

# Tier 3 and Tier 4 Public Sector Reporting Requirements

Proposed Improvements to the Tier 3 and Tier 4  
(Public Sector) Standards

Consultation document



May 2022

Consultation closes 30 September 2022



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# Introduction

Tēnā koutou katoa

The public sector plays a vital role in supporting the well-being of people and communities throughout Aotearoa New Zealand.

In the current climate individual public sector entities are faced with increasing external pressure to demonstrate accountability and transparency over the use of public funding (whether that be from central government, local government, or private sector grants). They are also increasingly being asked to demonstrate how they have delivered against their service delivery objectives.

Stakeholders, including the general public, are taking a greater interest in the administration and activities of smaller public sector entities. These stakeholders are seeking more information in order to make informed decisions about where to allocate resources across the sector to those most in need.

The annual reporting process is part of the strategy used by many Tier 3 and Tier 4 public sector entities to communicate with stakeholders and help foster public trust and build community support. As such, effective reporting can help build an organisation's reputation, make a case for continued support, and is a key means of securing future funding.

Of equal importance is that the annual reporting requirements set by the External Reporting Board through accounting standards do not place an undue administrative burden on the sector.

Reducing the administrative burden releases time and resources, which can otherwise be put towards an improved social return on investment for New Zealand communities.

Achieving a balance between cost and benefit of annual reporting is therefore an enduring focus for us at the XRB.

In 2020, we reviewed the reporting requirements for Tier 1 and Tier 4 entities in the public and NFP sectors. We undertook extensive engagement and consultation across both sectors to assess where improvements could be made, not just in terms of simplification and ease of reporting, but also in terms of the usefulness of the information provided. While the feedback was positive overall, it also highlighted areas where improvements are needed.

Outlined in this consultation document are proposed improvements to the Tier 3 and Tier 4 public sector reporting requirements that we have developed in response to the feedback we received.

We are keen to hear your views on the proposed changes and look forward to receiving your feedback.

Ngā mihi nui

**Michele Embling**  
**Chair**  
**External Reporting Board**

**Carolyn Cordery**  
**Chair**  
**Accounting Standards Board**



# How to provide feedback?

## Responding to consultation questions

We are seeking comments on the questions raised in this consultation document. We will consider all comments received before finalising the proposed amendments to the Tier 3 and Tier 4 (PS) Standards.

Please feel free to comment on any or all of the questions or any part of the proposed Tier 3 and Tier 4 (PS) Standards.

We appreciate both formal and informal comments, whether supportive or critical, as both supportive and critical comments are essential for us to reach a balanced view.

### Making a submission

You can provide feedback to us via:

- the [online form](#) on our website (this allows you to respond to individual questions); or
- emailing your formal or informal comments to [accounting@xrb.govt.nz](mailto:accounting@xrb.govt.nz).

The consultation closes on **30 September 2022**.

We will put all written submissions on our website unless advised otherwise, and we reserve the right not to publish defamatory submissions.

### Project history





# Part One

## Proposed amendments to the Tier 3 (PS) Standard



# 1.

## What is this consultation about?

### The Tier 3 (PS) Standard

The Tier 3 (PS) Standard sets out the reporting requirements for Tier 3 public sector entities when preparing their annual Performance Reports as required by legislation and other applicable regulations.

The Standard is typically used by public sector entities with total expenses under \$2 million but more than \$140,000.

The Tier 3 (PS) Standard is accrual-based, which means that a public sector entity is required to provide information about its financial performance and position, together with non-financial information about what the entity has achieved during the financial year.

### Objective of Tier 3 (PS) Standard

The Tier 3 Performance Report aims to provide readers with useful and relevant information about an entity's performance for the previous year, including how it has advanced its service delivery objectives.

Annual reporting by public sector entities promotes transparency, accountability, and trust across the public sector, which plays a key role in maintaining public support for the invaluable contribution these smaller public sector entities make to New Zealand communities.

Equally, we recognise the need to keep the Tier 3 (PS) Standard simple to apply, to ensure an appropriate balance is maintained between the benefits and costs of annual reporting.

### Why amend the Tier 3 (PS) Standard?

Achieving an appropriate balance between the costs and benefits of preparing a Tier 3 Performance Report is an ongoing focus for the XRB.

In 2020 we consulted with the sector to assess where improvements could be made, not just in terms of simplification and ease of reporting, but also in terms of the usefulness of the information produced.

The feedback we received highlighted that overall, the Tier 3 (PS) Standard is working well and is achieving its desired objectives. However, there were some key areas identified where improvements could be made.

In response, we are proposing amendments to by adding additional guidance and options for certain transactions, which is the focus of this consultation.

### Proposed amendments

The proposed amendments to improve the Tier 3 (PS) Standard as discussed in this consultation document include the following key areas.

- Amending the service performance (non-financial) reporting requirements.
- Introducing simple revaluation requirements for certain types of assets.
- A new revenue recognition approach for donations, grants, bequests, and pledges.
- Refining and clarifying the required categories for presenting revenue and expenses.
- Amending the requirements relating to accumulated funds.
- Other amendments concerning entity information and opting up.

The proposed amendments are reflected in the accompanying:

[Exposure Draft \(ED\) of the Tier 3 \(PS\) Standard.](#)



# 2.

## Consultation questions

### Service performance reporting (Section 3.1)

1. Do you agree with the proposed amendments relating to service performance reporting?

### Asset valuation (Section 3.2)

2. Do you agree with the proposal to include requirements for the revaluation of property, plant and equipment within the Tier 3 (PS) Standard, rather than require an entity to opt-up to Tier 2?
3. Do you agree with the proposal to require revaluation movements on property, plant and equipment to be recognised directly in accumulated funds through a revaluation reserve?
4. Do you agree with the proposal that investment property should be accounted for in the same manner as property, plant and equipment?
5. Do you agree with the proposal to allow publicly traded financial investments to be measured at market value?
6. Do you agree with the proposal to require changes in the market value of investments to be recognised as revenue or expenses in the statement of financial performance?

### Required categories for presenting revenue and expenses (Section 3.3)

7. Do you agree with the proposals to amend the required revenue and expense categories?

### Revenue recognition (Section 3.4)

8. Do you agree with the proposals to amend the revenue recognition requirements for grant, donation and bequest funding?

### Accumulated funds (Section 3.5)

9. Do you agree with the proposals to require an entity to provide enhanced note disclosure that explains the purpose for which accumulated funds are held?
10. Do you agree with the proposals to remove the requirements related to restricted reserves?

### Opting up (Section 3.6)

11. Do you agree with the proposed accounting for items of other comprehensive revenue and expense?
12. Do you have any comments on the new Appendix C?

### Other proposed amendments (Section 3.7)

13. Do you agree with the proposed amendments to Section 3 Entity Information?
14. Do you agree with the proposed amendments to the statement of cash flows?
15. Do you agree with the proposed amendments to the definition of cash?

### Effective date

16. Do you agree with the proposed effective date of 1 April 2024, with early adoption permitted?

### Other

17. Do you have any other comments on the proposals to amend the reporting requirements for Tier 3 public sector entities?



# 3.

## Proposed amendments

### 3.1 Service performance reporting

Service performance reporting provides an entity with the opportunity to tell its story about why it exists and what it has done in the year to advance its service delivery objectives.

Service performance reporting requirements only apply to Tier 3 public sector entities that are required by legislation to provide a statement of service performance in accordance with generally accepted accounting practice (GAAP).

#### Feedback received

Some preparers are finding the Tier 3 requirements concerning the reporting service performance information (non-financial information about an entity’s activities) difficult to apply and understand.

In particular, the requirement to report on “outputs” and “outcomes” in the Tier 3 (PS) Standard is causing confusion, as the terms are not well understood by all preparers.

#### Proposed improvements in response

We are proposing to remove the language around “outcomes” and “outputs”, but retain the requirement for a Tier 3 public sector entity to report on what it is seeking to achieve over the medium to long term (i.e. its ‘objectives’) and the significant activities undertaken during the reporting period to advance these objectives.

The proposed amendments put the service performance reporting requirements in the Tier 3 (PS) Standard more in line with those in the Tier 2 PBE Standards (i.e. the recently issued PBE FRS 48 *Service Performance Reporting*).

#### Tier 3 — Statement of Service Performance

Describes what the entity is aiming to achieve over the medium to long term

Describes the significant activities the entity has undertaken during the financial year to advance its objectives

Quantifies to the extent practicable the significant activities undertaken during the financial year

The proposed amendments are reflected in paragraphs A41 – A48 in the [Tier 3 \(PS\) Standard ED](#).

#### Question

Q1. Do you agree with the proposed amendments relating to service performance information?





# Proposed amendments

## 3.2 Asset valuation

If a Tier 3 public sector entity wants to measure any of its assets on a basis other than cost (such as at a revalued amount), they are currently required to opt up to Tier 2 PBE Standards.

### Feedback received

The Tier 3 (PS) Standard should include simple requirements for measuring some types of assets on an alternative basis to cost, rather than requiring an entity to opt-up to Tier 2.

Three main types of assets were highlighted for which preparers would like the option to measure the assets at revalued amounts – property, plant and equipment; investment property; and financial investments.

### Proposed improvements in response

#### Property, plant and equipment

We are proposing the following amendments to the accounting for property, plant and equipment.

- Include requirements for revaluing property, plant and equipment at its current value, based on an independent valuation (or for land and buildings at rateable values) within the standard, rather than require an entity to opt-up.
- Require revaluation gains to be recognised directly in accumulated funds through a revaluation reserve, unless they reverse an impairment charge recognised in a prior financial year.
- Require revaluation losses to be recognised as an expense unless these losses offset any previous revaluation gains, in which case they would be recognised directly in accumulated funds.

#### Investment property

There are currently no specific requirements in the Tier 3 (PS) Standard for accounting for investment property. Feedback suggests that it would be useful for the Tier 3 (PS) Standard to contain specific requirements for these types of assets.

We are therefore proposing to:

- introduce a definition of investment property that is similar to the definition in Tier 2 PBE Standards; and
- require entities to account for investment property in the same manner as for property, plant and equipment.

#### Financial investments

Some respondents have said that they would like the ability to measure financial investments at their current value (i.e. market value), specifically shares, bonds, units in managed funds, and other similar investments which are publicly traded.

We are therefore proposing to:

- introduce an option to measure a class of investments at market value, provided they are publicly traded;
- require changes in market value to be recognised in revenue or expense in the statement of financial performance; and
- require additional note disclosures when a market value measurement is used.



# Proposed amendments

## 3.2 Asset valuation

The proposed amendments are reflected in the following paragraphs in the [Tier 3 \(PS\) Standard ED](#):

- Property, plant and equipment – A115 – A118.4
- Investments property – A118.5 – A118.6
- Investments – A118.7 – A118.9

### Questions

- Q2. Do you agree with the proposal to include requirements for the revaluation of property, plant and equipment within the Tier 3 (PS) Standard, rather than require an entity to opt-up to Tier 2?
- Q3. Do you agree with the proposal to require revaluation movements on property, plant and equipment to be recognised directly in accumulated funds through a revaluation reserve?
- Q4. Do you agree with the proposal that investment property should be accounted for in the same manner as property, plant and equipment?
- Q5. Do you agree with the proposal to allow publicly traded financial investments to be measured at market value?
- Q6. Do you agree with the proposal to require changes in the market value of investments to be recognised as revenue or expenses in the statement of financial performance?



# Proposed amendments

## 3.3 Categories for presenting revenue and expenses

Tier 3 public sector entities are currently required to report the revenue and expenses for the financial year by preparing a *Statement of Financial Performance*.

To promote a consistent level of reporting that is comparable and understandable by external users, the Standard requires revenue and expenses to be presented using required categories.

### Feedback received

- There was general support for maintaining the required categories within the Tier 3 (PS) Standard.
- However, concerns were raised about application and interpretation challenges when using the current categories.
- Required categories could be improved by introducing additional categories and simplifying the existing categories.

### Proposed improvements in response

We have refined the existing categories and added new categories.

The increase in the number of the categories is expected to assist preparers when allocating different types of transactions.

The Tier 3 (PS) Standard only requires a category to be used when it is applicable and relevant to the reporting entity.

### New categories

#### Sale of goods or services (commercial activities)

We are proposing new categories for cash received and cash paid from the “sale of goods or services (commercial activities)”.

This category includes transactions arising from trading activities, where goods or services are sold on commercial terms for the primary purpose of generating a profit. The profits earned are then used to fund the entity’s service delivery objectives.

#### Service delivery grants/contracts

We are also proposing to introduce a new category, for funding received from “service delivery grants/contracts” for grants that are, in substance, a contract for the delivery of specified goods or services.

For example, a grant received for the delivery of a specified number of counselling service hours.

While the Tier 3 (PS) Standard already allow these to be optionally separated we are proposing that this should instead be a requirement

This will allow for funding from service delivery grants to be reported separately from general grants – which has also been added as a new category “grant received”.

Refer to the **tables** on the next page for the proposed categories for operating activities in the Tier 3 (PS) ED.



# Proposed amendments

## 3.3 Categories for presenting revenue and expenses

**Table 1 – Required revenue categories**

Current categories	Proposed categories
Donations, fundraising, and other similar revenue	Donations, koha, bequests, and other fundraising activities
	Capital grants
	Other grants from non-government organisations (Excluding service delivery grants/contracts)
Funding from central or local government	General funding received from central or local government
	Revenue from service delivery grants/contracts (central or local government)
	Revenue from service delivery grants/contracts (non-government)
	Sale of goods or services (commercial activities)
Interest, dividends, and other investment revenue	Interest or dividends, and other investment revenue
	Other revenue

**Table 2 – Required expense categories**

Current categories	Proposed new categories
Expenses related to public fundraising	Expenses related to public fundraising
Volunteer and employee related costs	Employee remuneration
	Volunteer and other employee expenses
Costs related to providing goods and services	Expenses related to the sale of goods or services (commercial activities)
	Other expenses related to the delivery of entity objectives
Grants and donations made	Grants and donations made
	Other expenses

### Question

Q7. Do you agree with the proposals to amend the required revenue and expense categories?



# Proposed amendments

## 3.4 New revenue recognition approach

The Tier 3 (PS) Standard currently requires that donations and grants received with “use or return” conditions are recognised as revenue as the conditions over use are satisfied. A “use or return” condition is one where the entity is required to either use the donation or grant as specified by the resource provider or return the donation or grant.

Donations and grants received without “use or return” conditions are recognised as revenue immediately when received. These revenue recognition principles are generally consistent with Tier 1 and Tier 2 PBE Standards.

### Feedback received

Concerns were raised about the restrictive nature of the “use or return” revenue recognition approach. In particular respondents noted:

- in many circumstances, the approach does not allow an entity to recognise donation and grant revenue over time as the funding is spent on related expenditure.
- the “use or return” condition does not provide for appropriate accounting outcomes in practice and limits an entity’s ability to explain how funding received from the public is spent on advancing the entity’s service delivery objectives.

Respondents expressed a desire to recognise revenue and the corresponding expenditure in the same reporting period (i.e. respondents wanted increased flexibility to defer revenue recognition in certain circumstances when funding was received in advance of the expenditure being incurred).

### Proposed improvements in response

We are proposing to introduce a new revenue recognition approach for significant grants, donations and bequests.

When significant grant, donation or bequest funding is received with a documented expectation(s) from the resource provider over its use, revenue is recognised as (or when) the reporting entity satisfies the associated expectation(s).

The proposed amendments are discussed further in the next pages and are reflected in the following sections in the [Tier 3 \(PS\) Standard ED](#):

- Table 1 (under paragraph A64)
- Paragraphs A64.1 – A69
- Table 4 (under paragraph A134)
- Paragraphs A190 – A190.1



# Proposed amendments

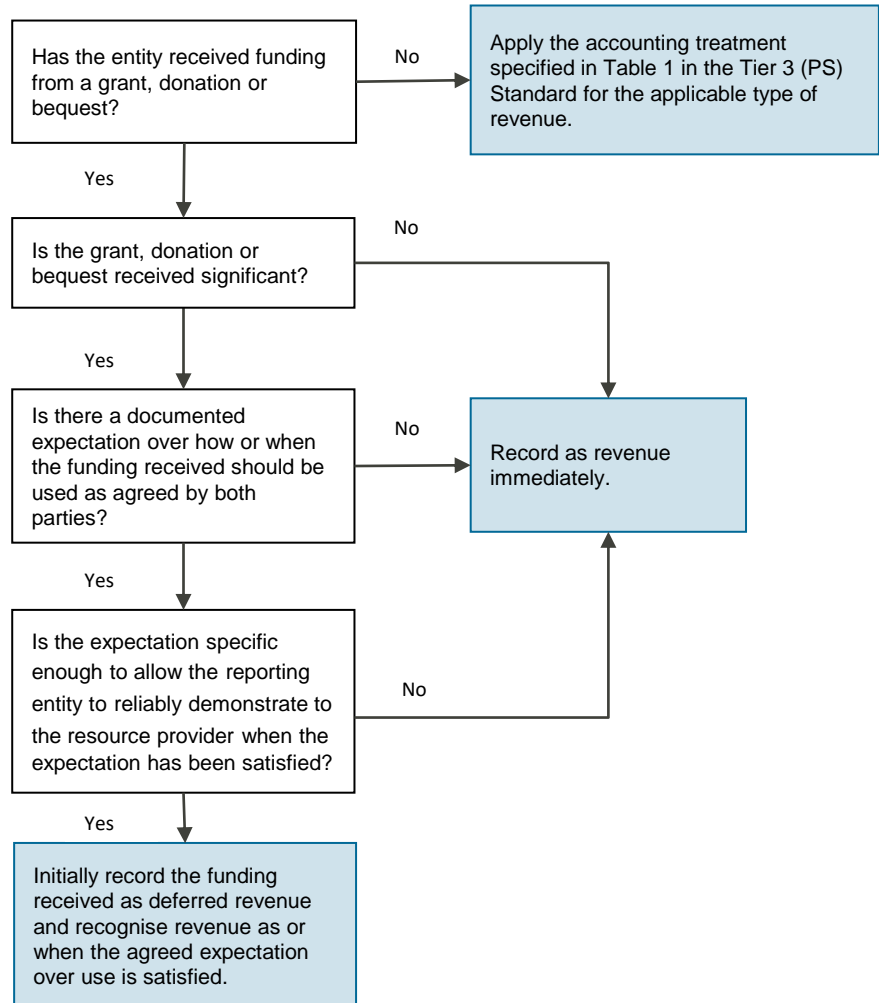
## 3.4 New revenue recognition approach

Figure 1 below demonstrates the new revenue recognition approach:

### New revenue recognition approach:

- Where there is no expectation attached to the grant, donation or bequest, revenue is recognised immediately when received.
- Where there is a specific, documented expectation attached to a significant grant, donation or bequest, a deferred revenue balance is recognised when the funding is received.
- As (or when) the documented expectation(s) is satisfied, the deferred revenue balance is reduced and revenue is recognised.

**Note:** where there is a documented expectation attached to insignificant grant, donation or bequest funding, revenue is recognised immediately when received.



### Identifying expectations

We have added guidance to the Tier 3 (PS) ED to help preparers identify expectations for the purposes of applying the new revenue recognition approach.

- The expectation is required to be communicated to the reporting entity when funding is initially transferred.
- An expectation is documented when it has been agreed in writing between the reporting entity and the resource provider (or there is some other form of evidence to demonstrate agreement).
- The expectation is specific enough to allow the reporting entity to reliably demonstrate to the resource provider how or when the expectation has been satisfied (whether or not the resource provider monitors the use of the funding provided).
- Revenue recognition cannot be deferred as a result of an internal expectation (i.e. the entity's own expectation about how it expects to use the funds).



# Proposed amendments

## 3.4 New revenue recognition approach

### Timing of revenue recognition

The timing of revenue recognition, for significant donations, grants and bequests with documented expectations over use, will be dependent on the nature of the expectations.

Judgement will be required to determine the best approach for determining the point in time at which, or the period over time in which, the expectations are satisfied.

The Tier 3 (PS) ED contains examples to assist reporting entities in determining the appropriate timing of revenue recognition for common transaction types.

#### Question

Q8. Do you agree with the proposals to amend the revenue recognition requirements for significant grant, donation and bequest funding?

### Key factors considered when developing the new revenue recognition approach

Key factor	Considerations
Clarity	<p>The new revenue recognition approach is not a complex principle to understand and apply.</p> <p>However, it may require increased record keeping, to track the satisfaction of expectations over use for each major funding source.</p>
Meeting user needs	<p>User needs are met by broadening the ability to defer revenue.</p> <p>Preparers would be able to apply the requirements easily, working with their funders and donors to ensure that expectations over the use of funds are documented and that revenue is recognised when these expectations have been met.</p> <p>The proposals would address readers' desire to better understand the financial position of the entity as well as any future obligations relating to the use of grants, donations, bequests and pledges.</p>
Auditability	<p>Auditors would be able to request documentation to support resource provider expectations and assess the degree to which these expectations have been met.</p> <p>Assessing performance against expectations will require professional judgement to be exercised.</p>



# Proposed amendments

## 3.5 Accumulated funds

In the Tier 3 (PS) Standard the term “accumulated funds” is used in place of the term “equity” that is commonly used by accountants.

Accumulated funds is the residual financial interest in a reporting entity after total assets are deducted from total liabilities. It represents the amount of the reporting entity’s net assets which are available the end of the reporting period to support the entity’s future activities. It also represents the balance of net assets that would require distribution if the entity was to wind up and cease existence.

### Feedback received

There is a desire for increased transparency over a reporting entity’s approach and rationale for retaining accumulated funds.

### Proposed improvements in response

We are proposing to require a reporting entity to:

- disclose information that allows users to understand how it manages its accumulated funds; and
- provide a brief description of how the accumulated funds are expected to be used in future period to advance its service delivery objectives.
- Given that we are proposing to allow revenue to be deferred in a wider set of circumstances, we are also proposing to remove the specific requirements in the Tier 3 (PS) Standard related to the reporting restricted reserves.

The proposed amendments are reflected in the following paragraphs in the [Tier 3 \(PS\) Standard ED](#):

A140 – A150

### Questions

Q9. Do you agree with the proposals to require an entity to provide enhanced note disclosure that explains the purpose for which accumulated funds are held?

Q10. Do you agree with the proposals to remove the requirements related to restricted reserves?





# Proposed amendments

## 3.6 Opting up

The Tier 3 (PS) Standard allows an entity to elect to apply (i.e. “opt up” to) the requirements of Tier 2 PBE Standards to a specific type of transaction, as long as it applies the requirements to all transactions of that type.

### Feedback received

- The ability for a Tier 3 public sector entity to opt up to Tier 2 PBE Standards should be retained, but there is some uncertainty about which PBE Standard to apply in certain situations.
- The requirements for opting up are not clearly understood by many entities, and there is a need for more guidance - in particular, what to do if the relevant PBE Standard requires revaluation movements to be recognised in other comprehensive revenue and expense.

### Proposed improvements in response

The need for more guidance has been largely resolved by the proposed amendments to introduce simple requirements within the Tier 3 (PS) Standard itself on how to account for certain types of assets at revalued amounts (see Section 3.2 of this consultation document).

However, we are proposing the following amendments to clarify the opting up requirements.

- include a requirement to recognise the effects of transactions directly in accumulated funds, where there is a requirement in Tier 2 PBE Standards to recognise the effects of those same transactions in other comprehensive revenue and expense; and
- add Appendix C to the Tier 3 (PS) Standard, which contains all the opting up requirements..

The proposed amendments are reflected in the following sections in the [Tier 3 \(PS\) Standard ED](#).

- Paragraphs 3 – 4.6
- Appendix C

## Questions

- Q11. Do you agree with the proposed accounting treatment for items of other comprehensive revenue and expense?
- Q12. Do you have any comments on the new Appendix C?



# Proposed amendments

## 3.7 Other proposed amendments

### Entity information

#### Feedback received

Some respondents consider that the requirements for entity information in the Performance Report are unnecessary and should be removed or simplified.

#### Our response

We are proposing to:

- allow cross-reference to other documents, as long as the document is available at the same time as the Performance Report.
- remove duplication.

#### Question

Q13. Do you agree with the proposed amendments to Section 3 Entity Information?

### Statement of cash flows

#### Feedback received

It was suggested that the Tier 3 requirements for a statement of cash flows be aligned with the Tier 4 requirements for a statement of receipts and payments.

#### Our response

We are proposing to align the categories within the statement of cash flows with the categories of revenue and expense in the statement of financial performance.

#### Question

Q14. Do you agree with the proposed amendments to the statement of cash flows?

### Definition of “cash”

#### Feedback received

The definition of “cash” in Tier 3 (PS) Standard does not align with Tier 2 PBE Standards. In particular, the definition of cash does not include short-term deposits, which is included in the definition of “cash and cash equivalents” in Tier 2 PBE Standards.

#### Our response

We are proposing to include short-term deposits in the definition of cash, and define them as:

“deposits with a maturity of three months or less from the date purchased”

#### Question

Q15. Do you agree with the proposed amendment to the definition of cash?



## Part Two

# Proposed amendments to the Tier 4 (PS) Standard



# 4.

## What is this consultation about?

### The Tier 4 (PS) Standard

The Tier 4 (PS) Standard sets out the reporting requirements for Tier 4 public sector entities when preparing their annual Performance Reports.

The Standard is typically used by public sector entities with annual operating payments under \$140,000.

The Tier 4 (PS) Standard is a cash-based standard, which requires an entity to provide information about the cash received and cash paid over the past financial year, together with non-financial information about what the entity has achieved over the same period.

### Objective of Tier 4 (PS) Standard

The Tier 4 Performance Report aims to provide readers with useful and relevant information about an entity's performance for the previous year, including how it has advanced its service delivery objectives.

Annual reporting by smaller public sector entities promotes transparency, accountability, and trust across the public sector, which plays a key role in maintaining public support for the invaluable contribution these entities make to New Zealand communities.

Equally, we recognise the need to keep the Tier 4 (PS) Standard simple to apply, to ensure an appropriate balance is maintained between the benefits and costs of annual reporting.

### Why amend the Tier 4 (PS) Standard

Achieving an appropriate balance between the costs and benefits of preparing a Tier 4 Performance Report is an ongoing focus for the XRB.

In 2020 we consulted with the sector to assess where improvements could be made, not just in terms of simplification and ease of reporting, but also in terms of the usefulness of the information produced.

The feedback we received highlighted that overall, the Tier 4 (PS) Standard is working well and is achieving its desired objectives. However, there was strong support from some respondents to reduce the length and complexity of the Standard to support increased adoption and consistent application.

In response, we are proposing amendments to simplify and improve the Tier 4 (PS) Standard, which is the focus of this consultation.

### Proposed amendments

The proposed amendments to improve the Tier 4 (PS) Standard as discussed in this consultation document include the following key areas.

- Simplification of the Tier 4 (PS) Standard – reducing the length of the Standard and removing complex terminology.
- Introducing reduced reporting requirements for 'small' Tier 4 public sector entities.
- Amending the service performance (non-financial) reporting requirements.
- Refining and clarifying the required categories for presenting cash received and cash paid.

The proposed improvements are reflected in the accompanying:

[Exposure Draft \(ED\) of the Tier 4 \(PS\) Standard](#)



# 5.

## Consultation questions

We are seeking feedback on the following questions raised in the consultation document.

### Proposed simplifications

1. Do you agree with the proposed simplifications to the Tier 4 (PS) Standard?
- 

### Reporting requirements for small Tier 4 PS entities

2. Do you agree with the proposal to reduce reporting requirements for small Tier 4 public sector entities?
  3. Are there any proposed reporting concessions for small Tier 4 public sector entities you do not support?
  4. Are there any other reporting concessions for small Tier 4 public sector entities that should be considered?
- 

### Specific amendments

5. Do you agree with the proposed amendments to the service performance reporting requirements?
  6. Do you agree with the proposals to amend the required cash received and cash paid categories?
- 

### Effective date

7. Do you agree with the proposed effective date of 1 April 2024, with early adoption permitted?
- 

### Other comments

8. Do you have any other comments on the proposed improvements to the Tier 4 (PS) Standard?

Please refer to accompanying [Tier 4 \(PS\) Standard Exposure Draft](#).

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# 6.

## Proposed improvements

### 6.1 Simplification of the Tier 4 (PS) Standard

#### Feedback received

Some preparers are finding it difficult to apply the Tier 4 reporting requirements for the following main reasons.

- The Tier 4 (PS) Standard and accompanying guidance is too long and complex.
- The language used in the Tier 4 (PS) Standard is too technical for non-accountants to understand.
- Feedback highlighted that the Tier 4 (PS) Standard requires simplification to promote increased adoption and consistent application by public sector entities.

#### Proposed improvements in response

We have completed a comprehensive review of the Tier 4 (PS) Standard to identify opportunities to simplify and re-express the existing requirements using plain English and removing technical accounting terms.

Optional disclosures previously included in the Standard have been removed, to allow the Standard to focus on the minimum reporting requirements. These optional disclosures will continue to be made available in separate guidance material.

The process of simplification has resulted in the page count of the Tier 4 (PS) Standard being reduced from 31 pages to 19.

To illustrate the impact of the simplified Tier 4 (PS) Standard, we have also amended our optional [Tier 4 Reporting Template](#) which provides an easy-to-use approach to completing your annual reporting requirements.

#### Question

Q1. Do you agree with the proposed simplifications to the Tier 4 (PS) Standard?

i.e. Do you have any concerns about any content that has been removed and/or re-expressed in the Tier 4 (PS) ED?



# Proposed improvements

## 6.2 Reporting requirements for small Tier 4 PS entities

### Feedback received

Small Tier 4 public sector entities often have limited resources available and find it difficult to attract and retain volunteers or staff who have experience completing annual reporting requirements in accordance with XRB Standards.

Feedback highlighted the need for the reporting burden to be reduced for small Tier 4 public sector entities to make it easier for them to meet their annual reporting requirements.

### Proposed improvements in response

We recognise the compliance burden that smaller Tier 4 public sector entities face when complying with mandatory reporting requirements as issued by the XRB.

To reduce the reporting burden for smaller Tier 4 public sector entities, we propose to introduce reduced reporting requirements within the Tier 4 (PS) Standard.

A small Tier 4 public sector entity who chooses to apply the reduced reporting requirements would be exempt from certain Tier 4 reporting requirements.

The proposed **reporting concessions** for small Tier 4 public sector entities are marked with a triangle cross symbol – please refer to the accompanying [Tier 4 \(PS\) Standard Exposure Draft](#)



We have defined a **'small' Tier 4 public sector entity** as an entity:

- that is eligible (as permitted by legislation) to report using the Tier 4 (PS) Standard; and
- has total annual payments of less than \$10,000 for the current and previous financial years.

The Tier 4 (PS) ED defines 'total annual payments' as the total amount of cash outflows for the year. It includes any amount paid out of the entity's bank account(s) or cash held on hand during the year.

### Questions

- Q2. Do you agree with the proposal to reduce reporting requirements for 'small' Tier 4 public sector entities?
- Q3. Are there any proposed reporting concessions for small Tier 4 public sector entities you do not support?
- Q4. Are there any other reporting concessions for small Tier 4 public sector entities that should be considered?



# Proposed improvements

## 6.3 Service performance reporting

Service performance reporting provides an entity with the opportunity to tell its story about why it exists and what it has done in the year to advance its service delivery objectives.

Service performance reporting requirements only apply to Tier 4 public sector entities that are required by legislation to provide a statement of service performance in accordance with generally accepted accounting practice (GAAP).

### Feedback received

Some preparers are finding the Tier 4 requirements concerning the reporting service performance information (non-financial information about an entity's activities) difficult to apply and understand.

In particular, the requirement to report on "outputs" (as well as the optional disclosure of "outcomes") in the Tier 4 (PS) Standard is causing confusion, as the terms are not well understood by all preparers.

### Proposed improvements in response

We are proposing to remove the language around "outcomes" and "outputs", but retain the requirement for a Tier 4 public sector entity to report on what it is seeking to achieve over the medium to long term (i.e. its 'objectives') and the significant activities undertaken during the reporting period to advance these objectives.

The proposed amendments put the service performance reporting requirements in the Tier 4 (PS) Standard more in line with those in the Tier 2 PBE Standards (i.e. the recently issued PBE FRS 48 *Service Performance Reporting*).

#### Tier 4 — Statement of Service Performance

Describes what the entity is aiming to achieve over the medium to long term

Describes the significant activities the entity has undertaken during the financial year to advance its objectives

Quantifies to the extent practicable the significant activities undertaken during the financial year – concession for small Tier 4 entities

### Question

Q5. Do you agree with the proposed amendments relating to service performance information?





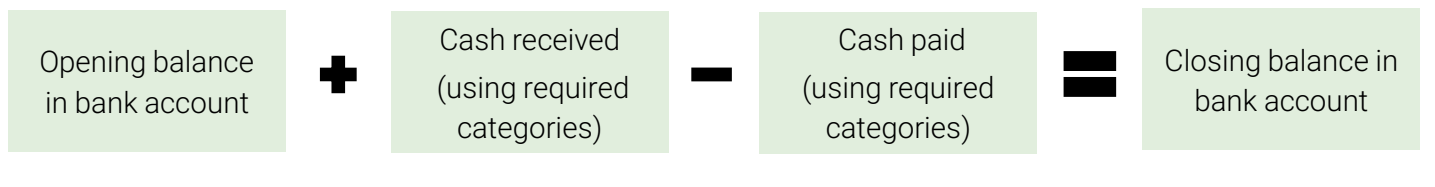
# Proposed improvements

## 6.4 Categories for presenting cash received and cash paid

Tier 4 PS entities are currently required to report the cash received and the cash paid in the financial year by preparing a *Statement of Receipts and Payments* – renamed **Statement of Cash Received and Cash Paid**.

To promote a consistent level of reporting that is comparable and understandable by external users, the Standard requires the cash received and cash paid to be presented using required categories.

### Tier 4 — Statement of Cash Received and Cash Paid



### Feedback received

- There was general support for maintaining the required categories within the Tier 4 (PS) Standard.
- However, concerns were raised about application and interpretation challenges when using the current categories.
- Required categories could be improved by introducing additional categories and simplifying the existing categories.

### Proposed improvements in response

We have refined the existing categories and added new categories.

The increase in the number of the categories is expected to assist preparers when allocating different types of transactions.

The Tier 4 (PS) Standard only requires a category to be used when it is applicable and relevant to the reporting entity.

### New categories

#### Sale of goods or services (commercial activities)

We are proposing new categories for cash received and cash paid from the “sale of goods or services (commercial activities)”.

This category includes transactions arising from trading activities, where goods or services are sold on commercial terms for the primary purpose of generating a profit. The profits earned are then used to fund the entity’s service delivery objectives.

Refer to the **tables** on the next page for the proposed categories for operating activities in the Tier (PS) ED.

#### Service delivery grants/contracts

We are also proposing to introduce a new category, for funding received from “service delivery grants/contracts” for grants that are, in substance, a contract for the delivery of specified goods or services.

For example, a grant received for the delivery of a specified number of counselling service hours.

While the Tier 4 (PS) Standard already allow these to be optionally separated we are proposing that this should instead be a requirement

This will allow for funding from service delivery grants to be reported separately from general grants – which has also been added as a new category “grant received”.



# Proposed improvements

## 6.4 Categories for presenting cash received and cash paid

**Table 1 – Cash received categories**

Current categories	Proposed categories
Donations or koha from the public	Donations, koha, and bequests from the public
	Grants from non-government organisations (Excluding service delivery grants/contracts)
Funding from central or local government	General funding received from central or local government
	Funding from service delivery grants/contracts
Receipts from non-government sources for providing goods or services	Sale of goods or services (commercial activities)
Interest, dividends, and other investment income receipts	Interest or dividends received
	Other cash received

**Table 2 – Cash paid categories**

Current categories	Proposed new categories
	Fundraising costs
Employee related payments	Employee remuneration
	Other employee costs
Payments related to providing goods and services	Costs related to the sale of goods or services (commercial activities)
	Other costs related to the delivery of entity objectives
Grants paid	Grants and donations paid
	Other cash paid

### Question

Q6. Do you agree with the proposals to amend the cash received and cash paid categories?



# 7.

## Effective date and other comments

### 7.1 Effective date

The proposed effective date in both the Tier 3 and Tier 4 Exposure Drafts is accounting periods beginning on or after 1 April 2024, with early adoption permitted.

This date is tentative and would be reviewed before issuing final standards.

#### Question

Q7. Do you agree with the proposed effective date of 1 April 2024, with early adoption permitted?

### 7.2 Other comments

We welcome any other comments on the proposed improvements and simplifications to the [Tier 3 \(PS\) Standard](#) and the [Tier 4 \(PS\) Standard](#) as provided in the accompanying exposure drafts.

#### Question

Q8. Do you have any other comments on the proposals to simplify and Improve the reporting requirements for Tier 3 and Tier 4 PS entities?