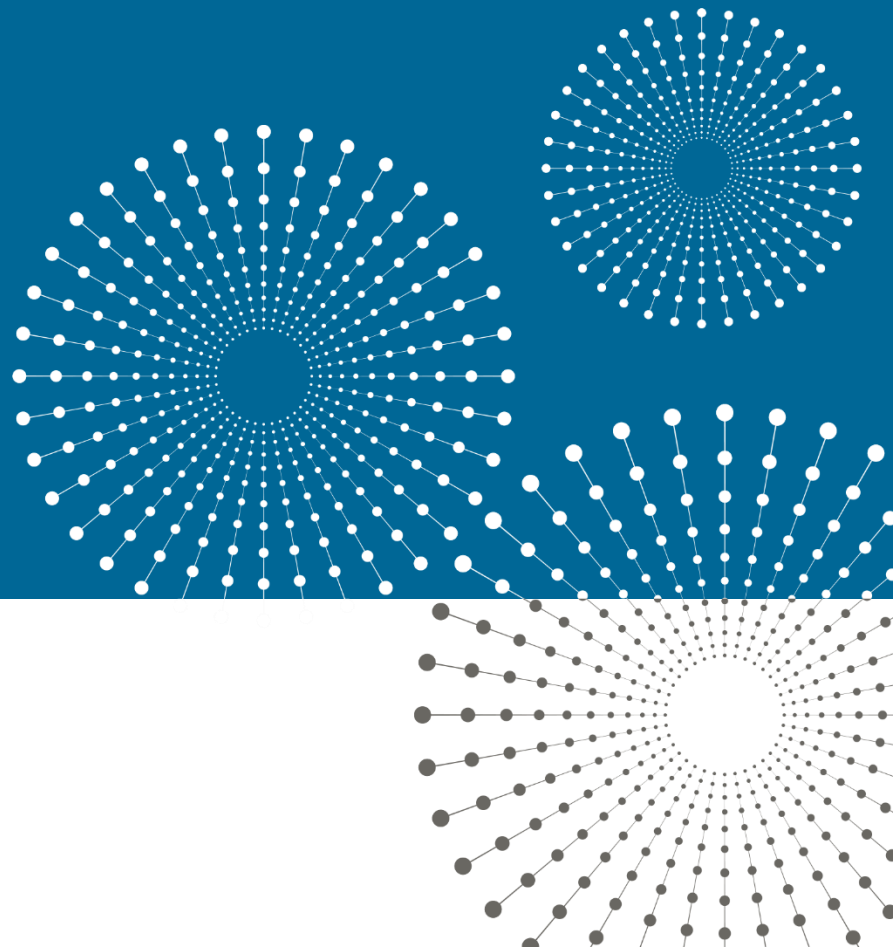


Service Performance Reporting Staff Guidance

Key areas for Tier 1 & 2 public benefit entities to consider
when applying PBE FRS 48 *Service Performance Reporting*

August 2022





Getting started with service performance reporting

Key areas for Tier 1 & Tier 2 public benefit entities to consider when applying PBE FRS 48 *Service Performance Reporting*

Service performance information describes **what an organisation has achieved** throughout the reporting period to **deliver on its broader aims and objectives**.

This helps organisations communicate their key achievements and demonstrate value and accountability to funders, donors and the general public. Many organisations find including this information helps to show a more complete picture of what they have achieved over the past year with the resources they have available.

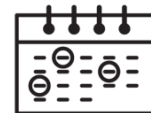
Who does it apply to?

The Service Performance Reporting Standard applies to Tier 1 and Tier 2 public benefit entities.

This publication does not discuss the Tier 3 and Tier 4 Simple Format Reporting Standards. Those standards have less detailed service performance reporting requirements and are accompanied by their own guidance.

When does it apply?

The Service Performance Reporting Standard became effective for annual financial reports covering periods beginning on or after 1 January 2022 (earlier application is permitted).



How do I know what to report?

The principles and requirements are explained in the standard – [PBE FRS 48 Service Performance Reporting](#) (PBE FRS 48).

There's also an easy to read [Explanatory Guide](#) that will help you decide:

- What to report;
- How much detail to provide; and
- How to present the information.



Overview of requirements

Principles and high-level requirements

Public benefit entities need flexibility to decide how best to “tell their story” in an appropriate and meaningful way. PBE FRS 48 establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements.

Service performance information must be for the same reporting entity and the same period as the financial statements. This alignment with the financial statements gives users a more complete set of information about an entity.

Principles

- ➔ Contextual information
 - Why the entity exists
 - What it intends to achieve in broad terms
 - How it goes about this
- ➔ Information about what the entity has done
 - Select appropriate performance measures and/or descriptions
 - Based on activities, achievements, outcomes, or impacts
 - Requirement to select the service performance information that is most appropriate and meaningful to the users
- ➔ Disclose judgements
 - How was the service performance information presented selected?

Requirements

An entity’s service performance information shall 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. (Para. 15(a))

Contextual information should be drawn from relevant documents (such as the constitution, trust deed, mission statement (vision, purpose) and recent plans and strategies). (Para. 17)

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. (Para 17)

The entity shall explain the main ways in which it carries out its service performance activities. (Para 18)

Planning prompts



Consider how you explain what the entity does and why, the changes it wants to bring about, and how it plans to achieve its desired objectives. Desired changes can range from the achievable to the aspirational.

Consider the documents most relevant to your entity. In addition to those listed in the Standard, other sources can also be referred to, such as the entity’s website, a recent grant application, governance report or newsletter.

Not all entities have a formal framework or intervention logic that sets out their understanding of how they and other entities help bring about the changes that they are seeking. Some do – others don’t.

If an entity is managed or governed using such a performance framework, it must reflect this in its service performance information. This is because it is likely to influence the service performance information that an entity collects and reports, both internally and externally.

Does the entity:

- deliver goods and services directly to individuals, entities or groups (including members)?
- work together with other entities?
- deliver goods and services through other entities?
- make grants?



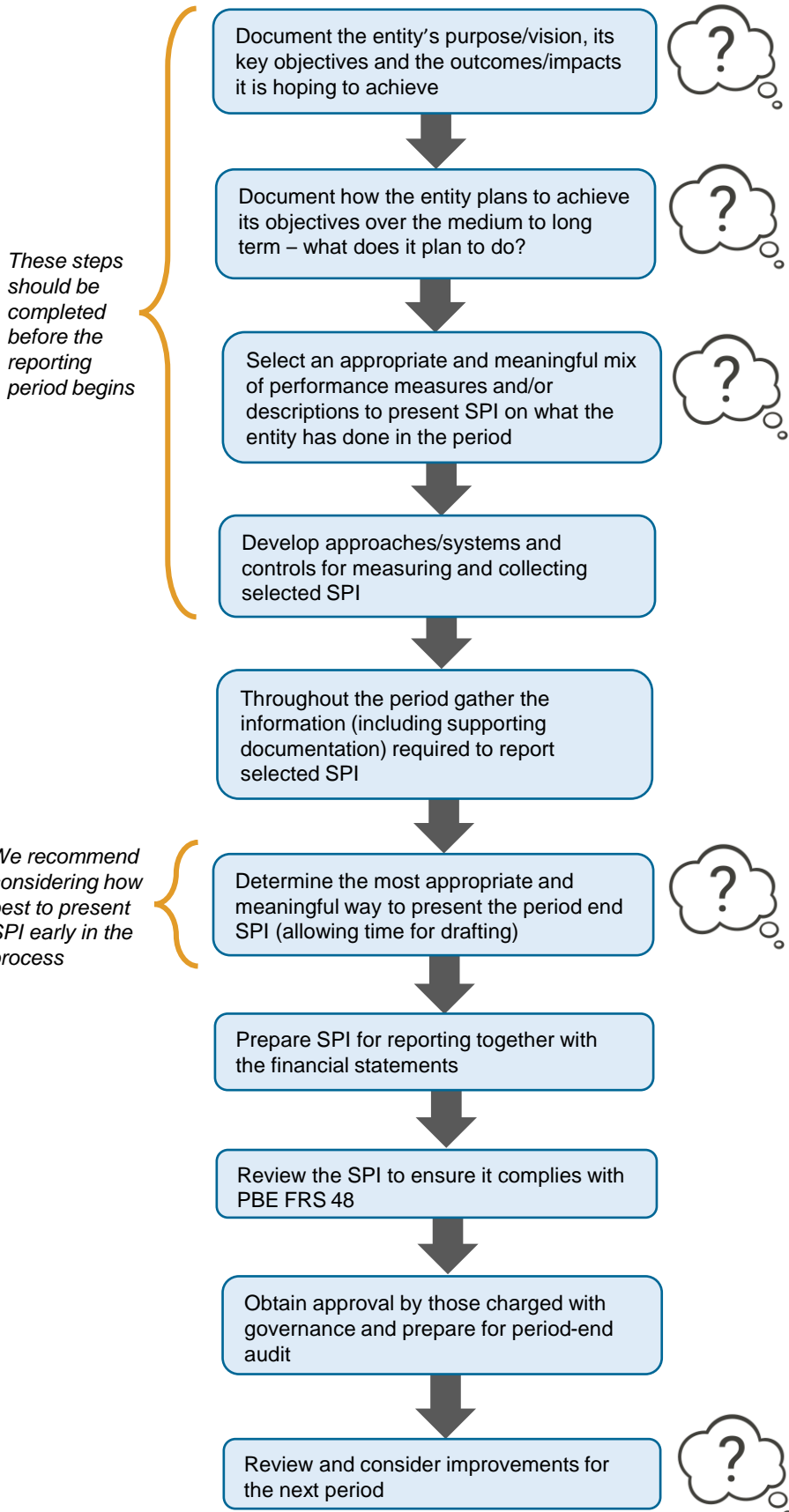
Getting Started

These are the steps you could take as you work through the requirements of PBE FRS 48 for the first time.

SPI refers to Service Performance Information.



The thinking icon highlights steps where you might need to think about the disclosure of judgements.



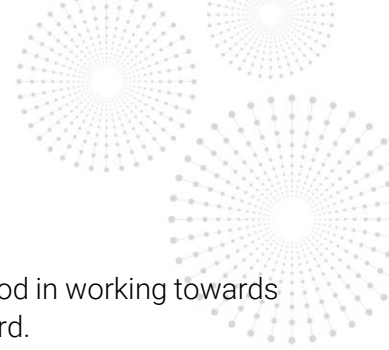
Appropriate & meaningful mix of performance measures

The selection of measures and/or descriptions to report will depend on what aspect of service performance you want to report. You might report on what has happened during the period or on changes in behaviour that will affect what happens in future periods.

The nature of an entity's services may also affect what it measures and reports. If services are geared to address current and observable problems the entity may be able to measure the difference it has made to people's lives or an environment. However, such assessments are more challenging if services are preventative, one-off or anonymous

Documentation

As you work through these steps, you will be pulling together information from various sources and making decisions. It is a good idea to document where information comes from, and the decisions made. This will assist discussions with the auditor and be a useful record for the next year. A record of key decisions will also be a good starting point when considering whether you need to disclose any judgements.



Preparing the information

Reporting on what the entity has done

PBE FRS 48 requires you to report on what the entity has done during the reporting period in working towards its broader aims and objectives – this requirement goes to the very heart of the Standard.

Below sets out a summary of what PBE FRS 48 requires along with suggestions to consider when compiling your report.

What PBE FRS 48 requires

An entity's service performance information shall 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 15(a). (Para. 15 (b))

The nature of the information provided to meet the requirements of 15(b) will depend on the circumstance of the entity. An entity is required to consider the following factors in deciding what to report.

- (a) What it is accountable/responsible for.
- (b) What it intended to achieve during the reporting period.
- (c) How it went about achieving its service performance objectives.
- (d) Other factors relevant to an understanding of an entity's service performance during the period. (Para 19)

Planning prompts



What are the planned key activities in the period in order to achieve planned objectives and desired impacts on the community?

What are the entity's strategies for delivering against its key objectives?

- How does the entity monitor progress against its key strategies?
- What is best practice for reporting service performance for entities conducting similar activities?
- What information do funders and other key users regard as important?
- What information do service recipients regard as important?

Deciding what to report

When making decisions about what information to include, consider the following elements: current practice, best practice, funders' requirements and feedback from others (such as service recipients).

Think about how to give a complete and balanced picture of what has been achieved without overwhelming readers with too much information. One way of avoiding too much detail (and keeping service performance information understandable) is to group similar services.

Another approach involves looking at the information reported internally and consider how useful it would be to external users. Questions that can help guide this process include.

- Is the information about service performance from an external users' perspective or more about internal activities and processes?
- Is there good coverage of what is important to external users?
- If the entity reports multiple measures, which are the most useful to external users?
- Is information sufficiently reliable for external reporting – can it be verified? If not, is it sufficiently useful for the user's understanding of the entity and its work to be reported externally?

An approach is to look at any detailed information provided to funders for monitoring performance against agreements and consider whether that may be useful to external users.



Preparing the information

Application of the principles and overarching requirements

Service performance information should be prepared with the users in mind. Users include service recipients and funders.

- Is information useful for accountability and decision making?
- Is information appropriate and meaningful?

PBE FRS 48 uses the term 'qualitative characteristics' to refer to the desired qualities of service performance information. More formally, qualitative characteristics are defined as the attributes that make financial and non-financial information useful to users. All of the qualitative characteristics must be considered when selecting and presenting service performance information.

- In practice, some items or sets of service performance information may have more of one characteristic than another. It may be necessary to consider the overall balance of characteristics and make trade-offs between attributes.
- The concept of materiality can help in making these and other judgments. **An item is material if excluding it or misstating it would affect the decisions and assessments that users make concerning the service performance of an entity.**

Six qualitative characteristics of performance information



Relevance



Faithful representation



Understanding



Timeliness



Comparability



Verifiability

Constraints of performance information

Materiality

Cost-benefit

Balance between the qualitative characteristics

Balancing the amount of service performance information reported

You need to consider the balance between the qualitative characteristics, materiality, and the costs and benefits of providing information. While some performance is readily quantifiable and therefore easier to measure, you should consider first the information that would be of most relevance to the user.

Materiality requires careful consideration when selecting performance measures and/or descriptions – especially if the entity undertakes a wide range of activities.

In reporting on what an entity has done during the reporting period, PBE FRS 48 requires you to report an appropriate and meaningful mix of performance measures and/or descriptions.

Presentation

PBE FRS 48 does not prescribe the presentation format, but because the information is likely to be a combination of narrative and numerical information, a variety of formats should be explored.

Reports that look good and are easy to read are more likely to be read. Time spent considering how to best present service performance information is time well spent.

Service performance information should be consistent with the financial statements, the notes to the financial statements, and other public reports. See also [Linking the service performance information with the financial statements](#).

What PBE FRS 48 requires

Clearly identify the service performance information presented in accordance with the Standard. (Para. 29)

There is no prescribed format.

Entities develop a format that best meets the information needs of their users.

Possible formats include graphs, tables, narrative, infographics and explanatory comments in 'pop-up' boxes. (Para. 31)

An entity may cross-reference the service information and the financial statements to help users obtain an overall impression of the entity's performance. (Para. 32)

Some cross-referencing to other information is permitted, but this is subject to a number of requirements.

For example, the cross-referenced information must remain unchanged and available over time at the cross-referenced location (important when cross-referencing to information on a website). (Paras. 33 – 35)

Planning prompts



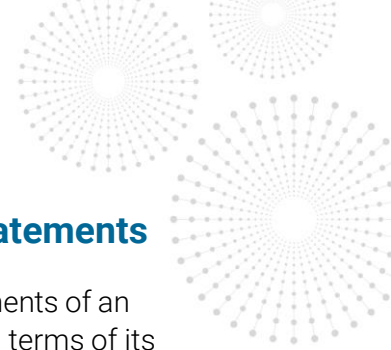
- Decide what to call the section of the report where service performance information is presented – statement of service performance is one option.
- Determine where to locate the service performance information in the annual report.
- Is the service performance information clearly identified? This is important for readers and audit purposes.
- Consider what information should be reported as service performance information, what should be reported in the financial statements and what belongs in other sections of the annual report?

What is the most appropriate and meaningful way to present key service performance information and make the information visually appealing?

- Infographics and icons can be useful for snapshots of information and linking information. Find out what tools other entities use to create infographics.
 - Case studies can be useful for personal insights or more in-depth information about an activity or service.
 - Feedback from users about services often helps to heighten readers' interest in the report.
 - Colour and charts can help break up large blocks of text and highlight key information.
- Think about how the annual report will be accessed. If the report will be accessed mainly through your website then consider how information looks on the screen, and how it works with mobile devices.
- Would an online interactive report (with features such as page turning, embedded videos, hyperlinks, etc.) be useful and feasible/appropriate?

- Consider where cross-referencing between the service performance information and the financial statements would help users better understand the entity's performance.

- Would cross-referencing to other information enhance the understandability of the service information?
- Think about providing links in the service performance information to case studies or videos available on your website.
- Will cross-referenced information remain unchanged and available over time?
- Would the complete set of required service performance information still be clearly identified?



Presentation

Linking the service performance information with the financial statements

Service performance information and financial statements are both important components of an annual report. Annual reports should tell the story of the entity's performance – both in terms of its financial performance and its service performance, as well as explain the links between both.

What PBE FRS 48 requires

One aspect of faithful representation is completeness. Completeness implies that the service performance information presents an overall impression of the entity's service performance with appropriate links to the financial statements. (Para. 9(b))

Service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. The link is generally made, where practicable and appropriate, by reporting on the cost of goods and services. Entities that report on the cost of goods and services in the service performance information need to reconcile the total cost of goods and services reported with the expenses in the financial statements. (Para. 28)

An entity may cross-reference the service performance information and the financial statements. (Para. 32)

Acknowledge the use of donated goods and services (which have not already been recognised in the financial statements). (Para. 28)

Planning prompts



How can service performance information be linked with the financial statements?

- Pie charts can show how the entity's expenditure relates to its main service performance activities.
- Graphics about revenue and expenses can be used along with narrative to explain how increases or decreases in categories of revenue and expenses have affected what the entity has done during the year.
- Narrative can be used to explain how volunteers' contributions have contributed to an entity's service performance.
- Some expenses might relate directly to volunteers – for example, volunteer training.

If an entity does not report on the cost of goods and services in the service performance information consider other ways it can link service performance information with the financial statements e.g.:

- If an entity has significantly changed its services and has not yet developed costing systems it could describe the staff resource and assets required to support various services.
- If an entity has revenue-generating activities it could discuss how profits from those activities have supported service delivery.

- Which, if any, donated goods and services have already been included in the financial statements? Which haven't?
- Information about how volunteers have influenced service performance could be presented as narrative, narrative and numbers (for example, number of volunteers, number of volunteer hours), a personal story, or infographics.

Disclosure of judgments

PBE FRS 48 requires the disclosure of the judgements used in preparing service performance information. Users need to know why, in reporting on its service performance, an entity has chosen to do something one way rather than another. These judgements are presented as part of the service performance information.

What PBE FRS 48 requires

An entity shall disclose those judgements that have the most significant effect on the:

- selection;
- measurement;
- aggregation; and
- presentation;

of service performance information reported that are relevant to an understanding of the entity's service performance information. (Para. 44)

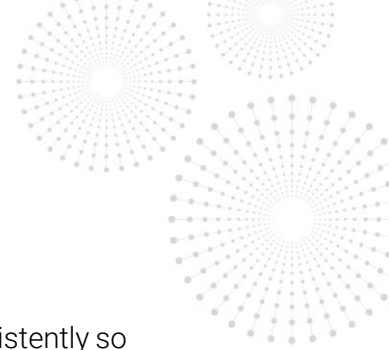
Planning prompts



Not all judgements have to be disclosed.

There are two parts to this requirement.

- Identify the judgements that have the most significant effect on the service performance information reported.
- Decide which judgements are relevant to a user's understanding.



Additional Reporting Requirements

Comparative information and consistency of reporting

PBE FRS 48 establishes requirements for reporting comparisons and reporting consistently so that users can compare an entity's service performance over time. However, it acknowledges that what an entity does and how it measures its performance may change over time so an explanation of any changes to performance measures should be included.

What PBE FRS 48 requires

In general, comparative information for the preceding period is required.

Comparative information for all performance measures and/or descriptions for which an amount is reported in the current period is required.

Comparative information for narrative and descriptive information reported in the current period is required when it is relevant to an understanding of the current period's service performance information. (Paras. 36 – 39)

Some entities are required to, or choose to, report against previously published prospective information.

An entity shall report service performance information consistently (unless an entity chooses in the current period to change what it reports or how it reports, its service performance information).

If an entity changes what it reports or how it reports, its service performance information (in contrast to the previous period) it shall explain the nature of those changes and their effect on the current period's service performance information.

Changes to comparative information are permitted, but not required. (Paras. 40 – 42)

Planning prompts



- The requirement for comparatives means two year's information must be reported for any figure included in the service performance information.
- Judgement is required in deciding whether prior period narrative and descriptive information is required.

- Public sector entities typically have requirements to report actual performance against planned performance.
- Other entities are not generally required to publicly report against budgets, plans or targets, although they may do so if they wish.

- If your entity has made changes to the information reported, consider explaining why. For example, its primary objectives have changed, or a new performance measure is now used because it is more relevant or reliable than the previous measure.

Careful selection of the information to be reported at the outset will help avoid unnecessary change.

Improving service performance information

What an entity does and how it reports are likely to evolve over time. Entities often want to know whether what they do works and what they could do better. PBE FRS 48 does not require that an entity report on what it does in terms of monitoring, seeking feedback and evaluation but this information can provide useful context to the reader.



Examples

CA ANZ Charity Reporting Awards

The Awards recognise excellence in charity reporting to help the sector continuously improve the quality of its reporting.

[CA ANZ - Charity Reporting Awards 2021](#)



[CA ANZ - Charity Reporting Awards 2022](#)



Where can I get more information?

The [Explanatory Guide](#) includes:

- Practical examples showing how to meet the new requirements
- Tips on what stakeholders are interested in knowing about
- Guidance on how to measure these things
- Key steps in the process
- What to consider if your service performance information is subject to audit
- Requirements for prior year comparatives and disclosing judgements about
- what you report.

The Office of the Auditor General, Audit New Zealand, and the Treasury have published joint guidance focused on public organisations in central government titled [Good practice in reporting about performance](#).

