

PUBLIC BENEFIT ENTITY FINANCIAL REPORTING STANDARD 48 SERVICE PERFORMANCE REPORTING (PBE FRS 48)

Issued November 2017 and incorporates amendments to 31 August 2020

This Standard was issued on 9 November 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 7 December 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective dates in paragraphs 48–49.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to establish requirements for service performance reporting by Tier 1 and Tier 2 public benefit entities.

The 2020 Amendments to PBE FRS 48 deferred the effective date of PBE FRS 48 from 1 January 2021 until 1 January 2022. PBE FRS 48 remains available for early adoption.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

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Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* is set out in paragraphs 1–49 and Appendix A. All the paragraphs have equal authority. PBE FRS 48 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE FRS 48, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

Reasons for Issuing the Standard

- IN1 The New Zealand Accounting Standards Board (NZASB) has issued this Standard to establish requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public benefit entities. Public benefit entities have aims and objectives that relate to serving the community or society (or a section thereof). They seek to achieve these aims and objectives by using funds received from resource providers (for example, taxpayers, ratepayers, donors and grantors) to undertake activities for community or social benefit. Therefore, service performance information is an important part of their general purpose financial reports.
- IN2 Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
- IN3 This Standard establishes high-level requirements because:
- (a) Service performance reporting is an area of reporting that continues to evolve;
 - (b) Entities may be subject to a range of service performance reporting requirements, including legislative requirements and may use a variety of performance frameworks; and
 - (c) It provides flexibility for entities to determine how best to ‘tell their story’ in an appropriate and meaningful way.

Accountability and Decision Making

- IN4 The primary users of general purpose financial reports of public benefit entities are resource providers (for example, taxpayers, ratepayers, donors, grantors and lenders) and service recipients, and their representatives. Users of general purpose financial reports of public benefit entities rely on those reports for information that is useful for accountability and decision making. Financial statements provide some, but not all, of the information users require.
- IN5 Although the exact nature of users’ interests in an entity’s service performance information will be influenced by a number of factors (for example, the nature of an entity’s functions, the extent to which it can influence society or segments of society, and the nature of its agreements with funders and other entities) they generally have some common interests. They are generally interested in whether an entity has used funds for the purpose intended, what it has achieved with the resources available to it, and whether it could have done more with those resources. They may also be interested in forming judgements about what an entity could do with additional resources.

Main Features of the Standard

- IN6 This Standard establishes requirements for the selection and presentation of service performance information. It requires that an entity:
- (a) Present its service performance information and financial statements in the same general purpose financial report;
 - (b) Apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities’ Conceptual Framework* (PBE Conceptual Framework). It states that 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;
 - (c) Except as otherwise required by legislation, present service performance information for the same reporting entity and reporting period as the financial statements;
 - (d) Provide users with (i) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and (ii) information about what the entity has done during the reporting period in working towards its broader aims and objectives;
 - (e) Disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this standard that are relevant to an understanding of the entity’s service performance information;

- (f) Clearly identify the service performance information presented in accordance with the Standard; and
- (g) Provide comparative information.

IN7 These requirements draw upon the concepts in the PBE Conceptual Framework including the objective of general purpose financial reporting, the users of general purpose financial reports and their information needs, and the qualitative characteristics.

Objective

1. **The objective of this Standard is 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.**
2. Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.

Scope

3. **This Standard applies to:**
 - (a) **All Tier 1 and Tier 2 not-for-profit public benefit entities; and**
 - (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.**
4. This Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 *Interim Financial Reporting*, and PBE FRS 43 *Summary Financial Statements* establish requirements for service performance information presented in general purpose financial reports that include interim financial statements and summary financial statements respectively. This Standard does not apply to 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.
5. Nonetheless, application of the principles and requirements of this Standard to service performance information outside the scope of this Standard is encouraged to the extent applicable.

Principles

6. **An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.**
7. **In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities' Conceptual Framework* (PBE 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.**
8. The qualitative characteristics of information included in general purpose financial reports are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics identified in the PBE Conceptual Framework are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. 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.

9. When applying the qualitative characteristics to service performance information the following are important:
- (a) **Relevance:** Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality¹ 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, 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.
 - (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.
 - (c) **Understandability:** Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.
 - (d) **Timeliness:** Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
 - (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.
 - (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 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.
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.

Information to be Reported

Reporting Entity and Reporting Period

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.**
12. The reporting entity and reporting period concepts are relevant for both financial statements and service performance reporting. This Standard discusses some additional factors that need to be considered when applying these concepts to service performance information.
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 entire economic entity. If the reporting entity is a single

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.

entity, then service performance is reported in respect of that single entity. 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.

14. This Standard establishes requirements for reporting on an entity's service performance for a reporting period. However, public benefit entities often have long-term service performance objectives. Judgement is required 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 objectives. In reporting on its current period's service performance an entity is likely to need to provide information that relates to previous periods or future periods (such as trend data) to provide context.

Service Performance Information

15. **An entity's service performance information shall:**
- (a) **Provide 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, and how it goes about this; and**
 - (b) **Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.**
16. Paragraph 15 establishes requirements about the service performance information to be reported. Presentation of service performance information is discussed in paragraphs 29 to 35.
17. Paragraph 15(a) requires contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information should be 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 performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw 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.
18. In providing the contextual information required by paragraph 15(a), an entity shall explain the main ways in which it carries out its service performance activities. For example:
- (a) Delivering goods and services directly to individuals, entities or groups (including members);
 - (b) Working together with other entities that share common objectives;
 - (c) Contracting with other entities to deliver goods and services on their behalf; or
 - (d) Making grants to other individuals or entities.
19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.
- (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 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 will need to consider the nature of its accountability to funders and service recipients.

- (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 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 performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph 38A).
- (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 needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with 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 needs to exercise judgement 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 department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.
- (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).

Performance Measures and/or Descriptions

- 20. **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. The performance measures and/or descriptions used by an entity to communicate its service performance may be:**
 - (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) **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**
 - (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?**
- 21. An entity shall exercise 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:
 - (a) Enough information to provide users with an overall picture of its service performance for the period; and
 - (b) Not so much information that it could obscure the overall picture.

22. In selecting the performance measures and/or descriptions to be reported an entity shall consider the qualitative characteristics and the pervasive constraints on information in general purpose financial reports. Judgement is needed 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 accountability or decision-making purposes. The qualitative characteristics may also influence the data collection and compilation methods used by an entity.
23. In general, performance measures and/or descriptions shall 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 information provides important context for its service performance.
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.
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.
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 provider subgroups, international comparisons and comparisons against a target or standard).
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:
- (a) The quantity of the goods and services;
 - (b) The quality of the goods and services;
 - (c) The timeframe over which the goods and services were produced;
 - (d) The physical location where the goods and services were delivered; and
 - (e) The cost of the goods and services (see paragraph 28).
28. In reporting on the cost of goods and services there are some important considerations. Financial statements and service performance information are both important components of a public benefit entity's general purpose financial report. The service performance information needs to be 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 reporting on the cost of goods and services shall provide 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 (PBE IPSAS 23 *Revenue from Non-Exchange Transactions* establishes requirements for the recognition of 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.

Presentation

29. **An entity shall clearly identify the service performance information presented in accordance with this Standard.**
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?

31. This Standard does not prescribe 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.
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.
33. In presenting service performance information in accordance with this Standard an entity may incorporate, by cross-reference, information outside the general purpose financial report. The use of cross-referencing is permitted subject to the following requirements.
 - (a) It is still possible to identify the complete set of service performance information presented in accordance with this Standard.
 - (b) Locating the information elsewhere enhances the understandability of the general purpose financial report as a whole and the service performance information remains understandable and fairly presented.
 - (c) The cross-referenced information is available to users of the service performance information on the same terms as the general purpose financial report and at the same time.
34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:
 - (a) Links related information together so that the relationships between items of information are clear; and/or
 - (b) Reduces duplication of information.
35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:
 - (a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 *Presentation of Financial Reports*, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this Standard;
 - (b) Depict cross-referenced information as being information prepared in accordance with this Standard (and audited if applicable);
 - (c) Make the cross-referencing direct and precise as to what it relates to; and
 - (d) Ensure cross-referenced information remains unchanged and available over time at the cross-referenced location.

Comparative Information and Consistency of Reporting

36. 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. Consistency of reporting aids comparability and this Standard establishes requirements for consistent reporting. However, an entity’s service performance activities and performance measures and/or descriptions may change over time. This Standard requires that an entity provide information about those changes.
37. **An entity shall report comparative information in respect of the preceding period. An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period.**
38. Comparative information shall be included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s service performance information. Judgement is required in deciding when to provide comparative narrative and descriptive information.
- 38A. An entity may also be required by legislation, or may elect, to report comparisons of previously published prospective service performance information and current period service performance information (also referred to as budget versus actual). In such cases an entity shall report 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 given.

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 revisions to plans during the period may help explain variances between original plans and actual results.
40. **An entity shall report service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explain the nature of those changes and their effect on the current period's service performance information.**
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:
 - (a) The nature of the entity's activities from the prior period or from what was planned;
 - (b) The descriptions of goods and services or the way in which they are aggregated;
 - (c) The performance measures and/or descriptions used; and
 - (d) The costing policies.
42. Changes to comparative information are permitted, but not required. If an entity chooses to restate comparatives it discloses the effect of the changes on that comparative information.
43. **An entity shall correct material prior period errors, in the first service performance information authorised for issue after the 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 disclosed.**

Disclosure of Judgements

44. **An entity shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information.**
45. In applying the principles in this Standard an entity will need to make 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 those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information and consider their relevance to a user's understanding of the entity's service performance information.
46. In deciding what judgements to disclose in accordance with paragraph 44, an entity considers:
 - (a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not.
 - (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.
 - (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.

- (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.
 - (e) The extent to which consultation with users influenced the reporting of service performance information.
 - (f) The judgements made in deciding when to provide comparative narrative and descriptive information.
 - (g) The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions.
47. An entity may cross-reference to other documents such as statements of intent or performance frameworks in disclosing information about judgements.

Effective Date

48. **A public benefit entity shall apply this Standard for annual financial reports covering periods beginning on or after 1 January 2022. Earlier application is permitted.**
49. *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.

Appendix A

Amendments to Other Standards

The amendments contained in this appendix when this Standard was issued in 2017 have been incorporated into the text of the relevant pronouncements.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE FRS 48 Service Performance Reporting.

Introduction

- BC1. This Basis for Conclusions summarises the NZASB’s considerations in developing PBE FRS 48 *Service Performance Reporting*. Individual Board members gave greater weight to some factors than to others.
- BC2. The NZASB issued ED NZASB 2016-6 *Service Performance Reporting* in February 2016 (the 2016 ED). The NZASB received 18 comment letters and obtained additional feedback through outreach on the 2016 ED. Respondents were supportive of the project but highlighted that further work was required to develop a standard that could be applied by a range of public benefit entities (PBEs).
- BC3. The NZASB revised the proposals to develop a standard that could be more readily applied by entities using a range of performance frameworks. The NZASB sought feedback on aspects of the revised proposals in May 2017. It did this by notifying the respondents to the 2016 ED of the revised proposals, making contact with key constituent groups and making a limited scope review draft of the proposed standard available on its website for a period of two months.
- BC4. The NZASB issued PBE FRS 48 in November 2017.

Reasons for Issuing this Standard

- BC5. The NZASB issued this Standard to establish requirements for the reporting of service performance information in order to address a gap in the PBE Standards and to better meet the information needs of users of general purpose financial reports.
- BC6. When the NZASB first issued PBE Standards in 2013 it included non-integral guidance on service performance reporting in PBE IPSAS 1 *Presentation of Financial Statements*.² This non-integral guidance was based on Technical Practice Aid 9 *Service Performance Reporting* (as issued by the New Zealand Institute of Chartered Accountants in 2007) and was originally developed for application by public sector entities only. The material from TPA-9 was updated to take account of more recent developments in service performance reporting and modified to be appropriate for application by both public sector and not-for-profit (NFP) PBEs. The NZASB regarded the guidance in PBE IPSAS 1 as an interim step, pending the development of a financial reporting standard on service performance information, and subsequently added a project on service performance reporting to its agenda. This Standard is the result of that project.
- BC7. The NZASB considered the information needs of users of general purpose financial reports, as discussed in the *Public Benefits Entities’ Conceptual Framework* (PBE Conceptual Framework). The NZASB noted that financial statements provide some, but not all, of the information that users of general purpose financial reports of PBEs require for accountability and decision making. The provision of service performance information, together with financial statements, provides users with a more complete set of information. The NZASB noted that it had already established service performance reporting requirements in the Tier 3 and Tier 4 PBE Accounting Requirements.
- BC8. The recent projects of other standard-setters were considered in developing this Standard. The International Public Sector Accounting Standards Board’s (IPSASB’s) Recommended Practice Guideline 3 *Reporting of Service Performance Information* (RPG 3) was issued in 2015. The NZASB considered the extent to which the guidance in RPG 3 was appropriate for PBEs in New Zealand. The Australian Accounting Standards Board (AASB) issued ED 270 *Reporting Service Performance Information* in August 2015. Although jurisdictional differences meant that the projects of the NZASB and AASB were conducted as separate projects, the Boards had similar objectives and monitored each other’s projects.
- BC9. The remainder of this Basis for Conclusions is organised using the section headings in the Standard.

Scope

- BC10. In general, the requirements in a particular PBE Standard apply to public benefit entities in both the public sector and NFP sector. However, sometimes it is necessary to differentiate between the two sectors. In the

² Subsequently renamed *Presentation of Financial Reports*.

case of service performance information, the NZASB needed to consider existing legislative requirements that apply in the public sector.

- BC11. Although legislative requirements have evolved over time, many public sector PBEs such as government departments, crown entities and local governments, have been subject to performance reporting requirements for a number of years. Legislation has often required both ex ante and ex post service performance information. The NZASB was of the view that entities with existing legislative requirements to report service performance information would already have much of the information required by PBE FRS 48. In order to minimise the imposition of additional compliance costs on such entities for potentially little additional benefit, the NZASB had regard to current legislative requirements when it developed this Standard.
- BC12. The NZASB considered the implications of requiring all public sector PBEs, including those without legislative requirements to report service performance information, to comply with the Standard. The NZASB noted the following.
- (a) From a legislative perspective, there has already been an assessment for some of these entities that the costs of requiring service performance information would be greater than the benefits, that such reporting would be inappropriate, or an acknowledgement that related information is made available in other ways.
 - (b) Some entities (for example, schools) that do not have a legislative requirement to report service performance information nonetheless have a legislative requirement to report non-financial information that is complementary to the financial statements. In these circumstances imposing a different set of requirements would impose additional costs, but would not necessarily provide additional benefits commensurate with those costs.
- BC13. The concerns about conflicts with legislation were limited to the public sector. The NZASB noted that some NFP PBEs already provided service performance information in their general purpose financial reports. The NZASB was of the view that the general purpose financial report of an NFP entity should tell a story about what an NFP entity does, the resources used in doing it, and how well positioned the entity is to continue doing it. Service performance reporting is an essential component of that story. The NZASB acknowledged that complying with PBE FRS 48 could lead to increased costs for NFP entities as its requirements were unlikely to align perfectly with their current reporting. The NZASB opted for a high-level principles-based approach to provide sufficient flexibility for entities to ‘tell their story’ in a way that is meaningful for them and their users, to avoid some of the difficulties that could arise with a more prescriptive approach and to avoid imposing unnecessary costs. On balance, the NZASB considered that the benefits of improved and more comparable service performance reporting across the NFP sector would outweigh the costs of reporting in accordance with the Standard.
- BC14. The NZASB noted that PBE FRS 48 would not replace the detailed one-on-one reporting that occurs between entities and funders. Rather, it would provide an opportunity for funders to consider the extent to which the information required by the Standard could meet their needs.
- BC15. Taking all of these matters into consideration, the 2016 ED proposed that:
- (a) public sector PBEs with existing legislative requirements to report service performance information comply with the proposed standard;
 - (b) public sector PBEs without existing legislative requirements to report service performance information be encouraged, but not required, to comply with the proposed standard; and
 - (c) NFP PBEs comply with the proposed standard.
- BC16. The NZASB sought feedback on the costs and benefits of these scope proposals. Although some respondents considered that the requirements for all Tier 1 and Tier 2 PBEs should be the same, the majority of respondents supported the proposals.
- BC17. Based on feedback from respondents the NZASB refined the scope requirements for public sector PBEs to more closely link the scope with legislative requirements. For example, only some legislation requires service performance information in accordance with GAAP and legislation may require service performance information on only some of an entity’s activities. The NZASB also agreed that, in order to acknowledge the range of legislative requirements, the scope should refer to “information in respect of service performance” rather than “a statement of service performance (by whatever name called)”.

BC18. PBE FRS 48 establishes requirements for the reporting of service performance information in a general purpose financial report. It does not apply to service performance information prepared for groups of entities that are not a reporting entity for financial reporting purposes or for parts of an entity. Nor does it apply to service performance information presented in another context, such as a standalone report. The NZASB considered that establishing requirements for such varied forms of reporting would not only be difficult, but would be outside its mandate. The NZASB also acknowledged that PBEs may include other types of non-financial information such as environmental information and sustainability information in an annual report, but considered that such reporting was broader than service performance reporting.

Principles

BC19. PBE FRS 48 is based on the objectives of financial reporting and the qualitative characteristics of financial reporting in the PBE Conceptual Framework.

BC20. The 2016 ED proposed that service performance information satisfy, to the extent possible, the qualitative characteristics and appropriately balance the pervasive constraints on information in general purpose financial reports. The 2016 ED explained that this should result in service performance information that is appropriate and meaningful. The NZASB introduced the term ‘appropriate and meaningful’ because it wanted to establish a general term that entities could apply when making judgements about the application of the qualitative characteristics and constraints. The NZASB considered that a general term such as this could facilitate discussions between preparers, and between preparers and auditors regarding the appropriate selection of information and the overall volume of information presented. The NZASB received positive feedback about the use of this term and retained it in the Standard.

BC21. In response to feedback received on the proposals in the 2016 ED the NZASB:

- (a) clarified that the term appropriate and meaningful should be considered from the user’s point of view;
- (b) included a discussion, from the PBE Conceptual Framework, on the trade-off needed between the qualitative characteristics; and
- (c) emphasised the role of neutrality in faithful representation.

BC22. In response to feedback received on the limited scope review draft about the importance of some aspects of the qualitative characteristics and pervasive constraints, 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 discussions between preparers, and between preparers and auditors about the application of the qualitative characteristics and pervasive constraints to an entity’s service performance reporting.

Information to be Reported

BC23. The NZASB’s aim was to develop a standard that could be applied by a wide range of PBEs in reporting on their service performance. The 2016 ED aimed to establish best practice requirements, while acknowledging the difficulties that some entities might face in meeting the proposed requirements.

BC24. The requirements in the 2016 ED were based on the following three dimensions of service performance.

- (a) What did the entity do?
- (b) Why did the entity do it?
- (c) What impact did the entity have?

BC25. These dimensions were described using the terms outputs, outcomes and impacts. The 2016 ED defined outcomes as the impacts on society or segments of society as a result of the entity’s outputs and operations. The 2016 ED proposed that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity had on those outcomes. It acknowledged a number of factors that could make it difficult for some entities to report on impacts and suggested that reporting on what it referred to as intermediate outcomes could partly address these difficulties.

BC26. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. Comments from respondents centred around the following issues.

- (a) Entities may be subject to a range of other service performance reporting requirements, including legislative requirements. Entities should be able to comply with both the proposed standard and those other requirements without restating or duplicating information.
- (b) Legislative requirements continue to evolve. For example, the terms outputs and outcomes had recently been removed from some legislation.
- (c) Differing views about whether the term impacts should be used to describe what an entity is seeking to influence or ultimate outcomes. NFP entities and public sector entities indicated that they used the term impact in differing ways.
- (d) The difficulty of attributing changes to an entity's actions, particularly when a number of entities have been working together.
- (e) A lack of clarity about when an entity was required to report on impacts.

BC27. A number of respondents suggested changes to the proposals based on the performance frameworks which they were familiar with. These suggestions highlighted that there are a number of performance frameworks being used by PBEs. Common suggestions were to generalise language, use fewer defined terms and develop higher-level requirements.

BC28. The NZASB noted this feedback and agreed that in order to achieve its objective of developing a standard that could be applied by a wide range of entities it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms. The NZASB focused on identifying requirements that would provide useful information but which could be applied by any Tier 1 or Tier 2 PBE. This led the NZASB to require that an entity provide users with:

- (a) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- (b) information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a).

BC29. On the whole, respondents to the limited scope review draft acknowledged why the NZASB had decided to develop a more principles-based standard and expressed their support for the approach taken.

BC30. The Standard requires that, 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. 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.

Presentation

BC31. PBE FRS 48 provides examples of presentation formats but does not prescribe the format of service performance information. After considering respondents' feedback on the 2016 ED the NZASB:

- (a) added a requirement that an entity clearly identify the service performance information presented in accordance with the Standard. This was in response to feedback that 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 a standard; and
- (b) noted that an entity may find it helpful to present the information required by the Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform? In the 2016 ED these questions were used to organise the information required in relation to the three dimensions of service performance. Although PBE FRS 48 no longer refers to three dimensions of performance, the NZASB considered that such questions could still be a useful way of organising information.

Comparative Information and Consistency of Reporting

- BC32. The ED required prior period comparative information for all amounts reported in the service performance information and for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. The ED, together with the proposed consequential amendments to other standards also required comparisons against prospective service performance information in some circumstances.
- BC33. These proposals reflected the NZASB's view that although the most meaningful comparison of an entity's service performance is whether it achieved what it set out to achieve (being actual versus prospective comparisons), it was not appropriate to require all PBEs to provide such comparisons. Public sector PBEs are often required to publicly report on planned activities and objectives but NFP PBEs are not. The proposals in the ED reflected this difference.
- BC34. Respondents commented on the difficulty of providing comparatives for narrative information. PBE FRS 48 acknowledges that judgement is required in deciding when to provide comparative narrative and descriptive information and requires that an entity considers whether such judgements should be disclosed.

Disclosure of Judgements

- BC35. PBE FRS 48 requires that an entity disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information made in reporting service performance information in accordance with this Standard that are relevant to an understanding of the entity's service performance information. This requirement was not in the 2016 ED, which proposed a more prescriptive approach to the information to be reported. After considering responses on the 2016 ED the NZASB agreed that the Standard should be more principles-based and, that entities should have a high level of discretion in selecting service performance information to be reported. 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', the disclosure requirements provide a necessary counterbalance, so users can understand how those judgements were made.
- BC36. The Standard sets out factors to be considered in deciding if an entity is required to disclose judgements in accordance with the Standard. The NZASB considered that this approach was more appropriate than mandating the disclosure of judgements by all entities.
- BC37. Respondents to the limited scope review draft were very supportive of the proposed requirements to disclose judgements and noted the importance of such disclosures in the context of the revised proposals. Following consideration of respondents' comments on the limited scope review draft, the NZASB further refined these requirements. The issues raised by respondents and the NZASB's response are as follows.
- (a) In response to a concern that the use of the term 'critical judgements' in the limited scope review draft might be interpreted too narrowly the NZASB agreed not to use that term. The NZASB agreed to require disclosure of the 'judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported' and noted that this wording would better align with existing disclosure requirements in PBE IPSAS 1.
 - (b) In response to a comment that an entity may also need to consider methodological issues associated with performance measures the NZASB agreed to include an additional factor to consider in deciding which judgements to disclose.

Effective Date

- BC38. 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.

BC39. The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted.³

Reduced Disclosure Regime Concessions

BC40. There are no reduced disclosure regime concessions in PBE FRS 48. Because the Standard establishes high-level requirements the NZASB did not consider that it was appropriate to provide any reduced disclosure regime concessions.

Amendments to PBE IPSAS 1

BC41. 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 *Presentation of Financial Statements* to *Presentation of Financial Reports* 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.

BC42. 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.

Amendments to PBE FRS 42

BC43. In the 2016 ED, and the limited scope review draft, the NZASB proposed to amend PBE FRS 42 *Prospective Financial Statements* to require application of its requirements, to both prospective financial statements and, to the extent appropriate, to prospective service performance information. Feedback on the limited scope review draft, together with the likelihood of future consultations on the scope of PBE FRS 42, prompted the Board to reconsider these proposals.

BC44. The Board's proposals to amend PBE FRS 42 had focussed on the extension of the requirements in PBE FRS 42 to general purpose prospective service performance information. Following consideration of concerns raised by a respondent about the implications of extending these requirements to prospective service performance information, the NZASB agreed that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered.

BC45. The NZASB noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

2020 Amendments

BC46. 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 required only when an entity presents comparisons of actual versus prospective information.

BC47. The NZASB finalised the amendments in August 2020.

³ 2020 Amendments to PBE FRS 48, issued in August 2020, subsequently deferred the effective date by one year. See paragraphs BC46 and BC47.

History of Amendments

PBE FRS 48 *Service Performance Reporting* was issued in November 2017.

This table lists the pronouncements establishing and substantially amending PBE FRS 48. The table is based on amendments issued as at 31 August 2020.

Pronouncements	Date issued	Early operative date	Effective date (annual financial statements ... on or after ...)
PBE FRS 48 <i>Service Performance Reporting</i>	Nov 2017	Early application is permitted	1 Jan 2022 ⁴
<i>2018 Omnibus Amendments to PBE Standards</i>	Nov 2018	Early application is permitted	— ⁵
<i>2020 Amendments to PBE FRS 48</i>	Aug 2020	Early application is permitted	1 Jan 2021

Table of Amended Paragraphs in PBE FRS 48		
Paragraph affected	How affected	By ... [date]
Paragraph 19	Amended	<i>2020 Amendments to PBE FRS 48</i> [Aug 20]
Paragraph 37	Amended	<i>2020 Amendments to PBE FRS 48</i> [Aug 20]
Paragraph 38A	Added	<i>2020 Amendments to PBE FRS 48</i> [Aug 20]
Paragraph 48	Amended	<i>2020 Amendments to PBE FRS 48</i> [Aug 20]
Paragraph 49	Added	<i>2020 Amendments to PBE FRS 48</i> [Aug 20]

⁴ *2020 Amendments to PBE FRS 48* deferred the effective date of PBE FRS 48 from 1 January 2021 to 1 January 2022.

⁵ These amendments were editorial. They did not have an effective date.