



Project:	Service Performance Reporting	Board Meeting	Sept 2024 (M208)
Topic:	Staff analysis of other SPR-related Frameworks (supplementary folder)	Agenda Item:	7.2
		Date:	20 August 2024
Contact(s):	Robert Keys rkeys@asb.gov.au Fridrich Housa fhousa@asb.gov.au	Project Priority:	Medium
		Decision-Making:	N/A
		Project Status:	Developing SPR principles and related guidance

Objective

1. The purpose of this Supplementary Paper is to document insights into service performance reporting (SPR) basic principles identified through a AASB staff analysis of SPR-related frameworks that could supplement the principles in NZ PBE FRS 48 *Service Performance Reporting* as the primary point of reference for developing the Working Draft that is the focus of Agenda Paper 7.1 of this meeting.

AASB Exposure Draft ED 270 Reporting Service Performance Information

2. Broadly, the subjects addressed by the SPR principles and related guidance proposed in AASB ED 270 are also the subjects addressed by the SPR principles and related guidance specified in the NZ Standard.
3. However, generally, the NZ Standard expresses its principles at a higher level. For example, although both SPR frameworks refer to “useful for accountability and decision-making purposes” (in the Objective para 1 of each document), AASB ED 270 goes into more detail. For example, para 64 goes on to state that “The purpose of reporting service performance information is to assist user’s in assessing how well an entity has achieved its service performance objectives.” And even more prescriptively, para 20 states that “An entity is required to report service performance information that ... should enable users to assess the efficiency and effectiveness of the entity’s service performance.” Many respondents to AASB ED 270 were critical of the rules-based nature of the proposals.
4. One SPR principle that differs between the two SPR frameworks relates to the subject of the SPR period. The NZ Standard specifies in para 11 “Except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements.” In contrast, AASB ED 270 proposed “Service performance information shall be reported at least annually.” To some extent this difference relates to the fact that the NZ Standard specifies the location of service performance information in GPFR, whereas the AASB ED 270 proposals were not prescriptive on the location. Because the NZ Standard is the primary point of reference for developing the Working Draft that is the subject of Agenda Paper 7.1 of this meeting, staff suggest retaining the SPR-period principle as adopted in the NZ Standard.

5. Although not a SPR principle per se, it is notable that, in contrast to AASB ED 270, there are no definitions in the NZ Standard. This can be explained in part because many of the defined terms in AASB ED 270 relate to the more rules-based approach taken. However, some terms such as 'performance indicators', 'service performance' and 'service performance objective' are at a principles level. Arguably they are not needed in the NZ Standard because descriptions of the relevant terms in the Standard are contained in the commentary paragraphs. However, for the purpose of the Working Draft, staff suggest a glossary of defined terms is included in the Working Draft to help better facilitate consultation with stakeholders. The terms to be included in the glossary should be determined after the SPR principles and related guidance that are to be included in the Working Draft have been agreed by the Board.

INPAG ED1 Section 35 – Narrative reporting

6. As noted in paragraph 2(c) of Appendix C of Agenda Paper 7.1 of this meeting, the IFR4NPO Technical Advisory Group considered [responses to ED 1 on the narrative reporting proposals](#) in May 2024. The following analysis does not take those responses into account. Staff will continue to monitor the progress of the INPAG ED 1 narrative reporting proposals as the SPR project proceeds.
7. Section 35 of INPAG ED1 provides guidance on performance information that is to be presented by non-profit organisations. Although 'performance' is a broader notion than 'service performance', its performance reporting principles might provide insights for SPR.
8. Notably, para G35.6 explicitly refers to performance information being "... fair and balanced ...", and "... provide an objective view and assessment of the NPO's performance ...". Although not expressed in those terms, the qualitative characteristic of faithful representation, together with the commentary (e.g., "neutral" and "absence of bias") adequately deals with INPAG ED1's articulation of the principle.
9. More significantly, para G35.7 states "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" and disclose that fact. Staff think there is merit in including the sentiment of this principle about the non-disclosure of sensitive information in the Working Draft.
10. Paras G35.18 and .19 address the disclosure of risks and uncertainties.
"An NPO shall discuss the principal risks and uncertainties that affect the achievement of its performance objectives ... This should include:
 - a) an explanation of how these risks and uncertainties relate to the performance objectives ... of the NPO;
 - b) an explanation of changes in those risks and uncertainties since the last **reporting date**; and
 - c) how the NPO manages risks and uncertainties.""This information will help users to evaluate the impact of those risks and uncertainties on the achievement of the NPO's performance objectives ... in the current period, as well as expected longer term outcomes."
Staff think there is merit in including the principle of disclosure of risks and uncertainties in the Working Draft of SPR principles and related guidance for the same reasons articulated in paragraph G35.19.

11. ParaAG35.3 makes the point 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.” Although only mentioned in the application guidance, there could be merit in including it as an explicit SPR principle. It might also allay some concerns about the costs of implementing a SPR regime – if management is already doing it, costs should only be marginal if the same information is then reported.

Frameworks applicable to the NFP public sector

IPSASB Recommended Practice Guide RPG 3 Reporting Service Performance Information

12. AASB ED 270 incorporates the key requirements of IPSASB RPG 3. Paragraphs BC41 to BC52 of ED 270 provide a ‘Comparison with IPSASB RPG 3 Recommended Practice Guideline’. It is apparent from the comparison that, generally, the AASB, when developing ED 270, added or clarified some of IPSASB’s SPR principles for the Australian context. Accordingly, it is not expected that IPSASB RPG 3 provides any further insights to the SPR principles that could be included in the Working Draft that have not already been considered in the analysis of AASB ED 270 above.

Productivity Commission’s Report on Government Services ([RoGS](#))

13. The RoGS was established in 1995 to provide annual information on the equity, efficiency and effectiveness of key government services in Australia. The objectives, scope use and effectiveness of the RoGS are currently being reviewed by the Council on Federal Financial Relations.
14. Part A ‘Approach to performance reporting’ was released on 22 January 2024 and includes [section 1](#) ‘Approach to performance measurement’. It describes ‘reasons for measuring performance’, ‘the report’s scope’, ‘conceptual approach’ and ‘guiding principles for the report’.
15. [Box 1.1](#) in the description of the guiding principles for the report lists the following guidance principles: comprehensiveness, streamlined reporting, a focus on outcomes, hierarchical, meaningful, comparability, completeness and progressive date availability, timeliness, use acceptable (albeit imperfect) performance indicators, understandable, accurate, validation, full costing of services. Although expressed differently, all are broadly consistent with the NZ Standard, although the NZ Standard does not necessarily focus on outcomes. RoGS states that “high-Veale performance indicators should focus on outcomes, reflecting whether service objectives have been met.”
16. A key focus is measuring the comparative performance of government services across jurisdictions. RoGS specifies a performance indicator framework for each service area and a set of objectives against which performance indicators report. Performance indicators include output indicators, grouped under equity, effectiveness and efficiency, and outcome indicators.
17. The NZ ED used similar terminology, although extended the terminology to include ‘impacts’, but in response to comments on the proposals, decided to “generalise language, use fewer defined terms and develop higher-level requirements” (see NZ ED para BC27).
18. Accordingly, in broad terms, the RoGS’ and the NZ Standard’s approaches to SPR have many common features, although RoGS is more prescriptive and specific, perhaps due to its limited

scope (only certain public sector service areas) and its greater focus on comparisons across jurisdictions.

19. One aspect of RoGS that could be more explicitly included in the Working Draft is commentary on the SPR principle that addresses the service performance information to be disclosed about 'equity'. RoGS states that equity indicators "measure how well a service is meeting the needs of particular groups that have specific needs or difficulties in accessing government services". The RoGS [glossary](#) defines 'equity' as "Measures the gap between service delivery outputs or outcomes for special needs groups and the general population. Equity of access relates to all Australians having adequate access to services, where the term adequate may mean different rates of access (depending on need) for different groups in the community." Although that notion is within the scope of the SPR principle in the NZ Standard (see, for example, NZ para 19(a), which describes the factors an entity should consider in deciding what to report), more explicit acknowledgement of it in the commentary would more clearly address an important aspect of SPR for many NFPs. However, on balance, on the grounds that the NZ Standard in para 19(a) refers to 'disparity', staff are of the view that an amendment to the Standard for this issue is not warranted for the purposes of the Working Draft.

The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) – Updated February 2020

20. Of most relevance to the Working Draft that is the focus of Agenda Paper 7.1 of this meeting is Part 2-3 'Planning, performance and accountability' (which is in Chapter 2 'Commonwealth entities and the Commonwealth':
 - Division 1 'Planning and budgeting'
 - Section 16E Corporate plan for Commonwealth entities
 - Section 16EA Performance measure for Commonwealth entities
 - Division 2 'Performance of Commonwealth entities'
 - Section 16F Annual performance statements for Commonwealth entities
 - Division 3A Annual report for Commonwealth entities
 - Section 17AD Specific requirements for annual reports (of non-corporate Commonwealth entities)
 - Section 17BE Contents of annual report (for Corporate Commonwealth entities)
 - Section 17BF Disclosure requirements for government business enterprisesSections 27A 'Corporate plan for Commonwealth companies' and 28E Contents of annual report' in Part 3-1 Commonwealth companies Planning and budgeting also have some relevance to this paper.
21. In seeking insights from the PGPA Rule for identifying the SPR principles and related guidance to include in the Working Draft, it is particularly notable that:
 - Section 16E(4) explicitly provides relief for disclosure of information that is confidential, commercially sensitive or prejudicial to national security.
 - Section 16F(2)3 requires inclusion in a report on performance "An analysis of the factors that may have contributed to the entity's performance ..."
22. Both of these are useful additions/enhancements of the SPR principles and related guidance that could be included in the Working Draft that is primarily based on the NZ Standard.

Canadian Treasury Board's [Directive on Results](#)

23. Of particular relevance to the Working Draft that is the focus of Agenda Paper 7.1 of this meeting is that section A.2.5.5 of the Canadian Treasury Board [Directive on Results](#) (relating to

the [Policy on Results](#)), which is applicable to government departments, 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).

24. Although disclosures relating to the type of information emphasised above could fall within the scope of the disclosures anticipated by NZ paragraphs 44 to 47 on ‘Disclosure of Judgements’, the Canadian approach is more explicit on what is required to be disclosed.

South Africa [Public Financial Management Act 1999](#) and [Treasury Regulation](#)

25. Staff have not identified any new insights from an assessment of the South African pronouncements that have not been identified from assessments of other SPR-related frameworks that would be relevant for inclusion in the Working Draft.

United Kingdom [The Government Financial Reporting Manual 2021-22](#)

26. Chapter 5 address the performance report. Much is consistent with the NZ SPR principles and related guidance. Additional insights that could supplement or enhance the NZ SPR principles and related guidance include:
- Paragraph 5.2.3 states: “... performance reporting should reflect the structure and activity of the organisation, and the **information used by internal decision makers, ...**” (emphasis added). NZ paragraph 46(b) makes reference to service performance information being consistent with that used by the entity for internal decision making, it is not a requirement – disclosure is required of the extent to which there is consistency;
 - Paragraph 5.2.3 also states: “preparers should include **trend data** to give context to statistics and other metrics, including **explanations of the information provided**” (emphasis added). In contrast, the NZ Standard (paras 14 and 26) only mentions trend data as being likely to be useful information. Although consideration could be given to strengthening NZ’s references to trend data, staff conclude that the current references are sufficient for the purposes of the Working Draft. Similarly, although consideration could be given to making NZ’s requirement to disclose judgements (see NZ paragraphs 44 to 47) more explicit, arguably the UK requirement to disclose explanations of the of the information provided;
 - Paragraph 5.3.1 states: “... 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 **the impact of and management of key risks.**” (emphasis added); and
 - Section 5.4 on ‘performance analysis’. Paragraph 5.4.1 states “The purpose of the performance analysis is for entities to provide a detailed view of their performance.”

USA Governmental Accounting Standards Board (GASB) [Statement No. 34](#) – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*

27. Staff have not identified any new insights from an assessment of the GASB pronouncement that have not been identified from assessments of other SPR-related frameworks that would be relevant for inclusion in the Working Draft.

28. The only new insight identified is that, in the context of the entity discussing its objectives and strategies, paragraph 20 of RPG 2 refers to information that "... enables users to understand the entity's priorities ...". Consideration could be given to including in the Working Draft an acknowledgement that when a NFP has multiple service performance objectives, an indication of the entity's priorities should be given.