



Chief Executive

External Reporting Board

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8 August 2016

Subject: Submission on Exposure Draft NZASB 2016-6, Service Performance Reporting

Thank you for the opportunity to comment on the Exposure Draft for Service Performance Reporting related to Tier 1 and 2 PBE entities. I fully support the need for this standard to be in place, in particular for NFP entities.

There are some components of the ED that I believe could be improved, this submission is addressed to these concerns.

The key points I would like to emphasize are as follows:

- The focus of service performance reporting should be about giving NFPs the opportunity to tell their non-financial story alongside the financial story.
- Don't assume you can make a link with this data to the financial data.
- This story needs to have some justification/evidence as to why it is credible or the reason they are focusing their efforts on the activities they are undertaking.
- In some instances, organisations will be trying new activities/innovations with no evidence of its potential outcome. We should not discourage this.
- The focus of this evidence or reason for doing an action is talking to the contribution the organisation believes they are making to an outcomes and not a justification to the attribution they have made.
- It needs to be written in a way that removes the need for auditors to be making judgements on the accuracy of the theory of change/logic model, their judgement should be passed on whether any quantifiable performance measurements data presented is accurately represented.
- Some of the current language used feels inconsistent with many outcomes models which leads to confusion.

Background

Service Performance Reporting is responding to the fact that NFPs' are not just about their financial results but are focused on *“are we making a difference in line with our core purpose”*. If the question, *“did we make a difference”* is core to NFPs' then it makes sense this is part of their regulatory reporting requirements.

Service Performance Reporting would add most value to users through evolving understanding of what an organisation has done to help learn and improve the outcomes it is trying to influence.

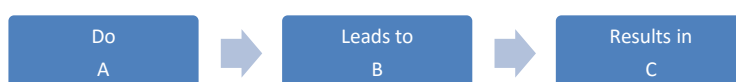
This requires service performance reporting to focus on the following:

- **Story of Impact:** telling the story, or drawing the picture, of why we are doing certain activities because we believe it will contribute to certain outcomes that will ultimately have the following population or society impact. We believe this because of the following evidence. We use the following tools (performance indicators) to measure this impact. Or in the case of new innovations, they may report we are doing “A” as we believe it might lead to “B” but we have no evidence to support this as it is a new innovation, we will use methodology XYZ to test whether it does have an impact.
- **Reporting on Performance Activity:** detailing quantitative and qualitative measures that were measured in the relevant financial year related to the story of impact. This should ideally be a mix of outputs and outcomes. Key to note here is it is results that were **measured** in the current year. Ideally target figures (or benchmarks) should be provided as a comparative.

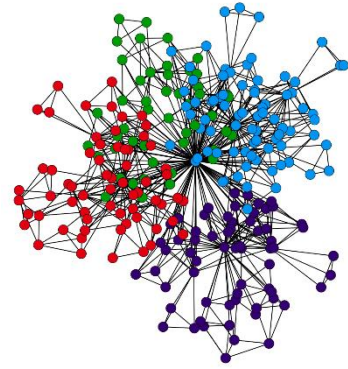
With outcomes there is no guarantee that the outcomes were achieved thanks to the outputs delivered in the current financial year, or in fact, by a particular organisation. They may be attributable to work undertaken over a period of five years or due to an external factor changing and influencing the result. The focus would be on contribution your work has made to the impact you are seeking to achieve over time (not a financial reporting period). This will mean moving from a perspective that understanding on the financial information can be enhanced through the non-financial service performance reporting.

The challenge associated with outcome reporting is linked to the complexity of the system being measured. In the social and environmental context, we rarely see a “simple system”, one in which we can draw a linear process that suggest doing A leads to B which will lead to C.

Simple System



What we are faced with are complex systems with many different layers of relationships and dynamics. Tracing the path of causality becomes extremely difficult.



In developing a standard that is fit for purpose for the varying types of activities the PBE sector is undertaking, we need to develop a reporting system that is of equal value for complex systems as simple systems.

Many traditional evaluation systems have struggled with establishing attribution. It can be a costly and lengthy process. As a result, we are seeing a move towards understanding, adapting and improving outcomes rather than focusing on measuring and attributing outcomes.

We need to ensure the Service Performance Reporting requirements do not lead us down a path of little value to the end recipients of services. If Service Performance was to focus on measurements and attribution incredible effort and expense could be expended, simply for compliance. Despite efforts in proving causality, under a complex system the reported result may always be questionable.

Specific Responses to Questions

1. Do you agree that the dimensions of service performance in the ED are a useful way of identifying the information to be reported by public benefit entities? If not, why not?

I am concerned with the language being used in the ED. I feel this is inconsistent with many different outcomes frameworks. The area of particular concern is the use of the term impact. Impact is normally a term used for the ultimate result or outcomes, such as a societal level outcome e.g. reduce family violence, decrease crime. Further the language used here suggests attribution is required to report on outcomes.

Another lens to look at this could be:

- Outputs – what we did
- Outcomes – the difference we aim to make in our target group
- Impact - long-term results (often society/population level change, such as reduction in crime, decreased rate of diabetes)

Performance indicators are the tools used to measure each of the above.

Another useful framework to consider is the [Results Based Accountability \(RBA\)](#) framework which all NGOs contracting to government need to review. RBA considers performance accountability as follows:

- Population Accountability: the results (change) we are seeking for a particular population
- Performance Accountability: the results we achieved with the particular group of people we worked with. Based around three questions: How much did we do? How well did we do it? Is anyone better off?

Keeping the framing simpler and removing suggestion that proven and evidenced causal links need to be in place will offer more rather than less to the report.

2. Do you agree that application of the qualitative characteristics and appropriate balancing of the pervasive constraints on information will result in appropriate and meaningful service performance information? If not, please explain why not and identify any alternative proposals.

In principle weighing these factors up should be part of an organisations development of their outcomes framework. In many organisations quite different people may be involved in developing the outcomes framework to those preparing the financial information. It is unlikely the accounting standard information would be very accessible, or used, by other staff in the organisation. Simple every day user guides would be helpful to assist people in interpreting these criteria.

Two challenges I see with the qualitative characteristics:

- **Comparability:** as mentioned above the data might be measured in a particular period but caution should be placed on thinking the result is achieved thanks to activity in the particular reporting period, this could make comparability difficult and lack meaning. Likewise, one group you are working with year-on-year could vary greatly in complexity meaning comparability is challenging.
- **Verifiability:** this is obviously very linked to how well the outcomes can be audited. Verifiability is important but should not be linked to the concept of attribution/causal proof (refer above)

3. Do you agree with the use of the term “appropriate and meaningful”? If not, please explain why not and identify any alternative proposals.

Appropriate and meaningful is a good test overall.

4. Do you agree with the proposed information to be reported? If not, please explain why not and identify any alternative proposals.

Refer earlier. Particular concerns around reporting and evidencing links between outputs and outcomes as this suggests attribution and also concerned with the language of impacts. The following table gives a summary of the information I believe should be reported.

Story of Impact			
Describe the difference you are seeking to achieve, the activities you will undertake to lead to this difference and why you believe these activities will lead to the resulting outcomes. Can include any outcomes frameworks/theory of change you work with. Also could include any population level indicators you are working towards and trends/changes in this results.			
Outcomes/Outputs	Performance Indicator	Target	Actual
# workshops	Count number. of XYZ workshops held in year	20	
Satisfaction workshop	Survey conclusion of workshop, ranking % satisfied/highly satisfied with overall workshop	90%	
Application of what learnt everyday	6 months following workshop survey participants’ response “Overall how would you say the workshop contributed positively to your current practice.” % Respondents significant, very significant.	75%	

5. Do you agree that cross referencing to information outside of the service performance section of the general purpose financial reports should be permitted? If not, why not?

Yes. Will this then be audited?

6. Do you agree with the proposed scope in relation to: (a) public sector public benefit entities with existing legislative requirements to report service performance information; (b) public sector public benefit entities currently without existing legislative requirements to report service performance information; and (c) not-for-profit public benefit entities?

YES

7. Do you agree that a two year implementation period would be appropriate?

The challenge with service performance data is it can be difficult to obtain if you have not identified what you are reporting on at the beginning of the period, as it often requires separate reporting tools to be established. If introduction of the Tier 3 and 4 standards is anything to go by then it suggests it is not until the end of the year that organisations consider what needs to be reported.

It may be advisable to give one year's notice of introduction, this provides time to establish service performance measures and put in place but remove the need for comparatives in the first year.

8. Do you agree with the proposal to change the title of PBE IPSAS 1 Presentation of Financial Statement to Presentation of Financial Reports and the proposed amendments to that Standard? If not, please explain why not and indicate your preferred alternative approach.

YES

9. What type of guidance should the NZASB develop to support entities preparing service performance information in accordance with the proposed standard?

- Examples of completed service performance reports across variety of different types of sectors e.g. social services, health, environment, community development.
- Simple language guide on how to interpret what is appropriate and meaningful.

Once again thank you for the opportunity to comment and if you wish to have any further explanation on the above then I am happy to meet and discuss.

Kind regards



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