

### Feedback Statement on ED NZASB 2016-6 *Service Performance Reporting*

ED NZASB 2016-6 *Service Performance Reporting* (the ED) was issued in February 2016. 18 submissions were received on the ED.

The table in this feedback statement indicates where and how the proposals in the ED have changed as a result of feedback received on the ED.

The main changes are:

- the addition of an introduction to the draft standard and the deletion of the ED section on accountability and decision making;
- the redrafting of the section on information to be reported; and
- the addition of a new section on disclosure of judgements.

Further information about the changes is available in the Basis for Conclusions and Tables of Concordance which accompany the draft standard.

If you are reading this feedback statement, you might also be interested in the [submissions on ED NZASB 2016-6](#)

The NZASB considered these submissions at its [September 2016 meeting](#).

Proposals in the 2016 ED	What we heard	What we changed
<b>Objective</b>		
To establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.	General support.	No change.
<b>Accountability and Decision Making</b>		
<p>Paragraphs 2–8 of the 2016 ED contained a discussion on users of service performance information and how these users rely on this information for accountability and decision making.</p> <p>Paragraph 9 of the 2016 ED referred to three dimensions of service performance which formed the basis of the requirements in the 2016 ED.</p> <p>“What did the entity do?” – provide information about the outputs provided by an entity during the period.</p> <p>“Why did the entity do it?” – provide information about the outcomes that it seeks to influence and how its outputs contribute to those outcomes.</p>	<p>General support.</p> <p>Some respondents suggested that the questions should form the basis of the requirements, rather than using the terms outputs, outcomes and impacts.</p> <p>Respondents noted that the terms outputs and outcomes had recently been removed from some legislation.</p> <p>The proposal to require reporting about impacts drew a lot of comment. Concerns were raised about the difficulty of attributing changes to an entity’s actions.</p>	<p>Summarised and moved the discussion of accountability and decision making from the standard to an introduction.</p> <p>Did not use the three dimensions of service performance in the standard. Kept some of the questions used to describe the dimensions of performance as suggestions for organising information (see the <i>Presentation</i> section).</p>

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<p>“What impact did the entity have?” – Provide information about the extent to which it has evidence of its influence on the groups or environment it is seeking to change.</p>	<p>Concerns were also raised about what the Board meant by impact and when an entity was required to report on impacts.</p> <p>Respondents suggested that the Board generalise language, use fewer defined terms and issue high-level requirements.</p>	
<p>The 2016 ED included subsections on <i>Reporting on Outputs</i> and <i>Reporting on Outcomes and Impacts</i>.</p>		<p>Deleted these subsections. The <i>Information to be Reported</i> section identifies reporting requirements in more general terms. The reporting entity concept (ED, paragraph 11) is discussed in the <i>Information to be Reported</i> section.</p>
<b>Scope</b>		
<p>All Tier 1 and 2 not-for-profit public benefit entities and Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide a statement of service performance (by whatever name called). The 2016 ED encouraged all public sector public benefit entities to report in accordance with the draft standard.</p>	<p>General support.</p> <p>Most respondents accepted the Board’s reasons for excluding public sector PBEs without existing legislative requirements from the scope of the ED.</p> <p>Respondents suggested refinements to better align the scope requirements with public sector legislative requirements.</p>	<p>Redrafted the scope paragraph to clarify the application of the standard by public sector PBEs and to acknowledge that legislative reporting requirements may apply to only some of an entity’s activities.</p> <p>Encouraged the application of the principles and requirements to service performance information outside the scope of the standard.</p>
<b>Definitions</b>		
<p>The 2016 ED defined inputs, outcomes, outputs and performance indicators.</p>	<p>Feedback from respondents demonstrated that terms are used in differing ways by different types of entities.</p> <p>The terminology used in the ED differed from that used in some outcome frameworks and some legislation.</p>	<p>Referred to aspects of service performance in more general terms and deleted all definitions from the standard.</p>
<b>Principles</b>		
<p>This section of the 2016 ED included subsections on the <i>Qualitative Characteristics</i> and <i>Constraints</i>. The 2016 ED required that an entity present service</p>	<p>General support.</p> <p>The Board received feedback that the words “satisfies the QCs to the extent possible” could be read as</p>	<p>No major changes to the underlying principles in the ED.</p>

Proposals in the 2016 ED	What we heard	What we changed
<p>performance information that is useful for accountability and decision-making and enable users to make assessments of the entity’s performance.</p> <p>It also required that an entity’s service performance information satisfy, to the extent possible, the qualitative characteristics (QCs) and appropriately balance the pervasive constraints. The 2016 ED stated that this should result in service performance information that is “appropriate and meaningful.”</p>	<p>implying that an entity did not have to provide any information if it considered that the information did not satisfy all of the QCs.</p> <p>Respondents requested more discussion about the judgements and trade-offs required when applying the QCs.</p> <p>Respondents requested that more emphasis be placed on the role of neutrality (need for a complete picture, the good and the bad) in faithful representation.</p> <p>Respondents supported using the phrase appropriate and meaningful, but requested that it be linked to a user perspective.</p>	<p>Established a requirement for an entity to apply the QCs and pervasive constraints by removing the words “satisfies the QCs to the extent possible” with “shall apply the QCs”.</p> <p>Added a paragraph from the PBE Conceptual Framework on the trade-off needed between the QCs.</p> <p>Emphasised the role of neutrality in faithful representation.</p> <p>Clarified that the assessment of what is appropriate and meaningful is from the user’s point of view.</p> <p>Clarified that an entity presents service performance information in the same general purpose financial report as its financial statements.</p>
<b>Information to be Reported</b>		
<p>The 2016 ED included subsections headed <i>Entity Information</i> and <i>Outputs and Outcomes</i>.</p> <p>The entity information section included requirements about the reporting entity and reporting period.</p> <p>The outputs and outcomes section required that an entity’s service performance information include:</p> <ul style="list-style-type: none"> <li>• outputs and performance indicators for outputs;</li> <li>• outcomes that the entity is seeking to influence and the links between the entity’s outputs and those outcomes; and</li> <li>• a description of the impact that the entity has had on the outcomes that it is seeking to influence and performance indicators to support that description.</li> </ul> <p>The 2016 ED noted the importance of cost information but did not mandate it on the grounds that cost information might not always be practicable or the most appropriate way of reporting on outputs.</p>	<p>Respondents felt the information to be reported section was still quite prescriptive. Respondents felt that the ED did not quite meet the aim of a high-level principles-based approach intended to provide flexibility for entities to “tell their story” in a way that is meaningful for them and their users.</p> <p>Respondents felt the requirement to report on the link between its outputs and its outcomes put too much focus on measuring and attributing outcomes and noted that this can be a costly and lengthy process.</p> <p>Respondents were confused as to when reporting on impacts was required and expressed concerns about the difficulties of measuring impacts, especially as these may not be quantifiable or may occur over a number of reporting periods. Respondents also expressed concerns about claiming responsibility for outcomes when, for example, a number of different</p>	<p>Kept the reporting entity and reporting period requirements but acknowledged that in some situations legislation or appropriation requirements may specify which activities an entity reports on.</p> <p>Removed the requirement to report on the link between outputs and outcomes.</p> <p>Removed reporting on impacts as a separate requirement.</p> <p>Removed the terms outputs, outcomes and impacts from the requirements in the standard.</p> <p>Adopted a higher-level, non-prescriptive approach in drafting requirements for service performance information to be reported.</p> <p>Allowed for the range of other requirements that entities might be subject to and variations in the use of terminology.</p> <p>Allowed more flexibility in how an entity reports its service performance information.</p>

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	<p>agencies may be involved in addressing a particular social service need.</p> <p>Respondents suggested that entities should be required to provide sufficient information to explain or illustrate their intervention logic/plan (sometimes referred to as a performance framework, outcomes framework or theory of change).</p> <p>A few respondents suggested that cost information be mandatory.</p>	<p>Established requirements for all entities to explain how what they have done in the current period links with the entity's broad objectives over the medium to long term. Allowed for much more detailed reporting by entities that use a performance framework (or similar).</p> <p>Continued to note the importance of cost information, but, for the reasons previously noted, did not mandate cost information.</p>
<b>Performance Indicators</b>		
<p>The 2016 ED provided a brief description of performance indicators and matters to be considered when selecting performance indicators for inclusion in service performance information.</p>	<p>Information on internal activities may provide important context for service performance information.</p>	<p>Acknowledged that information on internal activities may be relevant.</p> <p>Included the section on Performance Indicators in the Information to be Reported section. It now requires that, in reporting on what an entity has done during the reporting period, an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period.</p>
<b>Presentation</b>		
<p>The 2016 ED did not prescribe the format of service performance information. Entities should select the format that best meets the information needs of their users.</p> <p>The 2016 ED encouraged cross referencing between the service performance information and the financial statements so that users could assess the service performance information within the context of the financial statements.</p> <p>The 2016 ED permitted cross referencing to information outside the service performance section of an entity's general purpose financial report to</p>	<p>External parties, such as auditors, must be able to clearly identify the information that an entity has presented in order to meet the requirements of the standard. External parties must be able to distinguish between information that has been provided in accordance with the draft standard and management commentary.</p>	<p>Required that an entity clearly identify the service performance information presented in accordance with the standard.</p>

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enhance the understandability of the service performance information.		
<b>Comparative Information and Consistency of Reporting</b>		
<p>The 2016 ED required the reporting of comparatives (this year versus last year).</p> <p>The 2016 ED required the reporting of prospective versus actual comparisons in the circumstances required by PBE IPSAS 1 (that is, if an entity had previously published its prospective service performance information).</p> <p>The 2016 ED required entities to report service performance consistently and disclose changes in reporting.</p>	<p>Respondents commented on the difficulty of providing comparatives for narrative information.</p>	<p>Added an introductory paragraph to this section explaining the importance of comparative information.</p> <p>Clarified when comparisons with planned performance are required.</p> <p>Acknowledged that judgement is required in deciding when to provide comparative narrative and descriptive information.</p>
<b>Disclosure of Judgements</b>		
<p>This section was not in the 2016 ED.</p>	<p>Respondents felt an entity should explain the basis for chosen measures and should disclose critical judgements made by the entity in the selection of what to report.</p> <p>A respondent suggested that the standard should require evidence of stakeholder engagement.</p>	<p>Required disclosure of the critical judgements made in reporting service performance information. As a consequence of changes to be less prescriptive around the information to be reported and thereby provide more flexibility for entities to make judgements about how best to ‘tell their story’, this disclosure provides a necessary counterbalance so users can understand how those judgements were made.</p> <p>Included the influence of consultation with users on service performance information as a possible critical judgement.</p>
<b>Effective Date</b>		
<p>The 2016 ED proposed a two-year implementation period.</p>	<p>The majority of respondents supported the proposed two-year implementation period. Those arguing for longer based their comments on their experience in developing and reporting on new measures. The time</p>	<p>Allowed a three-year implementation period (1 January 2021) with early adoption permitted.</p>

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	needed for not-for-profit entities to develop systems, identify measures and collect and test data was a key concern. Some respondents felt that 3 years would be better or that there should be no requirement for comparatives in the first year.	
<b>Amendments to Other Standards</b>		
The 2016 ED proposed amendments to PBE IPSAS 1 <i>Presentation of Financial Statements</i> to clarify that a general purpose financial report includes financial statements and, where appropriate, service performance information. The title of PBE IPSAS 1 would be changed to <i>Presentation of Financial Reports</i> .	General support. A few respondents did not think that the proposed title for PBE IPSAS 1 reflected the “non-financial” nature of service performance information.	No change to proposals – the title of PBE IPSAS 1 will be changed to <i>Presentation of Financial Reports</i> as this is consistent with the PBE Conceptual Framework.
<b>Guidance</b>		
The invitation to comment which accompanied the 2016 ED asked respondents what type of guidance the NZASB should develop to support entities preparing service performance information in accordance with the proposed standard.	Respondents supported the development of guidance, particularly for smaller entities. Respondents highlighted the need for ongoing education and support.	We intend to develop guidance with a focus on Tier 2 NFPs that may not have previously reported on service performance