p>Would it be appropriate for an Australian SPR pronouncement to specify disclosures about risks and uncertainties, or should the emphasis be on SPR providing sufficient information for users to undertake their own assessment of risks and uncertainties?</p>
<p><b>1B. WHAT</b> An analysis of the service performance information reported should be disclosed</p>	<p>Section 16F(2)3 of <a href="#">PGPA Rule</a> states “An <b>analysis</b> of the factors that may have contributed to the entity’s performance ...” (emphasis added)</p> <p>The UK’s <a href="#">The Government Financial Reporting Manual</a> states in Section 5.4 on ‘performance analysis’ (paragraph 5.4.1): “The</p>	<p>This is a topic that is relevant in the context of Management Commentary, and therefore related to the SPR project’s key matter 8 “The relationship with other projects (Management Commentary ...)”. <a href="#">AASB ED 311 Management Commentary</a> (June 2021) is particularly relevant. For example, in the context of discussing management commentary as complementing financial statements, para 3.6 of ED 311 states “... management commentary includes more</p>	<p>Would it be appropriate for an Australian SPR pronouncement to specify disclosure of an analysis of the reported service performance, or should the emphasis be on SPR providing sufficient information for users to undertake their own analysis?</p>

Additional SPR principle	The additional SPR principle, as expressed by other SPR-related frameworks	Staff comments and explanations	Staff suggested targeted questions
	<p>purpose of the performance analysis is for entities to provide a detailed view of their performance.”</p> <p>AASB ED 270 includes a section on ‘Narrative Discussion and Analysis’. It states in para 70 that “Entities should also consider using narrative discussion and analysis to accompany the reported service performance information”</p>	<p>discussion, analysis, forward-looking information and non-financial information than is included in the financial statements.” (bold text presented as plain text)</p> <p>Rather than include the sentiment of this aspect of SPR in the Working Draft, the Working Draft could include a targeted question on the issue.</p>	
<p><b>2. WHETHER</b> A SPR pronouncement should include <b>definitions of key terms</b></p>	<p>Many other SPR-related frameworks include a glossary of defined key terms.</p> <p>AASB ED 270 includes Appendix A Defined Terms.</p>	<p>The NZ Standard does not include a glossary of defined terms. Arguably definitions are not needed if relevant terms are adequately described in related commentary paragraphs.</p> <p>To help better facilitate focused consultation with stakeholders, staff recommend the Working Draft includes a glossary that defines key terms. The terms to be included should not be determined until the Board has agreed on the SPR principles and related guidance to be included in the Working Draft, and any draft definitions should take account of respondents’ comments on the glossary of defined terms proposed in AASB ED 270..</p> <p>Specific matter for comment 8 of AASB ED 270 asked about the included glossary of defined terms. The collation of comments (AASB December 2016 agenda paper 13.1) noted “The majority of constituents supported the proposed defined terms in Appendix A” and noted the concerns of a minority of constituents about particular definitions.</p>	<p>Would it be necessary or appropriate for an Australian SPR pronouncement to include definitions of key terms?</p>

22. In summary, the analyses in Tables 1 to 3 above suggest that:

- (a) the NZ paragraphs relating to SPR principles and related guidance provide a suitable basis for the Working Draft, with many relatively insubstantial amendments (shown as unhighlighted marked up text in Column 2 of Table 1) and a limited number of relatively substantial amendments (shown as GREY highlight marked up text in Column 2 of Table 1) to reflect the Australian context. The limited number of substantial modifications suggested in Table 1 reinforce the use of the NZ Standard as the primary point of reference for developing the Working Draft; and
- (b) targeted questions and/or related context where relevant should be included in the Working Draft to elicit the views of targeted stakeholders on the specific NZ SPR principles and related guidance, as amended (in Table 1), the SPR application issues in the NZ Standard that address key matters 4 to 7 (in the supplementary questions immediately after Table 1, supported by Table 2 presented as an addendum in the Working Draft), and the additional other aspects of SPR suggested in Table 3.

Prior to finalising the Working Draft staff will assess the most user-friendly way to present the tables for the purposes of the targeted consultation. For example, although Column 3 is included in Table 1 to help facilitate Board members' consideration of each NZ paragraph, staff will assess whether it should be presented in the table or separately to improve readability of the Working Draft. This is on the basis that the focus of the Working Draft should be on the SPR principles and related guidance rather than on the NZ paragraph-by-paragraph analysis.

#### Questions for Board members

Q1. For each row in Tables 1 to 3 above, consistent with adopting the NZ Standard as the primary point of reference for the Working Draft, do Board members agree with the staff suggested:

- relatively minor modifications shown in unhighlighted marked up text in Column 2 of Tables 1 and 2
- relatively substantial modifications in grey highlighted marked up text in Column 2 of Tables 1 and 2
- targeted question(s) and/or accompanying context in Column 4 of Tables 1 to 3?

Q2. Have members identified any other aspects of SPR that should be included in the Working Draft, whether as paragraphs or the subject of targeted questions and/or context?

Q3. Do members agree that the Working Draft should be structured with a focus on Table 1 and the supplementary questions that immediately follow Table 1, supplemented by Table 3, and with Table 2 presented as an addendum? Do members have suggestions how to improve readability of the Working Draft beyond the considerations outlined in the tail of paragraph 22 above?

## PROJECT UPDATE AND NEXT STEPS

23. As noted in the analysis of NZ para 1 in Table 1 above, the Productivity Commission (2024) has recently made public its [Inquiry Report no. 104 Future foundations for giving](#).<sup>11</sup> The Report

11 Productivity Commission (2024), *Future foundations for giving, Inquiry Report no. 104*, Available at: <https://www.pc.gov.au/inquiries/completed/philanthropy/report/philanthropy.pdf>, accessed 08/08/2024.



contains a section headed 'The AASB's ongoing work on not-for-profit service performance reporting' (pages 338 and 339). The section describes the AASB's work to date, which was outlined to the Commission in the AASB's submission on the Draft Report, and goes on to emphasise the need for cost/benefit analysis: "The Commission recognises that there can be benefits to enhancing the quality and comparability of how charities report on their performance, but also notes that any additional reporting requirements would place a burden on charities, particularly smaller charities. Therefore, the introduction of any further requirements should be based on evidence that the benefits of additional reporting requirements would exceed the costs, including the benefits to donors." Staff expect that feedback received on the Working Draft from targeted stakeholders and further research (see paragraph 24 below) will help inform the Board's cost/benefit assessment.

24. As noted in paragraph 2 above, the initial stage of key matter 1 (i.e., a working definition of 'service') was finalised at the Board's 26 June 2024 meeting. The Project Plan anticipated that stage being completed in the first month (i.e. April/May) after the Plan was endorsed. It was not able to be completed that early due to the available resources and Board meeting time to consider the matter. This has had flow-on effects for the planned timing of the finalisation of subsequent key matters. Staff note that tenders to external researchers to undertake some key aspects of later key matters (including benchmarking of public sector SPR frameworks; updating a literature review; and current practice and implementation experience with the NZ Standard) have been awarded<sup>12</sup> and preliminary meetings with successful researchers have taken place as the first step in clarifying and agreeing their plans for achieving the deliverables. Once those arrangements are finalised staff expect that the pace of progress will accelerate, subject to other priorities, available staff resources and Board time availability.
25. At its 26 June 2024 meeting the AASB also decided to reconstitute a dedicated SPR Project Advisory Panel (PAP) comprising individuals with a particular interest and relevant expertise in SPR. Since then, the process of identification of potential SPR PAP members has commenced.
26. The Project Plan originally anticipated that the targeted consultation through the Working Draft that is the subject of this paper would commence in about July 2024. However, as a result of planned Board meetings, the content and approach to the Working Draft is being considered by the Board at this September meeting. Given the comprehensive nature of the Working Draft and the appointment of the SPR PAP in the near future, staff expect that finalisation of the Working Draft will enable this aspect of the project to keep its momentum.
27. Depending on the outcome of the Board's discussion of the issues addressed in this paper, consistent with the Project Plan, staff recommend the following consultation strategy is implemented for the Working Draft:
  - (a) staff use the content of Tables 1 and 3 of this paper (accompanied by a suitable contextual preamble including acknowledgement of the research projects yet to be completed, and amended to reflect the Board's decisions at this meeting) as the body of the Working Draft, and include Table 2 as an addendum;
  - (b) given the informal nature of the consultation at this stage, staff proceed to finalise the Working Draft for circulation with SPR PAP members and other targeted stakeholders in Q3/early Q4 2024, followed by the targeted consultation and with a view to receiving comments from these stakeholders by the end of 2024 calendar year;

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12 See <https://www.aasb.gov.au/news/aasb-research-projects-to-support-work-plan/>.

- (c) inform the Board of the outcome of the targeted consultation at its first 2025 meeting if practicable; and
- (d) use the insights from stakeholders' comments on the Working Draft to inform the remaining key matters of the Project Plan,<sup>13</sup> with a view to developing suitable material for consideration by the Board at future meetings for inclusion in the next due process document.

**Question for Board members**

Q4. Do members have any comments on the staff recommended next steps?

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13 Including reviewing other SPR-related frameworks that were not incorporated into the Working Draft and current practice.

## APPENDIX A

### The staff approach applied in incorporating the NZ Standard's paragraphs into the Working Draft

1. This Appendix summarises the issues staff considered in arriving at their recommendations for how the Working Draft should incorporate the NZ Standard's paragraphs.
2. In arriving at the recommended structure and content of Tables 1 to 3 of the Working Draft as presented in the body of this paper staff considered:
  - (a) in relation to the range of SPR principles to be included in the Working Draft, whether to include only what the NZ Standard captures under the heading 'Principles', or to include all SPR principles that address who, what, how. Staff concluded that all SPR principles should be included. This was on the basis that, as noted in the footnote to paragraph 10(a) of the body of this paper, the NZ Standard uses the heading 'Principles' only for paragraphs 6 to 10 of the total number of 50 paragraphs in the Standard, and mainly only addresses some parts of the how and where aspects of SPR. Staff regarded that focus as too narrow for the purposes of the Working Draft;
  - (b) whether, related to the discussion in paragraphs 5 and 6 of the body of this paper, the Working Draft should address only SPR principles, or SPR principles together with the application of those principles. Consistent with the comments in paragraphs 4 and 5 of the body of this paper, staff concluded that the Working Draft should address the SPR principles together with the application of those principles. To minimise the complexity of the Working Draft and to help ensure a focus on the principles per se, staff recommend simply asking the targeted stakeholders to consider how the SPR Principles Working Draft should be applied (see the supplementary questions immediately following Table 1 in the body of this paper). A detailed analysis of application issues should only be presented as contextual material in an addendum (see Table 2 in the body of this paper);<sup>14</sup>
  - (c) whether the Working Draft should draw on only the bold-type NZ paragraphs, or draw on both the bold- and non-bold-type paragraphs.<sup>15</sup> Whilst noting that including the non-bold-type paragraphs would lengthen the Working Draft, staff concluded that they provide important clarifications of the bold-type paragraphs. Therefore, excluding them from the Working Draft would deprive targeted stakeholders of important context and of the opportunity to maximise their understanding of the underlying principles. Staff also noted that the Contents page of the NZ Standard states that "All the paragraphs have equal authority";
  - (d) whether to incorporate the NZ paragraphs into the Working Draft unamended, or amended to reflect the Australian context. Staff concluded that the NZ paragraphs should be amended, on the basis that:
    - (i) although presenting the NZ paragraphs unamended would be consistent with the approach for the next due process document contemplated as a possibility in the Project Plan under key matter 10, it would not be suitable for the Working Draft. This is because, even if that approach is ultimately adopted for the purposes of the next due process document, staff do not think it would be the most effective

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14 The recommended Working Draft addendum is presented as Table 2 in the body of this paper, rather than as an addendum to this paper, to better facilitate the Board's discussion of this paper and to enable the Board to see the comprehensive paragraph-by-paragraph staff analysis of the NZ Standard in one place.

15 Non-bold-type paragraphs are commonly referred to as commentary or guidance paragraphs.

way to facilitate initial consultation with targeted stakeholders. This is on the grounds that, for example, stakeholders would need to make their own assessments of how the paragraphs might be changed for the Australian context. Even if the Working Draft were to include a general explanation of how the Board might intend amending the NZ paragraphs for the Australian context, targeted stakeholders would need to refer to two separate parts of the Working Draft to gain an understanding of each principle (and its application) for the Australian context; and

- (ii) targeted stakeholders would be better able to relate to the Working Draft if it is expressed in a way that is consistent with the Australian context;
- (e) whether, where the Board's preliminary thoughts on any SPR principles and related guidance for the Australian context might fundamentally differ from the NZ SPR principles and related guidance, to change the NZ SPR principles and related guidance to reflect the Board's preliminary thoughts. Staff concluded that the NZ paragraphs should only be amended to the extent necessary to suit the Australian context (i.e., for terminology, citation and other language differences [as described in paragraph 12 of the body of this paper] and to reflect the stage at which the Board is with application issues [as described in paragraphs 11 and (b) and 13(b) and (c) of the body of this paper]). Staff also concluded that additional insights from other SPR-related frameworks [as described in paragraphs 14 to 16 of the body of this paper and Appendix C below]) should also be incorporated into the Working Draft where they do not conflict with the NZ SPR principles. Accordingly, consistent with the Board's decision to adopt the NZ SPR Standard as the primary point of reference, staff concluded that the Working Draft should incorporate only necessary (and therefore minimal) amendments to reflect the Australian context (informed by the review to date of other SPR-related frameworks) on the basis that, without the insights the Working Draft is aiming to elicit from targeted stakeholders, it could be time consuming for the Board to agree on a total rewrite of each NZ SPR principle, causing undue delay in finalising the Working Draft;
- (f) whether to present the amendments to the NZ paragraphs in marked-up text. Staff concluded that marked-up text should be provided on the basis that targeted stakeholders would benefit from being made explicitly aware of how the Working Draft differs from the NZ Standard;
- (g) whether to present the NZ Basis for Conclusions paragraphs. Staff concluded that it is not necessary to include the NZ Basis for Conclusions paragraphs in the Working Draft. However, where relevant, they could be cited in the Working Draft as a way of providing further context for the targeted stakeholders; and
- (h) whether to present the NZ paragraphs in the order in which they appear in the NZ Standard, or in an order that reflects the construct presented in paragraph 9 of the body of this paper. Staff concluded that presenting the paragraphs in the same order as the NZ Standard could complicate the initial consultation. This is because that order would give undue prominence to application issues over the SPR principles, which would be contrary to the primary purpose of the Working Draft.<sup>16</sup> Structuring the Working Draft following the construct in paragraph 9 also has the benefit of helping

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16 Application issues would be given undue prominence because the NZ Standard addresses most of the application issues before it specifies most of the SPR principles, which is consistent with the way many accounting standards are structured.

ensure that the Working Draft is perceived by AASB constituents as being different in nature from a more formal due process document.

## APPENDIX B

### Insights to date from the development and implementation of the NZ Standard

3. This Appendix provides some background to the NZ Standard PBE FRS 48 *Service Performance Reporting* that provides support for the view that the Standard is suitable as the primary point of reference for developing the Working Draft.<sup>17</sup>

#### *The process by which the NZ Standard was developed*

4. Before their respective project priorities changed, the NZ and Australian standard-setting Boards were sharing their thoughts and work effort in developing proposals for a service performance reporting (SPR) pronouncement in their respective jurisdictions. Due to the respective project's stages of development, NZ was able to leverage off [AASB Exposure Draft \(ED\) 270 Reporting Service Performance Reporting Information](#) (issued August 2015) prior to finalising [ED NZASB 2016-6 Service Performance Reporting](#) (issued February 2016).
5. Differences between the NZ ED and the AASB ED reflected the extent to which the thinking at the time deviated due to the differing circumstances and emerging views on either side of the Tasman. Despite the different ways in which many of the proposals were expressed and with different emphases, most of the proposed underlying SPR principles and application aspects of SPR were broadly the same in the two EDs.<sup>18</sup>
6. Subsequently, in response to constituents' comments on ED NZASB 2016-6, the New Zealand Accounting Standards Board (NZASB) made many changes to its ED proposals in developing the NZ Standard. Although the conversion of ED NZASB 2016-6 to the NZ Standard involved quite a substantial rewrite, many of the changes were the result of clarifications and simplifications of drafting. One of the main changes in response to comments on the NZ ED was the elevation of the proposed SPR requirements to higher level SPR principles requiring a higher level of preparers' judgement compared with the more specific rules originally proposed.<sup>19</sup>

#### *The NZ Standard's implementation experience to date*

7. The NZ Standard is operative from 1 January 2022, with early adoption allowed. Despite the limited number of early adopters, many NZ entities started preparing for implementation prior to that date.
8. In late 2022 and early 2023, a Monash University research team undertook a limited investigation into early practical implementation experience with the NZ Standard. Supplementary Paper 7.3 of this meeting reproduces a report to AASB staff from the research team as at 17 April 2023. In summary, the key findings were that:

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17 Only some of the material in this section was available for the Board's consideration in May 2023 when the decision was made to adopt the NZ Standard as the primary point of reference.

18 Although most of the underlying SPR principles were the same, there were some substantive differences in the proposals relating to application of the principles. For example, unlike AASB ED 270, the NZ ED proposed specifying that service performance information fell within the scope of general purpose financial reports (GPFR) and would therefore be subject to assurance (which is related to key matter 7 of the AASB's SPR Project Plan).

19 The elevation to higher level principles had consequences for other requirements in the NZ Standard. In particular, NZ added explicit requirements for the disclosure of judgements on the basis that higher-level principles would give preparers more flexibility to make judgements and therefore preparers should have an obligation to inform users of those judgements. The AASB received similar comments that AASB ED 270's proposed requirements were not at a sufficiently high principles level.

- “1. There were no major implementation problems raised by participants; i.e. there do not seem to be any ‘fatal flaws’ in the standard based on these conversations.
2. The consensus is that the flexibility of the standard is a key to making it workable, especially the way the standard does not prescribe that certain types of information (e.g., efficiency measures) be reported.
3. The implementation concerns raised mostly pertain to matters to be worked out between preparers and auditors. This situation highlights the potentially important role of auditors in the implementation process in New Zealand.
4. In the New Zealand context, mandatory (and audited) service performance reporting as part of general-purpose financial reports is generally viewed as important to the success of the standard.”

Despite being conducted before full implementation and the limited scope of the research, which excluded a user perspective, these key findings provide some indication that the NZ Standard is suitable for the NZ context, and therefore also further support for the NZ Standard being a suitable primary point of reference for the AASB in developing the Working Draft.

9. Since the Monash University research team’s work, the NZ External Reporting Board (XRB) has published two potentially relevant reports:
  - (a) Forde (2024) relates to SPR by Tiers 1 and 2 entities under the NZ Standard. One of its most relevant main conclusions was that “For charitable PBEs there were pockets of excellence, but many charities did not adequately provide an appropriate level of context and a sufficient mix of measures to assess performance ...” (page 18). This finding does not necessarily undermine the NZ Standard as the primary point of reference for the AASB’s working draft. This is because the research did not conclude that the SPR principle relating to disclosure of context and mix of performance measures in the NZ Standard were inappropriate. It merely concluded that the principle was not always being applied as intended;<sup>20</sup> and
  - (b) Evans-Viskovic (2024) relates to SPR by Tier 3 entities and therefore will be most relevant later in the project.<sup>21</sup>
10. Other documents that have been informed by practice to date and developed to assist in the implementation of the NZ SPR Standard include the NZ Controller and Auditor-General’s publications:
  - (a) [Do your measures measure up?](#) (2023), which reports on an assessment of the quality of performance reporting relating to the 2023 Budget; and
  - (b) [Local government planning and reporting on performance: Guidance and examples of good practice](#) (January 2024), which provides guidance designed to help councils in their performance reporting.
11. As anticipated in the AASB SPR Project Plan (e.g., as part of key matters 4 and 5), further research into implementation experience with the NZ Standard, including from a user perspective, is to be undertaken in due course. The results of that research will further inform the Board’s deliberations in developing preliminary views or proposals for an Australian SPR pronouncement.

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20 Forde, F., (2024), *Intern Report: Service reporting in the public and not-for-profit sectors*. Available at: <https://www.xrb.govt.nz/dmsdocument/5098/>, accessed 08/08/2024.

21 Evans-Viskovic, D., (2024), *Intern Report 2: Assurance of service performance reporting in Tier 3 Charities*. Available at: <https://www.xrb.govt.nz/dmsdocument/5097/>, accessed 08/08/2024.

## APPENDIX C

### The staff approach applied in gaining insights from other SPR-related frameworks for inclusion in the Working Draft

1. This Appendix describes the approach staff took in selecting and reviewing the other SPR-related frameworks that helped inform the recommended Working Draft.
2. The other frameworks reviewed to date include those considered but rejected by the Board as potential alternatives to the NZ Standard as the primary project baseline in May 2023 AASB [Agenda Paper 4.3](#), being:
  - (a) AASB ED 270;
  - (b) the Productivity Commission's *Report on Government Services* (RoGS); and
  - (c) the Chartered Institute of Public Finance and Accountancy's (CIPFA) International Financial Reporting for Non-Profit Organisations (IFR4NPO) initiative: *International Non-Profit Accounting Guidance Part 1 Invitation to Comment* (INPAG ED1). (The IFR4NPO Technical Advisory Group considered [responses to ED 1 on the narrative reporting proposals](#) in May 2024).<sup>22</sup>

In addition, staff reviewed the following public sector SPR-related frameworks:

- (d) International Public Sector Accounting Standards Board's (IPSASB) Recommended Practice Guides RPG 2 *Financial Statement Discussion and Analysis* and RPG 3 *Reporting Service Performance Information*;
  - (e) the Commonwealth Government's *The Public Governance, Performance and Accountability Rule 2014* (PGPA Rule);
  - (f) Canadian Treasury Board's *Directive on Results*;
  - (g) South Africa *Public Financial Management Act 1995* and *Treasury Regulation*;
  - (h) United Kingdom *The Government Financial Reporting Manual 2021-22*; and
  - (i) USA Governmental Accounting Standards Board (GASB) [Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments](#).<sup>23</sup>
3. A summary of the analyses undertaken to date of the other SPR-related frameworks is documented in Supplementary Paper 7.2 of this meeting. The analysis of each framework focused on the difference between that framework and the NZ Standard, with the aim of identifying whether there are any SPR principles that are not included in the NZ Standard or a different articulation of a common SPR principle or guidance that would be better suited in the Australian context.
  4. Staff used significant judgement in deciding how to categorise a difference between the NZ Standard and another SPR-related framework. This is because judgement was needed in deciding between whether what is on the surface a different articulation of a common SPR principle is in fact a fundamentally different, and potentially incompatible, SPR principle.
  5. Furthermore, although the starting point for the analysis of each framework was a comparison with the NZ Standard, to minimise repetition, as each framework was analysed, the focus was generally on differences with the NZ Standard and the earlier analysed frameworks.

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22 At its May 2023 meeting, the Board considered the arguments for and against adopting each of these SPR-related frameworks (as well as adopting a 'green fields' approach) as the project baseline relative to the arguments for and against adopting the NZ SPR Standard as the project baseline and decided in favour of the NZ Standard.

23 Staff started with public sector 'other SPR-related frameworks' because, as a general observation, those frameworks are more developed and informed from implementation experience than private sector frameworks and therefore are reasonably expected to provide more informative insights, at least from a public sector perspective.



6. The additional insights from the other SPR-related frameworks are included in either:
  - (a) the relevant row of the NZ paragraph-by-paragraph analysis in Table 1 in the body of this paper, where staff have assessed that the insights relate to a specific NZ SPR principle; or
  - (b) in Table 3, where unlike the paragraph-by-paragraph analysis of SPR principles and related guidance in Table 1 the insights relate to an aspect of SPR that is not readily attributable to a NZ SPR principle.