



Staff Guidance

PBE FRS 48 *Service Performance Reporting*

Disclosing how you measure your service performance

A guide for Tier 1 and Tier 2 Public Benefit Entities
(Public and NFP Sectors)

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Introduction

PBE FRS 48 *Service Performance Reporting* requires public benefit entities (PBEs) to report information about:

What they have done over the past reporting period in working towards their broader aims and objectives – referred to as *service performance information*.

This guidance addresses the question – what disclosures are required about how each reported service performance measure has been measured or evaluated?

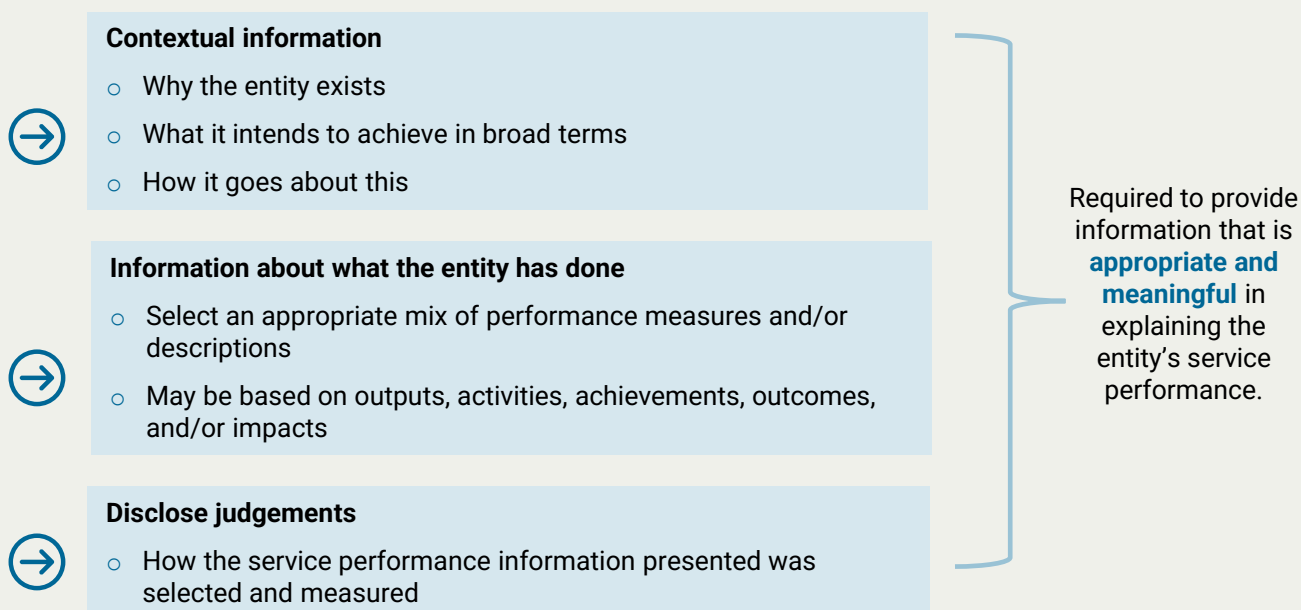
The guidance will be useful for Tier 1 and Tier 2 PBEs (across the public and not-for-profit sectors) who prepare service performance information applying PBE FRS 48.

Information about how an entity assesses and measures its service performance is an important disclosure when applying the PBE FRS 48 principles of *understandability, faithful representation, and verifiability*.

PBE FRS 48 – recap of key requirements

PBE FRS 48 requires an entity to present information that enables users to understand and assess an entity's service performance for the year.

An entity is required to disclose:





What disclosures are required about how each reported service performance measure has been measured?

Overview

PBE FRS 48 requires an entity to provide users with an appropriate and meaningful mix of performance measures to explain its service performance for the reporting period – refer to **Appendix A**.

In meeting this requirement an entity will be required to determine an appropriate basis for measuring or evaluating each reported performance measure.

The disclosure of information about how each performance measure has been measured is required to allow users to **understand** and to **assess** whether the measurement or evaluation method used:

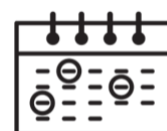
- provides information that is *faithfully representative* of an entity's service performance for the period;
- can be independently *verified*; and
- is capable of providing information about the performance measure in a *consistent* manner from period to period.

In determining what information to disclose, a reporting entity is required to consider what PBE FRS 48 describes as the **qualitative characteristics** and **pervasive constraints** on information to ensure appropriate and meaningful service performance information is presented.

The following sections provide guidance, based on the principles in PBE FRS 48, about what to consider when determining what information to disclose about how each reported performance measure has been measured and/or assessed.

When does the standard commence to apply?

PBE FRS 48 became effective for annual financial reports covering periods beginning on or after 1 January 2022





Key principles when disclosing information about service performance measures

Qualitative characteristics and pervasive constraints on information

When choosing what service performance information to report, PBE FRS 48 requires an entity to apply the qualitative characteristics of information and the pervasive constraints on information.

- The **qualitative characteristics** are the attributes of information that result in the reporting of appropriate and meaningful information about an entity's service performance for the period, including the attributes of – relevance, faithful representation, understandability, timeliness, comparability, and verifiability.
- The **pervasive constraints on information** describe the need to ensure the cost of providing the information above does not exceed the benefits and the need to apply materiality – this is important when selecting what service performance information to present and the level of detail required for users to understand the entity's service performance information.

There are three key qualitative characteristics to keep in mind when considering what service performance information to present :

- **Faithful Representation** – to be useful, service performance information must be faithfully representative of the entity's service performance. To provide users with confidence that service performance information is presented in an unbiased manner that reports both favourable and unfavourable aspects of an entity's service performance, the users need information to understand how each reported performance measure has been measured and/or evaluated.
- **Understandability** – for users to be able to form an assessment of an entity's performance it should be clear what each performance measure means and how it is being measured or evaluated. More complex measures or descriptions will likely require increased disclosure to explain the measurement basis and how it was applied.
- **Verifiability** – to ensure an entity's service performance information is reliable, and faithfully representative, the reported service performance measures must be capable of independent verification. To be verifiable, the measurement bases or evaluation methods need to be made available to the intended users so that users can understand the extent to which the performance claims can be substantiated.

Determining how much information to disclose



The extent of information to disclose about how each reported performance measure has been measured and/or evaluated will largely depend on the degree of complexity and judgement involved in applying the measurement approach.

- For some performance measures, the description of the **performance measure itself** will provide adequate information for users to understand how it was measured.

For example, a measure such as “the number of free lunches provided” or “number of native trees planted” requires little further explanation.

- For performance measures based on **external assessment** frameworks, disclosure will be required for users to understand the information provided by those measures.

For example, in order to understand an external quality measure, such as assessing water quality, a user needs to know:

- the framework/standards used;
- who performed the assessment;
- the source of the inputs used to measure the water quality;
- the significant assumptions and judgements used;
- the evaluation criteria/approach applied; and
- any inherent measurement uncertainties.

- For **internally developed** performance measures additional disclosure will often be required to give users confidence the information reported is faithfully representative and verifiable – due to the increased level of entity discretion and judgement applied. Users will need information to understand how the internal measurement approach was applied by the reporting entity.

For example, service recipient satisfaction survey results, disclosure will be needed to explain the survey questions, the number of responses and how the satisfaction level was assessed.

For **complex** internal performance measures, an increased level of disclosures will often be required to enable users to understand the measurement method applied, the underlying assumptions, and any areas of significant judgement..

In some cases, the information required to enable users to fully understand how the reported service performance information has been measured and/or evaluated may be substantial and entities may not want to include all this information in their annual report.

In these circumstances, entities may choose to cross-reference from its performance report to:

- other readily available documents (such as externally developed performance frameworks) that are publicly available; or
- internally developed service performance measurement approaches made available on the entity’s website.



Selecting appropriate and meaningful service performance information

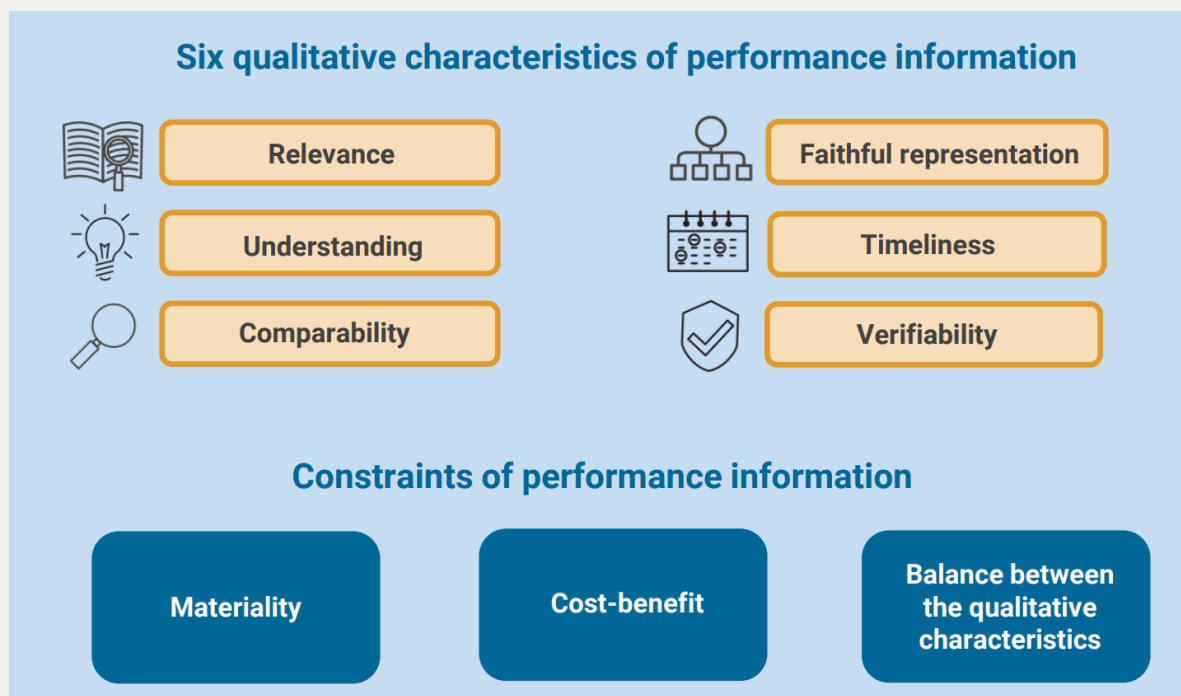
PBE FRS 48 is a principles-based standard which requires the reporting entity to apply judgement when selecting service performance information to report that will provide appropriate and meaningful information that enables users of an entity's performance report to understand:

- (a) why the entity exists; and
- (b) what the entity has done during the reporting period in working towards its broader aims and objectives.

In reporting on what an entity has done during the reporting period an entity is required to provide users with an appropriate and meaningful mix of performance measures and/or descriptions.

While some performance measures are readily quantifiable and therefore easier to measure, an entity should first consider the information that would be of most relevance to the users of the entity's general purpose financial reports.

When selecting what aspects of an entity's service performance to report and selecting appropriate performance measures, PBE FRS 48 requires an entity to balance the qualitative characteristics and constraints of performance information – as depicted in the picture below.



When selecting service performance information, the reporting entity needs to consider whether:

- (a) the service performance information presented is appropriate and meaningful; and
- (b) whether the information presented fairly presents the entity's service performance for the period.



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