



Project:	Service Performance Reporting	Meeting:	May 2023 (M195)
Topic:	Project baseline	Agenda Item:	4.3
		Date:	18 April 2023
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		Decision-Making:	High
		Project Status:	Project planning

Objective

1. Following Agenda Paper 4.2, the objective of this Paper is for the Board to **decide** on a **project baseline**, after assessing reasonably feasible alternative baselines against agreed selection Criteria. The decision will provide a starting point for a Project Plan and a focus and benchmark for developing a proposed pronouncement.

Structure

2. The Table in paragraph 15 of Agenda Paper 4.1 summarises the staff recommendations from this Agenda Paper and Agenda Paper 4.2, and is followed by Questions for the Board on the staff recommendations.
3. The remainder of this Paper is structured as follows:
 - (a) Background and introduction (paragraph 4)
 - (b) Alternative baselines (paragraphs 5 to 7)
 - (c) Baseline selection Criteria (paragraphs 8 to 11)
 - (d) Analysis of the alternative baselines (paragraphs 12 to 30)
 - (e) Comparative analysis of the alternative baselines and overall staff recommendation (paragraphs 31 to 0, including summary Tables)
 - (f) Next steps (paragraph 38)
 - (g) Appendices:
 - Appendix A: Potential baselines
 - Appendix B: Implications of the Pervasive Issues discussed in Agenda Paper 4.2 for the choice of baseline

Background and introduction

4. Agenda Paper 4.2 discussed the project's Pervasive Issues and recommended whether to make working assumptions and, if so, what working assumptions the Board should make. The Paper anticipated that the working assumptions could influence the selection of the project's baseline.¹ Accordingly, this Paper identifies five alternative baselines and assesses their level of consistency with the working assumptions recommended in Agenda Paper 4.2. Because the working assumptions are unlikely to provide a sufficient basis for selecting the preferred baseline, other baseline selection Criteria are also identified and considered in this Paper.

Alternative baselines

5. There is a wide range of potentially relevant baselines from frameworks that variously apply in different jurisdictions, address different aspects of performance related to service performance by NFP or for-profit entities in the public and/or private sectors, and differ in their cohesiveness. The Table in Appendix A of this Paper lists a number of those frameworks and some other potential benchmarks and indicates some of their comparative attributes.²
6. After considering the analysis in Appendix A, staff concluded that assessing the suitability of all potential baselines in detail is unnecessary. This not only has the benefit of containing the size of this Paper, but also acknowledges that:
 - (a) there are likely to be many similarities between the potential baselines (perhaps because they are frameworks that were developed, for example, with a particular sector in mind, using similar sources or by similar jurisdictions leveraging off each other) and therefore there would only be a marginal benefit from analysing each one in detail; or
 - (b) as explained in paragraph A4 of Appendix A, they can be rejected outright because they fail to satisfy at least one of the critical baseline selection Criteria noted in paragraph 10 below.
7. Consequently, the baselines that are the focus of this Paper are:³
 - (a) 'green fields', i.e. starting from first principles;
 - (b) the existing work completed as part of AASB Exposure Draft 270 *Reporting Service Performance Information* ([ED 270](#));
 - (c) NZ External Reporting Board's (XRB) Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* ([NZ PBE FRS 48](#) – issued November 2017) together with any implementation experience;
 - (d) the Australian Productivity Commission's Report on Government Services ([RoGS](#)) framework and recent implementation experience. (First published in 1995, RoGS has been subject to annual improvements); and
 - (e) the Chartered Institute of Public Finance and Accountancy's (CIPFA) International Financial Reporting for Non-Profit Organisations (IFR4NPO) initiative: International Non-

1 This Paper assumes the staff recommendations in Agenda Paper 4.2 are accepted by the Board. Paragraph 37 below briefly contemplates the implications if different working assumptions were to be made about particular Pervasive Issues.

2 The Table in Appendix A excludes a 'green fields' approach and AASB ED 270 *Reporting Service Performance Information* because they are accepted as feasible alternative baselines for the purpose of this Paper.

3 There may not be a practical difference between alternative baselines in terms of the complexity of the technical issues that will need to be resolved as the project progresses. However, as noted in paragraph 1 above, the selected baseline would provide a benchmark against which the issues can be assessed. Furthermore, the selected baseline would influence the content of the Project Plan and could affect the level and tone of the ensuing debate among stakeholders around some of the more controversial aspects of the project.

Profit Accounting Guidance Part 1 Invitation to Comment ([INPAG ED1](#) – issued November 2022).⁴

These five alternative baselines reflect a reasonable cross-section of potential baselines.⁵

Baseline selection Criteria

8. A fundamental objective underpinning this Paper is to select a baseline that would best help facilitate the efficient and timely progress of the project, and lead to a high-quality (including cost-effective) service performance reporting pronouncement consistent with the AASB Conceptual Framework.
9. That objective is consistent with the AASB [Corporate Plan](#) 2022-2023, which on page 28 notes the adverse impact of “[n]ot responding on a timely basis” to the Board’s strategic risk of “the rise in the importance of non-financial reporting and assurance, stakeholder demands for clearer, better communication ...”. The objective is also consistent with the suite of AASB policy documents, including:
 - (a) [AASB Not-for-Profit Entity Standard-Setting Framework](#) (which, for example, notes in paragraph 19 the importance of considering cost/benefit issues; and in paragraph 36(a) that, in developing proposals for new Standards or guidance, the AASB considers consistency with the Conceptual Framework and other authoritative material that is relevant);
 - (b) [AASB Evidence-Informed Standard-Setting Framework](#) (which, for example, in paragraph 14(e) refers to the need to consider “practical implementation issues”);
 - (c) [Protocol for Co-operation between the AASB and NZ XRB](#) (which, for example, on page 3 suggests a financial reporting policy outcome of “not-for-profit... entities ... [being] ... able to use a single set of accounting standards and prepare only one set of financial statements as a medium-term goal”); and
 - (d) [AASB Due Process Framework for Setting Standards](#) (which, for example, in paragraph 7.2.3(b) makes reference to “the urgency of addressing the issue, considering input of other relevant regulators and evidence of the impact of not addressing the issue” as a factor relevant to prioritising individual projects).⁶
10. The process for selecting the preferred baseline involves identification of appropriate selection Criteria. In identifying the following Criteria, staff considered the AASB’s policy documents, the discussion in Agenda Paper 4.2, and typical characteristics of baselines adopted for AASB accounting standard-setting projects that do not have the convenience of being based on an IASB pronouncement or informed by IPSASB work:
 - (a) Criterion 1: consistency with the Pervasive Issues’ working assumptions discussed in Agenda Paper 4.2 (the higher the level of consistency, the better);
 - (b) Criterion 2: contemporary thinking (the more recent, the better);

4 This Paper does not undertake a detailed comparative analysis of the principles and requirements of these baselines. Instead, the analysis is at a relatively high level, consistent with the level of the Pervasive Issues and the suggested baseline selection Criteria. A more detailed analysis of how the principles and specific requirements of the alternative baselines could contribute to an AASB pronouncement on service performance reporting could be undertaken as the project progresses.

5 Even though one baseline would be chosen, the project would not be precluded from taking all potential baselines into account as work progresses. This would overcome concerns that disregarding any potential baseline at this stage is premature. In effect, the chosen baseline is a working assumption in and of itself.

6 Also of relevance to this Paper is that paragraph 1.2(b) of the AASB Due Process Framework refers to “transaction neutrality (modified as necessary).” (This is related to Pervasive Issue D discussed in paragraphs 26 to 32 of Agenda Paper 4.2 on public and/or private sector NFPs).

- (c) Criterion 3: implementation experience (the greater, the better — as a way of providing the Board with a forewarning about potential practical implementation issues);
 - (d) Criterion 4: focus on Australian-specific circumstances (the greater the degree of focus, the better);
 - (e) Criterion 5: focus on service performance reporting, rather than a broader consideration that encompasses or overlaps with, or is narrower than, service performance reporting (the greater degree of focus, the better);⁷
 - (f) Criterion 6: cohesiveness of the framework upon which a baseline could be set; and
 - (g) Criterion 7: prospect for helping facilitate an efficient project (for example, by reducing Board resources needed to progress the project) and ultimately a timely outcome.⁸
11. In assessing the alternative baselines against each other, these Criteria are matters of degrees rather than absolutes, and therefore identification of the preferred baseline will involve judgement. Furthermore, one potential baseline is unlikely to clearly satisfy every Criterion and therefore judgement will be needed to weight the various Criteria. It is anticipated that the Project Plan would note the areas in which existing available evidence would need to be updated and further work undertaken regardless of the baseline chosen.

Analysis of the alternative baselines

12. This section describes and analyses each of the alternative baselines listed in paragraph 7 above.⁹ No staff views are expressed until paragraph 35, which includes Tables that summarise the discussion into a comparative analysis before reaching an overall staff recommendation.

'Green fields'

13. There are various degrees to which a 'green fields' approach could be adopted. The version adopted for this Paper presumes a clean start.¹⁰ Such an approach would not preclude reference being made to all currently available local and international material, including other potential baselines.
14. Arguments for adopting a 'green fields' baseline include that:
- (a) in terms of selection Criterion 1, it could accommodate any decisions the Board might make in response to the Pervasive Issues discussed in Agenda Paper 4.2;
 - (b) it would explicitly free the Board from the possible perceived constraints imposed by:

7 This suggested selection Criterion is consistent with and reinforces the staff recommendation in Agenda Paper 4.2 on Pervasive Issue G about limiting the scope of the project to 'service' performance.

8 Satisfaction of Criterion 1 to Criterion 6 would help facilitate an efficient and timely project (Criterion 7). However, Criterion 7 is identified as a Criterion in its own right to help distinguish alternative baselines that otherwise meet the same Criteria out of Criterion 1 to Criterion 6 but differ in their level of helpfulness in facilitating an efficient and timely project. Furthermore, staff regard some of the Criteria as self-evident but think there is merit in identifying them explicitly to help facilitate discussion. Also, although there may be other possible Criteria, they are not expected to be a substantive help in comparing the alternative baselines. However, for completeness, where relevant, the analysis of each alternative baseline later in this Paper acknowledges some of those other Criteria when identifying the arguments for and against each alternative baseline.

9 In support of the analysis, Appendix B of this Paper, structured around the Pervasive Issues (not just those for which a working assumption is recommended) rather than the alternative baselines, provides an analysis of how each Pervasive Issue and related staff recommendation presented in Agenda Paper 4.2 might influence the choice of baseline.

10 Other 'green fields' versions would effectively be different baselines as they would need to identify their own baseline, which could be any of the potential baselines identified in Appendix A of this Paper.

- (i) previous Board decisions about the project;¹¹ and
 - (ii) other pre-existing frameworks; and
- (c) it could result in a cohesive contemporary Australian framework, and thereby satisfy a majority of the baseline selection Criteria.
15. Arguments against adopting a ‘green fields’ baseline include that it could:
- (a) in terms of selection Criterion 7, be perceived as the Board repeating much of the green fields work already undertaken in developing ED 270 or undertaken by others locally or internationally in developing related pronouncements, which would not be an efficient use of Board resources to the extent it would not leverage off previous work;
 - (b) also in terms of Criterion 7, give rise to concerns that it would unnecessarily delay even further what many regard as an urgent need for guidance about service performance reporting, particularly for the NFP private sector; and
 - (c) in terms of Criterion 3, result in a pronouncement that would not have the benefit of having been tested through practical implementation experience.

AASB ED 270

16. Agenda Paper 7.1 of the AASB’s December 2022 meeting provides a history of the development of [ED 270](#). As noted in that Paper, the ED proposed requirements for public and private sector NFPs that were primarily based on IPSASB RPG 3 whilst also taking into account earlier ‘green fields’ research and developments in NZ.¹² Adopting ED 270 as the baseline would not preclude the Board from referencing all relevant later developments.
17. Arguments for adopting the existing work completed as part of ED 270 as the baseline include that:
- (a) in terms of selection Criterion 1, consistent with the staff recommended working assumptions for Pervasive Issues D, E and G, ED 270 addressed ‘service’ performance reporting by both public and private sector NFPs and did not propose differential reporting;
 - (b) in terms of Criterion 4 and Criterion 6, ED 270 reflected Australian circumstances; and proposed a cohesive framework;
 - (c) the AASB could leverage off the comments and suggestions made by stakeholders in response to the ED;¹³ and
 - (d) it would be consistent with project continuity, as if there had been no project hiatus, and thereby contribute to a perception of continuity of thought. It would also facilitate direct linkages from previous decisions reflected in ED 270 to later decisions.

11 Acknowledging this argument is not meant to imply that a different baseline would not have an element of ‘green fields’ and preclude the Board from changing its previous decisions. For example, although INPAG ED1 is different from ED 270, adopting INPAG ED1 as the baseline would have elements of ‘green fields’ to the extent it is used as a basis for deviating from ED 270 proposals.

12 The proposals in ED 270 and the NZ ED that was the precursor to PBE FRS 48 were each informed by the work being undertaken in developing the other. PBE FRS 48 subsequently benefited from the insights provided from stakeholders’ comments on the proposals whereas ED 270 was not progressed beyond its proposals.

13 The approach would not constrain the Board to decisions reflected in the ED. Comments on ED 270 provide insights into how its proposals could be improved (see, for example, [Agenda Paper 13.1](#) of the AASB’s December 2016 meeting). Respondents to ED 270 generally agreed with the objectives and principles as proposed but disagreed with some of the detailed proposals.

18. Arguments against adopting the existing work completed as part of ED 270 as the baseline include that:
- (a) in terms of selection Criterion 3, there is no practical implementation experience with the proposals in ED 270 from which insights could be gained;
 - (b) in terms of Criterion 2, ED 270, published in 2015, is unlikely to reflect current thinking. Since 2015, local and international developments (see Appendix A below)¹⁴ have emerged with requirements that differ from ED 270's proposals;
 - (c) although ED 270 did not propose differential reporting, which is consistent with the staff recommendation on Pervasive Issue G, a number of respondents expressed a view that the proposals would be too onerous for Tier 2 NFPs;
 - (d) the benefits of project continuity referred to in paragraph 17(d) are overstated. A reorientation to a different baseline, would not be a significant risk to continuity of thought and would benefit from more up to date thinking. The Board would not be precluded from providing its rationale for deviating from any of the decisions reflected in ED 270; and
 - (e) these foregoing arguments against adopting ED 270 as the baseline suggests that, in terms of Criterion 7, it may not facilitate an efficient and timely project.

NZ PBE FRS 48, including any implementation experiences

19. [PBE FRS 48](#) was issued in November 2017,¹⁵ and became mandatorily applicable on 1 January 2022. PBE FRS 48 differs from the proposals in ED 270 in several significant respects, including that, relative to ED 270, PBE FRS 48:
- (a) expresses service performance reporting principles at a higher level, and therefore requires a greater level of judgement to be applied, including in relation to the presentation format of service performance information;
 - (b) consequentially it is more specific about the disclosure of significant judgements affecting the selection, measurement, aggregation and presentation of service performance information that are relevant to understanding;
 - (c) places a greater emphasis on performance measures and descriptions being used to inform assessments of efficiency and effectiveness rather than those assessments being reported in their own right;
 - (d) is less prescriptive about reporting against planned service performance; and
 - (e) is more prescriptive about:
 - (i) the disclosure of information about unrecognised donated goods and services;
 - (ii) the disclosure of prior period comparisons; and
 - (iii) the relationship of service performance information to GPFS/GPFR.

An extract of the NZ PBE FRS 48 framework is provided in sections 1.3 and 2.3 of Agenda Paper 4.4 of this meeting in the supplementary folder.

14 See also paragraph 27 of the December 2022 Agenda Paper 7.1.

15 It subsequently included amendments up to 31 August 2020 to clarify a requirement relating to comparative information and consistency of reporting (budget vs actual reporting), and some editorial amendments. NZ PBE FRS 48 is also supported by [Explanatory Guide A10 Service Performance Reporting – Guidance for entities applying PBE FRS 48 Service Performance Reporting](#), which was issued by the XRB in December 2019.

20. Arguments for adopting NZ PBE FRS 48 and any implementation experience as the baseline include that:
- (a) in terms of selection Criterion 4 and Criterion 6, PBE FRS 48 is a cohesive framework that was developed for a jurisdiction that has many similarities to Australia;
 - (b) Australia and NZ have agreed on a [Trans-Tasman Protocol](#) for co-operation, which includes a medium-term goal for NFP entities being able to use a single set of accounting standards and prepare only one set of financial statements;¹⁶
 - (c) in terms of Criterion 3, the Standard is on the cusp of wide-spread adoption in NZ, and some additional application guidance has been published. For example, [part 4](#): improving how the government reports on its performance, in a report of the Controller and Auditor-General entitled *NZ Observations from our central government audits: 2021/22* states “The new standard presents an opportunity for public organisations to improve their performance reporting within the context of current system settings and to report on how they are making a difference for New Zealanders in a way that is meaningful to Parliament and the public. ... We are expecting to see public organisations improve their performance reporting ... Public organisations will need to carefully consider how they apply the standard and should also make use of the [good practice guidance](#) that we recently published in conjunction with the Treasury.” [paragraphs 4.9 and 4.10 – hyperlink added];
 - (d) in terms of Criterion 1, consistent with the staff recommendation on Pervasive Issue D, PBE FRS 48 applies to both private sector and public sector NFPs;¹⁷
 - (e) also in terms of Criterion 1, consistent with the staff recommendation on Pervasive Issue E, PBE FRS 48 applies equally to Tier 1 and 2 NFPs (i.e. there is no differential service performance reporting between the two Tiers). However, simplified requirements apply to NZ Tier 3 (accrual) NFPs,¹⁸ which could assist the AASB in its consideration of Tier 3 issues in the Australian context;
 - (f) in terms of Criterion 7, it has the prospect of helping facilitate an efficient AASB Service Performance Reporting project with a timely outcome; and
 - (g) as noted in paragraph 11 of Agenda Paper 4.2, NZ has developed a related auditing pronouncement NZ AS 1 *The Audit of Service Performance Information* (NZ AS 1), currently for the private sector and in the process of being amended to apply to both sectors. Further, the XRB is in the process of developing guidance on the information required to be disclosed by PBE FRS 48 relating to the disclosure of the basis for selecting and measuring service performance information.
21. Arguments against adopting NZ PBE FRS 48 and any implementation experience as the baseline include that:
- (a) in terms of selection Criterion 4, there are potentially substantive differences between Australia and NZ, as acknowledged in the Trans-Tasman Protocol;¹⁹

16 See the Background section of the Protocol.

17 NZ PBE FRS 48 only applies to public sector PBEs that are required by legislation to provide information in respect to service performance information in accordance with generally accepted accounting practice (GAAP).

18 See, for example, section 4 ‘Statement of Service Performance’ (paragraphs A39 to A44) in XRB’s *Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit)* ([PBE SFR-A \(NFP\)](#)) and the associated Explanatory Guide A5 ([EG A5](#)). Further information about NZ’s differential service performance reporting regime is provided in paragraphs B8 and B15 in Appendix B below.

19 In acknowledging AASB ED 270 at the time NZ PBE FRS 48 was issued, paragraph BC8 in the Basis for Conclusions accompanying PBE FRS 48 notes that “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.” The ‘Benefits of co-operation’

- (b) in terms of Criterion 3, there is limited implementation experience, and the NZ standard setter is unlikely to undertake a formal post-implementation review until sufficient experience has been gained over a number of reporting periods,²⁰^[OBJ]
- (c) there have been mixed findings from albeit limited recent academic research into NZ service performance reporting practices. For example, a recent study into NZ higher education institutions concluded that although “principles-based authoritative guidance and early adoption of PBE FRS 48 influence the focus and type of measures disclosed ... there is no evidence of improvements in the reporting of impacts, outcomes and information useful for performance evaluation”,²¹ and
- (d) some informal feedback from some NZ stakeholders suggests improvements could be made to PBE FRS 48. For example, some stakeholders have questioned whether PBE FRS 48 provides sufficient information on measuring impacts,²² and other stakeholders (particularly those unfamiliar with applying a high degree of judgement) have commented that the high-level principles provide too much flexibility. The discomfort has come mainly from NFP private sector stakeholders who, unlike NFP public sector stakeholders, do not have as much experience with service performance reporting.

Productivity Commission’s Report on Government (RoGS) Services framework and implementation experience

22. The [RoGS](#) framework is an example of a comprehensive public-sector-specific framework. It was first published in 1995, together with the following [introduction](#):

“It is the first of a series of annual publications that aim to inform parliaments, governments, government service agencies, and the clients of these agencies - the wider community - about their overall performance, based primarily on results rather than inputs.

This review is an ongoing exercise. It is intended that each subsequent report will incorporate improvements to the quality, consistency, and completeness of performance indicators and data.

section of the Trans-Tasman Protocol states: “The Participants agree it is important to take into account legitimate differences arising from different legal systems and unique local conditions in Australia and New Zealand. In particular, as Australia bases its NFP accounting standard setting on ... IFRS... and New Zealand bases its equivalent public benefit entity accounting standard setting on ... IPSASB... there is less opportunity for reducing the transactional costs of such entities operating in both Australia and New Zealand.”

AASB staff note that given the nature of service performance reporting, the IFRS vs IPSASB issue noted in the Protocol is not expected to be significant, particularly because NZ did not rely heavily on the IPSASB (particularly RPG 3) in developing PBE FRS 48. This was in part due to the long history of service performance reporting in NZ prior to the issue of RPG 3. However, consistent with the observation in the Protocol, in contrast to NZ, there may be a greater obligation for the AASB to consider IASB developments relating to management commentary in pursuing a service performance reporting pronouncement. Despite this, it is expected to be feasible to adopt PBE FRS 48 as the baseline of the project whilst still respecting the cautionary note reflected in the Protocol about the AASB’s greater regard to IFRS in a NFP context.)

- 20 In relation to this argument, greater NZ implementation experience would be expected to occur as the AASB’s project progresses. As per paragraph 27(c) of Agenda Paper 7.1 to the December 2022 AASB meeting, a Monash University research team was undertaking research into NZ PBE FRS 48 implementation experience. To date, because first-time adoption was often not complete at the time of the team’s discussions with preparers, insights are limited. A brief report entitled *Early Implementation Experiences with PBE FRS 48 in New Zealand* dated 17 April 2023 has been provided to project staff and will provide useful insights as the project progresses.

- 21 Hsiao, P.-C.K., Low, M. and Scott, T. (2023) Service performance reporting and principles-based authoritative guidance: an analysis of New Zealand higher education institutions. *Meditari Accountancy Research*, Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/MEDAR-10-2022-1825>

- 22 As reflected in the discussion in paragraphs BC23 to BC30 of the Basis for Conclusions accompanying NZ PBE FRS 48, the NZ Accounting Standards Board (NZASB) moved away from the proposal to require reporting on impacts. This was due to several reasons, including inconsistent use of the term and difficulties in attributing observed changes to a specific entity. While users may use information in a Statement of Service Performance to assess impact, providing that information is not an objective of PBE FRS 48.

It is also intended that the scope of the Review will expand over time to include additional areas of government service provision including programs specific to the Commonwealth Government and Local Government.”

23. RoGS was most recently published in 2022, the introduction to which states:
- “The Report on Government Services (RoGS) provides information on the equity, effectiveness and efficiency of government services in Australia.”
- Further information about the RoGS framework is provided in section 4.2 of Agenda Paper 4.4 of this meeting in the supplementary folder.
24. Arguments for adopting the RoGS framework and implementation experience as the baseline include that:
- (a) in terms of selection Criterion 3, it has a long track record of implementation experience;
 - (b) in terms of Criterion 4, it is developed and maintained by an Australian authority with a focus on Australian circumstances;
 - (c) in terms of Criterion 6, it is a cohesive framework that has been refined over many years (since 1995); and
 - (d) in terms of Criterion 7, it has the prospect of helping facilitate an efficient AASB project with a timely outcome.
25. Arguments against adopting the RoGS framework and implementation experience as the baseline include that:
- (a) the implementation of the RoGS framework has relied on resources available in the public sector for relatively advanced levels of service performance reporting and, therefore, has not had direct regard to the needs and resource constraints of NFPs in the private sector. For example, RoGS is data-driven and statistically based, and consequently dependent on data definition and collection systems that may be beyond the current capability and resources of many private sector NFPs;
 - (b) in terms of Criterion 1, it is inconsistent with the staff recommendation on Pervasive Issue D because its focus is on the public sector, thereby excluding public sector NFPs;
 - (c) its focus is on only a selected number and types of service areas (particularly ‘social services’),²³ and is focused on reporting on those areas rather than on entity reporting;
 - (d) in terms of Pervasive Issue A, it was not developed by an accounting standard setter; and
 - (e) it potentially goes beyond what might be reasonably expected as service performance reporting requirements. For example, it mandates disclosure of specified efficiency and effectiveness measures/performance indicators rather than information that would facilitate assessments of efficiency and effectiveness.

CIPFA’s International Non-Profit Accounting Guidance Exposure Draft 1 (INPAG ED1)

26. [INPAG ED1](#) was published in November 2022 for comment by 31 March 2023. Page 9 indicates that INPAG ED1, including the proposals for mandatory narrative reporting (including service performance reporting), is intended to be used primarily by those that need to prepare financial information on an accrual basis. INPAG ED1 includes section 35 (an

23 The Productivity Commission’s website (under ‘The Report’s scope’ section) explains that ‘social services’ “aim to enhance the wellbeing of people and communities by improving largely intangible outcomes (such as health, education and community safety). The Report contains performance information on child care, education and training, health, justice, emergency management, community services, social housing, and homelessness across 17 service areas.”

extract of which is provided in section 4.6 of Agenda Paper 4.4 of this meeting in the supplementary folder), which addresses principles for narrative reporting. Paragraph G35.1 states that the section:

“sets out narrative reporting requirements for NPOs. It provides guidance on the performance information and financial statement commentary that is to be presented by an NPO in the same general purpose financial report as its financial statements.”²⁴

27. INPAG ED1 draws on a broad range of sources of material for inspiration, including public sector NFP material (despite it being beyond the ED’s scope), as noted in:

- (a) paragraph GP8, which states:

“The three international financial reporting frameworks that have been used in developing INPAG are full IFRS Accounting Standards, the IFRS for SMEs Accounting Standard, and International Public Sector Accounting Standards (IPSAS).”

- (b) paragraphs BC35.12 and .13 of ED1’s Basis for Conclusions, which state:

“The narrative reporting requirements were developed as a mandatory framework, using a principles approach based on the existing IASB Practice Statement and IPSASB Recommended Practice Guidelines (RPGs) and jurisdictional-level frameworks. The IASB Practice Statement and IPSASB RPGs and jurisdictional-level frameworks were used instead of the Integrated Reporting Framework as they are expected to be less complicated for NPOs to apply and will complement the information in the financial statements rather than require NPOs to also apply broader integrated reporting principles.

In developing these proposals, the requirements of the IASB Practice Statement, IPSASB RPGs and jurisdictional-level frameworks were tailored to meet the needs of users of NPO general purpose financial reports and to reflect the capacity and capability of the NPOs that the INPAG is initially aimed at.”

28. INPAG ED1 is focused on private sector NFPs. Paragraph G1.5 explains why public sector NFPs are excluded:

“... government and public sector entities have different characteristics, such as the importance of funding through taxation, budgets that are approved and overseen by a legislative body or equivalent, and the existence of redistributive and regulatory powers that can only be exercised with government authority. The needs of users of government and public sector general purpose financial reports will be met by using public sector financial reporting standards.”²⁵

29. Arguments for adopting INPAG ED1 as the baseline include that:

- (a) in terms of Pervasive Issue A and selection Criterion 2, it reflects the contemporary thinking of an accounting standard setter following a comparable due process;
- (b) in terms of Criterion 6, it is a cohesive framework that is advanced in its development, and the timing of its ongoing development might coincide with the AASB’s project timeframe – whether in tandem or as an ongoing reference point that could guide the AASB’s deliberations;

24 Paragraph BC35.15 describes ‘performance information’ as “information on performance objectives and plans and what has been achieved with measures and descriptions to demonstrate performance being a mix of quantitative measures, qualitative measures and qualitative descriptions.” Performance objectives and plans can be set for a variety of performance aspects that are not ‘service’, including for example fundraising performance.

25 The comments in paragraph G1.5 of INPAG ED1 go to the heart of the fundamental question of whether it is possible or appropriate or premature to strive for a single service performance pronouncement that is applicable to both private and public sector NFPs. That issue is discussed as Pervasive Issue D in paragraphs 26 to 32 of Agenda Paper 4.2.

- (c) consistent with the staff recommendation on Pervasive Issue E, it expresses principles at a high enough level to not warrant differential reporting for Tier 2 NFPs (although it also does not contemplate differential reporting for Tier 3 NFPs); and
 - (d) in terms of Criterion 7, it has the prospect of helping facilitate an efficient project with a timely outcome.
30. Arguments against adopting INPAG ED1 as the baseline include that:
- (a) in terms of selection Criterion 3, it has not yet been implemented, and therefore it has not been tested in a ‘real-world’ setting;
 - (b) in terms of Criterion 1, in contrast to the staff recommendation on Pervasive Issue D, it focuses on private sector NFPs;
 - (c) also in terms of Criterion 1, in contrast to the staff recommendation on Pervasive Issue G, it addresses performance information, which is broader than ‘service’ performance; and
 - (d) in terms of Criterion 4, it has limited regard to Australian circumstances. Its guidance is aimed at international application and primarily based on international pronouncements of the IASB and IPSASB.²⁶

Comparative analysis of the alternative baselines and overall staff recommendation

31. The following Tables provide a high-level summarised comparative analysis of the alternative baselines based on the discussion above and links it back to the staff recommendations on the Pervasive Issues in Agenda Paper 4.2:
- (a) Table 1 depicts the relationship between Agenda Paper 4.2 and this Paper by listing:
 - (i) each Pervasive Issue (Column 1),
 - (ii) the staff recommendation for each Pervasive Issue (Column 2);
 - (iii) staff assessment of whether and the extent to which each alternative baseline is consistent with that staff recommendation (summarising paragraphs 13 to 30 above and Appendix B below), in Columns 3 to 7 – together with clarifying text where necessary: YES = consistent; NO = inconsistent; NA = not applicable; and
 - (b) Table 2, which is linked to Table 1 by virtue of Criterion 1, depicts:
 - (i) each Criterion for selecting a baseline (Column 1, from paragraph 10 above),
 - (ii) the staff recommended preference for each Criterion (Column 2, from paragraph 1010 above); and
 - (iii) staff assessment of the relative degree to which each alternative baseline satisfies the Criterion in Columns 3 to 7 – together with clarifying text where necessary: YES = consistent; NO = inconsistent.

26 Whilst the AASB has had some input to and influence on the development of INPAG ED1, at its December 2022 meeting the AASB decided not to comment on INPAG ED1. This was on the basis that:

- (i) Australian Accounting Standards already set out financial reporting requirements for NFP entities preparing GPFs; and
- (ii) the AASB’s NFP projects (NFP Financial Reporting Framework and Service Performance Reporting) have considered and will continue to consider whether future international guidance could be leveraged within future differential reporting for NFP private sector entities.

The AASB noted at its December 2022 meeting that AASB staff will continue monitoring INPAG ED1 developments and consider any impact on the local projects. (See [Agenda Paper 10.1](#) of the December 2022 meeting).

Table 1: Consistency of alternative baselines with the staff recommendations relating to the Pervasive Issues

Pervasive Issue	Staff recommendation	Alternative baselines: level of consistency with the staff recommendation				
		<i>Green fields</i>	<i>ED 270</i>	<i>NZ PBE FRS 48</i>	<i>RoGS</i>	<i>INPAG ED1</i>
A: AASB's role	Working assumption: AASB should undertake the project and play a leading role in collaborating with other regulators and relevant stakeholders.	YES, on the basis that it could result in a conclusion that is consistent with the working assumption	YES	YES, NZ PBE FRS 48 was developed by an accounting standard setter	YES, although RoGS was developed by the Productivity Commission, which is not an accounting standard setter	YES, INPAG ED1 was developed by an accounting standard setter
B: Relationship of service performance information to GPFS/GPFR/assurance	No need to make a working assumption at this stage. Instead, resolve the issue as the project progresses and more insights are gained, in conjunction with the: (a) NFP Conceptual Framework and Management Commentary projects, in addressing the question of the relationship of service performance information to GPFS/GPFR (see also Pervasive Issue C); and (b) AUASB, in addressing the question of the relationship of service performance information to assurance/assurability.	YES	YES, albeit that, in contrast with the alternative baselines, ED 270 possibly excludes service performance information from scope of GPFS and audit (see paragraphs 17-19 & BC 19 of ED 270)	YES, albeit that, in contrast with the alternative baselines except INPAG ED1, NZ PBE FRS 48 includes service performance information within scope of GPFR Also, it is notable that NZ has NZ AS 1 <i>The Audit of Service Performance Information</i>	YES, albeit that, in contrast with the alternative baselines, RoGS is presented in a web-based report separate from financial statements	YES, albeit that, in contrast with the alternative baselines except NZ PBE FRS 48, INPAG ED1 includes service performance information within scope of GPFR
C: Relationship of the Service Performance Reporting (SPR) project to the Sustainability Reporting, Management Commentary, NFP Financial Reporting Framework, and NFP Conceptual Framework projects	Working assumptions: (a) Consistent with Pervasive Issue B, address the question of the relationship of service performance information to GPFS/GPFR in conjunction with the NFP Conceptual Framework and Management Commentary projects; and (b) Except as noted in (a), proceed separately with each project, keeping each other informed (and thereby avoid further delay in addressing SPR)	YES	YES	YES	YES	YES
D: Scope of the project: public sector vs private sector	Working assumption: On balance, at least initially, pursue a single SPR pronouncement that is applicable to both sectors. Consider the need for separate sector-specific application guidance in due course. (This is despite some strong arguments in favour of addressing the sectors separately, or public or private sector first.)	YES, on the basis that it could result in a pronouncement that is suitable for both sectors	YES, addresses both sectors	YES, addresses both sectors	NO, focuses on public sector	NO, focuses on private sector, although has been informed by public sector
E: Differential reporting for Tiers 1, 2 & 3	(a) Working assumption: Differential reporting will not be needed for Tiers 1 & 2 if workable generic and scalable principles or an 'undue cost or effort' criterion can be developed; and (b) No need to make a working assumption about Tier 3 differential reporting issues at this stage. Instead, resolve the issues as the project progresses and more insights are gained.	YES, on the basis that it could result in a pronouncement that does not adopt differential reporting principles for Tier 2 and could cater for Tier 3 needs	YES, ED 270 did not propose differential reporting for Tier 2, and did not contemplate Tier 3	YES, in relation to Tiers 1 & 2. NO, in relation to Tier 3, which is subject to simpler requirements than PBE FRS 48. However, in principle, the requirements are broadly consistent and similar across all Tiers. NZ is considering amendments that would bring the requirements in Tier 3 even more in line with Tiers 1 & 2 requirements.	YES, RoGS does not contemplate differential reporting for Tier 2, and is unlikely to have contemplated Tier 3	YES, in relation to Tier 2. INPAG ED1 does not contemplate differential reporting (its proposals relate to private sector NFPs that adopt an accrual basis of financial reporting and do not contemplate Tier 3 differential reporting)

Pervasive Issue	Staff recommendation	Alternative baselines: level of consistency with the staff recommendation				
		<i>Green fields</i>	<i>ED 270</i>	<i>NZ PBE FRS 48</i>	<i>RoGS</i>	<i>INPAG ED1</i>
F: Status of the resulting SPR pronouncement: mandatory vs voluntary	No need to make a working assumption at this stage. Instead, resolve the issue as the project progresses and more insights are gained. Apply the same level of rigour throughout the project irrespective of whether a mandatory or voluntary pronouncement is to be issued.	YES, on the basis that it could result in either a mandatory or voluntary pronouncement	YES, on the basis that even though it proposed a mandatory pronouncement, it could form the foundation for either a mandatory or voluntary pronouncement	YES, on the basis that even though it is a mandatory pronouncement, it could form the foundation for either a mandatory or voluntary pronouncement	YES, on the basis that even though it is mandatory, it could form the foundation for either a mandatory or voluntary pronouncement	YES, on the basis that even though it proposes a mandatory pronouncement, it could form the foundation for either a mandatory or voluntary pronouncement
G: The notion of 'service'	Working assumption: On balance, exclude other aspects of performance, including 'fundraising' and 'management expense' performance (to help avoid project-scope creep and thereby ensure more timely completion of the project to meet important stakeholder needs).	YES, on the basis that it could result in a pronouncement that is limited to service performance reporting	YES	YES	YES, although focused on 'social services'	NO, not given the broad notion of 'performance information' related to 'performance objectives' referred to by INPAG ED1
H: The next due process document	No need to make a working assumption at this stage. Instead, resolve the issue as the project progresses and more insights are gained.	NA	NA	NA	NA	NA

Table 2: Consistency of alternative baselines with the staff recommendations relating to the baseline selection Criteria

Baseline selection Criterion	Staff recommendation	Alternative baselines: level of consistency with the staff recommendation				
		<i>Green fields</i>	<i>ED 270</i>	<i>NZ PBE FRS 48</i>	<i>RoGS</i>	<i>INPAG ED1</i>
1: Consistency with the above working assumptions	The greater consistency, the better	5 out of 5	5 out of 5 (although not informative re Tier 3)	5 out of 5 (and informative re Tier 3)	4 out of 5 (failing D, and also not informative re Tier 3)	3 out of 5 (failing D & G, and also not informative re Tier 3)
2: Contemporary thinking	The more contemporary, the better	YES	NO	YES, although not as much as 'green fields' or INPAG ED1	NO, although subject to annual improvements since 1995	YES
3: Implementation experience	The more implementation experience, the better	NO	NO	YES, emerging	YES, significant	NO
4: Australian circumstances	The more the chosen baseline reflects Australian circumstances, the better	YES	YES	NO, although NZ has many similarities to Australia and both jurisdictions operate under the Trans-Tasman Protocol	YES, although only public sector	NO, although the AASB has had some albeit limited input during the development of INPAG ED1
5: Focus on SPR	The more focused on SPR, the better	YES	YES	YES	YES	NO, INPAG ED1 addresses narrative reporting and, within that, performance reporting more generally
6: Cohesiveness	The more cohesive, the better	YES, on the basis It could result in a cohesive framework	YES	YES	YES	YES
7: Prospect of facilitating an efficient project with a timely outcome	The more a baseline could facilitate efficiency and timeliness, the better	NO	NO	YES	YES	YES

32. The number of 'YES'es in Column 3 under a 'green fields' approach suggests adopting a 'green fields' baseline has some appeal. However, even though it could adapt to any decisions the Board makes on the Pervasive Issues, from a Criterion 7 perspective 'green fields' would not seem to be the most efficient way to proceed in pursuit of a timely outcome in the absence of a cohesive pre-existing framework that could be leveraged off. Therefore, depending on the weight given to Criterion 7, any of the other alternative baselines would be preferred to a 'green fields' approach.
33. Although on the surface AASB ED 270 also scores highly given the number of 'YES'es in Column 4, it does not reflect up to date thinking (Criterion 2) and would not provide insights from implementation experience (Criterion 3). Furthermore, in terms of Criterion 7, compared with the alternative baselines that reflect advances made since AASB ED 270 was issued, it would not seem to be the most efficient way to proceed towards a timely outcome. Therefore, depending on the weights given to Criteria 2, 3 and 7 relative to the other Criteria, although preferable to a 'green fields' approach, AASB ED 270 would not be the preferred baseline.
34. Accordingly, the primary competing contenders for the preferred baseline are NZ PBE FRS 48, RoGS and INPAG ED1. As noted in the above discussion, the choice of any particular baseline would not preclude the project from being informed by any or all of the other options for the baseline.
35. The analysis above suggests that the main decisive factors for selecting the preferred baseline from NZ PBE FRS 48, RoGS and INPAG ED1 are:
 - (a) Criterion 1: consistency with the Pervasive Issues' working assumptions. Of the Pervasive Issues for which staff recommend a working assumption be made, only Pervasive Issue D (public and/or private sector NFPs) and Pervasive Issue G (level of focus on 'service') would have the greatest impact on the choice of baseline. Pervasive Issue E (differential reporting) might also be influential in the context of Tier 3 NFPs;
 - (b) Criterion 2: contemporary thinking;
 - (c) Criterion 3: implementation experience;
 - (d) Criterion 4: Australian-specific circumstances; and
 - (e) Criterion 7: the prospect of facilitating an efficient and timely project.²⁷

Staff overall recommendation

36. Of the three candidates, NZ PBE FRS 48 with its emerging implementation experience (Criterion 3), public/private sector neutrality (the recommended working assumption for Pervasive Issue D), focus on 'service' (the recommended working assumption for Pervasive Issue G), scores more highly than RoGS and INPAG ED1. This is despite NZ PBE FRS 48 not reflecting the most recent thinking (Criterion 2) nor Australian-specific circumstances (Criterion 4) – although the Trans-Tasman Protocol arguably moderates this concern. Therefore, although RoGS would score more highly on Australian-specific circumstances (Criterion 4) and implementation experience (Criterion 3); and INPAG ED1 would score more highly on contemporary thinking (Criterion 2), on balance, **staff recommend that NZ PBE FRS 48 together with any implementation experience is adopted as the preferred baseline.** In addition, NZ's treatment of Tier 3 entities can inform the Board's decisions about Tier 3 in the Australian context as the project progresses.

²⁷ Criterion 5 (focus on 'service') and Criterion 6 (cohesiveness) are excluded from this list because Criterion 5 is effectively encapsulated in Pervasive Issue G and, with regard to Criterion 6, all the alternative baselines are cohesive. As evident from Appendix A to this Paper, Criterion 6 was useful in assessing the suitability of best/acceptable practice as a baseline.

37. This overall staff recommendation is predicated on accepting the working assumptions that a 'service' performance reporting pronouncement will be developed for both public and private sector NFPs. Otherwise, the balance could be in favour of, for example:
- (a) INPAG ED1, if working assumptions are made to go broader than 'service' and/or to focus on private sector NFPs; or
 - (b) RoGS, if a working assumption is made to focus on public sector NFPs.

Next steps

38. Refer to Questions for the Board at the end of Agenda Paper 4.1 of this meeting. Once the Board has decided on the baseline, staff will proceed to draft a Project Plan that:
- (a) builds on that baseline; and
 - (b) is consistent with the Board's decisions about the suggested content from Agenda Paper 4.2,
- for consideration by the Board at a future meeting.

APPENDIX A: Potential baselines

- A1. Paragraph 28 of Agenda Paper 7.1 of the Board’s December 2022 meeting states:
- “In relation to the project’s scope, broad approach and overall direction, a key matter will be the baseline for re-starting the project. That is, whether the project should, for example:
- (a) build on the existing work completed as part of ED 270;
 - (b) build on the developments subsequent to the publication of ED 270 ...;²⁵ or
 - (c) apply a ‘green fields’ approach, i.e. starting from first principles ...” (footnote omitted)
- A2. In relation to (b), there are a range of frameworks that have been developed or are under development since AASB ED 270 was issued and could be considered for the baseline. There are also other frameworks that, although developed prior to the development of ED 270, have been subject to improvements and could provide insights, including from implementation experience.
- A3. The list in the following Table demonstrates the range of potential project baselines in addition to ‘green fields’ and ED 270.²⁸ The Table attributes them to broad categories related to some of the baseline selection Criteria identified in paragraph 10 of this Paper, as shown in the headings of Columns 3 to 8. The frameworks highlighted are those that this Paper focuses on for the purposes of comparisons with ‘green fields’ and ED 270.

28 For the sake of brevity, the Table does not provide an exhaustive list of potential frameworks. Those excluded include:

- (a) many frameworks applicable to for-profit entities, in keeping with the NFP focus of the project;
- (b) IPSASB RPG 3, which was effectively adopted as the baseline for AASB ED 270 that is analysed as an alternative baseline in this Paper; and
- (c) individual Australian state, territory and local government frameworks.

For completeness and as a record, a brief outline of many of the rejected potential baselines is included in Agenda Paper 4.4 of this meeting. Even though they are unlikely to be suitable baselines in their own right, they might provide useful insights as the project proceeds.

Table: Potential baselines, with an indication of some of their attributes

Potential baselines that could be alternatives to ‘green fields’ and ED 270	Further information available in this Agenda Paper or Agenda Papers 4.2 or 4.4)	Jurisdiction	Public or private sector	NFP or for-profit	Focus on ‘service’ ¹	Cohesive framework	Under development [#]
The Integrated Reporting Framework <IR>	Section 4.4 Agenda Paper 4.4	International	Private*	For-profit*	Broader	Yes	No
Management Commentary (and IASB’s pronouncement and ongoing review)	Paras 15-18 Agenda Paper 4.2, and section 4.5 Agenda Paper 4.4	International	Private^	For-profit^	Broader	Yes	Yes
Sustainability Reporting (including ISSB’s ongoing work)	Paras 15-18 Agenda Paper 4.2	International	Private	For-profit	Different	Yes	Yes
INPAG ED1	Section 4.6 Agenda Paper 4.4	International	Private	NFP	Broader	Yes	Yes
IPSASB RPG 3 implementation experience	Section 4.1 Agenda Paper 4.4	International	Public	NFP	Yes	Yes	No
Canada Treasury Board Directive on Results	Section 1.2 Agenda Paper 4.4	Foreign national	Public	NFP	Broader	Yes	No
Canada Revenue Agency Registered Charity Information Return	Section 2.2 Agenda Paper 4.4	Foreign national	Private	NFP	Narrower	Yes	No
NZ PBE FRS 48 (Explanatory Guide A10) and any implementation experience	Paras 22-24 above, and Sections 1.3 & 2.3 Agenda Paper 4.4	Foreign national	Both	NFP	Yes	Yes	No
South Africa Section 55 of the Public Finance Management Act 1999 and paragraph 28.2.2 of Treasury Regulation PFMA	Section 1.4 Agenda Paper 4.4	Foreign national	Public	NFP	Broader	Yes	No
UK paragraph 5.2 of The Government Financial Reporting Manual 2019-20	Section 1.5 Agenda Paper 4.4	Foreign national	Public	NFP	Broader	Yes	No
UK Charities SORP (FRS 102) (particularly paragraph 1.20)	Sections 2.4 & 4.7 Agenda Paper 4.4	Foreign national	Private	NFP	Broader	Yes	No (but current review)
USA GASB Statement No. 34 of the Governmental Accounting Standards Board - Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments	Section 1.6 Agenda Paper 4.4	Foreign national	Public	NFP	Different – financial performance	Yes	No
USA Part III of Department of the Treasury Internal Revenue Service - Form 990 - Return of Organization Exempt From Income Tax	Section 2.5 Agenda Paper 4.4	Foreign national	Private	NFP	Yes	Yes	No
RoGS and its recent implementation experience	Paras 25-29 above, and Section 4.2 Agenda Paper 4.4	Australian national	Public	NFP	Yes – social services	Yes	No (but annual improvements)
ACNC Guidance for the Annual Information Statement (section 12 description of charity’s activities and outcomes; and information about the charity’s programs)	Sections 2.1 & 4.8 Agenda Paper 4.4	Australian national	Private	NFP	Narrower	Yes	No
Section 300B of the Corporations Act applicable to company limited by guarantee	Section 2.1 Agenda Paper 4.4	Australian national	Private	NFP	Broader	Yes	No
Section 299 (applicable to listed and unlisted entities) & Section 299A (applicable to listed entities) of the Corporations Act and ASIC RG 247 (applicable to listed entities) and recent implementation experience	AASB Staff Paper on narrative reporting by for-profit entities, and section 3.1 Agenda Paper 4.4	Australian national	Private	For-profit	Broader	Yes	No
ASX Guidance Note 10 (including paragraph 8 on performance indicators)	Section 4.9 Agenda Paper 4.4	Australian national	Private	For-profit	Broader	Yes	No
Public Governance, Performance and Accountability Act 2013 (PGPA) and its recent implementation experience	Section 1.1 Agenda Paper 4.4, and Commonwealth Performance Framework	Specific jurisdiction in Australia*	Public	NFP	Broader	Yes	No (but under review)
Best or acceptable service performance reporting practice	Section 4.9 Agenda Paper 4.4	Any or all	Both	Both	Yes	No	Yes

¹ ‘Broader’ means includes but not solely service performance; ‘Narrower’ means includes some but not all elements of service performance; ‘Different’ means a focus that is related to but different from service.

[#] A ‘No’ in this column does not necessarily mean that the potential baseline is not subject to ongoing monitoring and review.

* Page 6 of the [International <IR> Framework](#) (January 2021) states: “The <IR> Framework: ... Is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organisations”

^ In issuing [AASB ED 311 Management Commentary](#) (June 2021) incorporating the IASB ED, the AASB included a specific matter for comment on whether the proposals would be suitable for NFP and public sector entities.

A4. Many of the potential baselines in the Table are not considered further in this Paper. As noted in paragraph 6, this has the benefit of limiting the size of the Paper and acknowledges that:

- (a) there is likely to be many similarities between them (e.g. because they are frameworks that were developed, for example, with a particular sector in mind, using similar sources or by similar jurisdictions perhaps leveraging off each other); or
- (b) they can be rejected outright due to their failure to satisfy at least one of the critical selection Criteria. For example, some potential baselines are:
 - (i) not expected to provide much insight (e.g. implementation of IPSASB RPG 3, due to the lack of implementation experience with RPG 3);¹
 - (ii) too focused on a particular jurisdiction and therefore not (understandably) developed with regard to Australian circumstances (e.g. Canada, South Africa, and USA);²
 - (iii) too early in their due process development (e.g. UK FRC review of Charities SORP);³
 - (iv) too broad in their scope (e.g. <IR>, management commentary);
 - (v) too narrow in their focus (e.g. PGPA, which is focused on the Commonwealth Government;⁴ ACNC guidance, which is focused on private sector charities and how their activities and outcomes help achieve their purposes and information about their programs; ASIC RG 247, which is focused on for-profit entities); or
 - (vi) not cohesive enough (e.g. best or acceptable practice),

which means that there would only be a marginal benefit in more fully analysing each one for the purposes of choosing a baseline. As noted in paragraph 7, in addition to ‘green fields’ and AASB ED 270, NZ PBE FRS 48, RoGS and INPAG ED1 represent a reasonable mix across the spectrum of possible candidates in terms of the sectors they deal with, their levels of implementation experience and contemporary thinking, their scopes and jurisdictions.

1 It is notable that IPSASB has recently consulted on amendments to RPG 3 to address sustainability reporting – see [IPSASB ED 83 Reporting Sustainability Program Information](#), issued 3 November 2022 for comment by 16 January 2023. Amendments to RPG 3 were approved in March 2023.

2 In contrast, although PBE FRS 48 is specific to NZ, Australia and NZ have many similarities and operate under the Trans-Tasman Protocol.

3 In contrast, although INPAG ED1 is subject to further due process, it at least provides a comprehensive articulated expression of a possible pronouncement that would include service performance reporting principles.

4 In contrast to PGPA, RoGS has a more general Australian public sector focus.

APPENDIX B: Implications of the Pervasive Issues discussed in Agenda Paper 4.2 for the choice of baseline

- B1. This Appendix provides an analysis of how the Pervasive Issues (not just those for which staff recommend a working assumption be made) discussed in Agenda Paper 4.2 and the staff recommendations thereon might influence the choice of baseline. The body of this Paper is structured around the alternative baselines and, among other matters, considers the consistency of those alternative baselines with the staff recommendations relating to the Pervasive Issues, primarily focusing on the recommended working assumptions. In contrast, this Appendix is structured around the Pervasive Issues.
- B2. Although this Appendix effectively presents the same information in relation to the issues for which staff have recommended a working assumption, it adds to the information in the body of the Paper about the Pervasive Issues for which staff have recommended no working assumption is made. Given the open-ended nature of a 'green fields' approach, that alternative baseline is not considered in the following analysis unless particularly pertinent to an issue. The analysis is presented as additional support for Columns 3 to 7 (particularly Columns 4 to 7) of the top part of the Table in paragraph 31.

Pervasive Issue A: AASB's role

- B3. The staff recommendation on this issue is that the AASB, as an accounting standard setter, is a suitable body to produce a comprehensive principles-based pronouncement on service performance reporting.
- B4. It is not expected that this recommendation would have a significant influence on the choice of baseline. This is because, even if the chosen baseline was a non-accounting-standard-setter's pronouncement (such as the RoGS framework), it could help inform the Board's decision making as an accounting standard setter. The other alternative baselines (AASB ED 270, NZ PBE FRS 48 and INPAG ED1) are consistent with the staff recommendation because they are products of an accounting standard setter.

Pervasive Issue B: Relationship to GPFS/GPFR and assurance

- B5. The staff recommendation on this issue is that no working assumption is needed at this stage.
- B6. It is not expected that the absence of a working assumption would have a significant influence on the choice of baseline. However, it is notable that a service performance reporting pronouncement that:
- (a) explicitly regards service performance information as necessarily falling within the scope of GPFS/GPFR and assurance would be most consistent with NZ PBE FRS 48 and INPAG ED1, albeit that they use GPFR rather than GPFS terminology; or
 - (b) treats service performance information as potentially outside the scope of GPFS/GPFR and assurance would be most consistent with adopting:
 - (i) ED 270 as the baseline. Although paragraph 5 of AASB ED 270 proposed that any resulting Standard would be applicable to NFPs that prepare GPFS (or GPFR in accordance with the *Corporations Act 2001*), paragraph 17 proposed allowing the required service performance information to be presented in either "(a) the same report as the financial statements; (b) a separately issued report; or (c) a variety of different reports". Paragraph BC19 of the Basis for Conclusions accompanying ED 270 went on to say that:

“Although the Board decided that this [draft] Standard should have a mandatory status, because reporting on service performance information does not form part of an entity’s financial statements, but rather is intended to supplement those financial statements, this [draft] Standard does not require reported service performance information to be audited. The Board noted that this is a matter for an entity’s regulator.”

Broadly, respondents to ED 270 concurred with this approach, although some clarifications were suggested;¹ or

- (ii) RoGS as the baseline. RoGS is presented on the internet separately from GPFS/GPFR.

Pervasive Issue C: Relationship to the Sustainability Reporting, Management Commentary, NFP Financial Reporting Framework and NFP Conceptual Framework projects

- B7. The staff recommendation on this issue is that, except in relation to the NFP Conceptual Framework project (see paragraph B9 below), the relevant projects can, for the most part, proceed separately. Furthermore, in relation to the Sustainability Reporting and Management Commentary projects, consistent with paragraph B4, pronouncements on sustainability reporting and management commentary would not be expected to be contenders for the baseline.
- B8. Although the projects can proceed separately, the very existence of the NFP Financial Reporting Framework project could influence the choice of baseline. For example, unlike ED 270, RoGS and INPAG ED1, NZ has Tier 3 (accrual – as noted in paragraph 20(e) of this Paper) and Tier 4 (cash) differential service performance reporting requirements available to eligible NFPs.² Therefore, NZ Tier 3 could provide a baseline upon which the AASB could build for the proposed Tier 3 in the Australian context.³
- B9. The relationship between the NFP Conceptual Framework project and the Service Performance Reporting project would not be expected to influence the Board’s choice of baseline. However, Board deliberations as part of the NFP Conceptual Framework project about clarifying the distinction between GPFS and GPFR, and the relationship of service performance information to GPFS/GPFR, will help inform the Board’s service performance reporting deliberations (see also Pervasive Issue B immediately above).

1 Some respondents to ED 270 suggested making it clearer that an audit is not expected. It is notable that NZ PBE FRS 48 states that service performance information falls within the scope of GPFR (“An entity shall present service performance information ... in the same general purpose financial report as its financial statements” [paragraph 6 of NZ PBE FRS 48]) and the NZASB did not find it necessary to explicitly refer to audit matters in the Standard or the Basis for Conclusions, although relevant guidance is provided in XRB’s [Explanatory Guide A10](#) (see, for example, the section on ‘Planning for audit and final approval’ in which paragraph 88 states “In most cases service performance information prepared in accordance with PBE FRS 48 and reported in the annual report will need to be audited. If you’re not sure, check the relevant legislation or your founding documents. Charities Services has information about statutory audit and review requirements for registered charities.”).

2 Entities that can apply NZ Tier 3 (see section 4 of NZ’s Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit) [[PBE SFR-A \(NFP\)](#)] and section 4 of NZ’s Public Benefit entity Simple Format Reporting – Accrual (Public Sector) [[PBE SFR-A \(PS\)](#)] for the service performance reporting requirements)) are public benefit entities with annual expenses under \$2 million in the previous two financial periods that have no public accountability. Entities that can apply NZ Tier 4 (see section 4 of NZ’s Public Benefit Entity Simple Format Reporting – Cash (Not-for-Profit) [[PBE SFR-C \(NFP\)](#)] and section 4 of NZ’s Public Benefit Entity Simple Format Reporting – Cash (Public Sector) [[PBE SFR-C \(PS\)](#)]) are public benefit entities that are allowed by law to use cash accounting, have annual operating expenditure less than \$140,000 in the previous two financial periods and do not have public accountability. Entities that can apply NZ Tier 2 are those that are not large PBEs. A large PBE is one that has public accountability at any time during the reporting period or is large (i.e total expenses over \$30M). (See [XRB A1 Application of the Accounting Standards Framework](#) (issued December 2015 and incorporates amendments to 31 December 2022).

3 Because the NZ work is related to differential reporting issues, the discussion in paragraph B13 below in relation to Pervasive Issue E on differential reporting is also relevant.

Pervasive Issue D: Public sector and/or private sector entities

- B10. The staff recommendation on this issue is, on balance and at least initially, to pursue a single service performance reporting pronouncement that is applicable to both sectors.
- B11. Adopting this recommendation would be most consistent with adopting NZ PBE FRS 48 as the baseline. In contrast, giving priority to:
- (a) the public sector would be most consistent with adopting a public-sector-specific framework as the baseline, such as RoGS; and
 - (b) the private sector would be most consistent with adopting INPAG ED1 as the baseline, which was informed by, but not focused on, the public sector.
- B12. However, none of the alternative baselines would be incompatible with the recommended working assumption (or final decision) about this Pervasive Issue.

Pervasive Issue E: Differential reporting

- B13. The staff recommendation on this issue is to:
- (a) make a working assumption that differential reporting is not necessary for Tiers 1 and 2 if workable generic and scalable principles or an 'undue cost or effort' criterion can be developed; and
 - (b) not make a working assumption about Tier 3 differential reporting issues at this stage. Instead, the issues should be resolved as the project progresses and more insights are gained.
- B14. The staff recommendation in paragraph B13(a) would be consistent with adopting ED 270, NZ PBE FRS 48, RoGS or INPAG ED1 as the baseline because none of them contemplate Tiers 1 and 2 differential reporting.
- B15. In relation to the staff recommendation in paragraph B13(b), it is not expected that the absence of a working assumption relating to Tier 3 would have a significant influence on the choice of baseline. However, related to paragraph B8 above, it is notable that NZ has simplified service performance reporting requirements for Tier 3⁴ that could assist the AASB in progressing the project from a Tier 3 perspective. None of the other alternative baselines under consideration anticipate Tier 3 differential reporting.

Pervasive Issue F: Mandatory vs voluntary

- B16. The staff recommendation on this issue is that no working assumption is necessary at this stage on the basis that the same level of rigour would be applied throughout the project irrespective of whether a mandatory or voluntary pronouncement is to be issued.
- B17. It is not expected that the absence of a working assumption would have a significant influence on the choice of baseline. Although a service performance reporting pronouncement that specifies requirements rather than encouragements would be

4 NZ Tiers 3 and 4 simple reporting standards include service performance reporting requirements that have been in place since 2013 and were applied for five years. In 2020, the NZASB reviewed these requirements as part of a post-implementation review and, in 2022, proposed amendments to remove the language around 'outcomes' and 'outputs', but to retain the requirement for entities to report on what they are seeking to achieve over the medium to long term (i.e. their 'objectives') and the significant activities undertaken during the reporting period to advance these objectives. Adoption of the [proposed amendments](#) would bring the service performance reporting requirements in Tiers 3 and 4 Standards more in line with those in the Tiers 1 and 2 PBE FRS 48. The consultation period closed 30 September 2022.

consistent with ED 270, NZ PBE FRS 48, RoGS and INPAG ED1, each of those mandatory pronouncements could form the basis of a voluntary pronouncement.

Pervasive Issue G: Scope of 'service'

- B18. The staff recommendation on this issue is to, on balance, focus the project on 'service' and thereby exclude other types of performance (including 'fundraising' performance and 'management expenses' performance) from the scope of the project.
- B19. That staff recommendation would be consistent with adopting ED 270, NZ PBE FRS 48 or RoGS frameworks as the baseline. In contrast, INPAG ED1, by referring to 'performance information', has a broader scope and therefore expanding the AASB's project to include performance reporting beyond service performance reporting would be more consistent with adopting INPAG ED1 as the baseline. However, INPAG ED1 does not explicitly address the different types of 'performance', instead expressing high-level generic principles for the reporting of performance information by requiring the information to be linked to 'performance objectives'.

Pervasive Issue H: Next due process document

- B20. The staff recommendation on this issue is that it is not necessary to make a working assumption at this stage.
- B21. It is not expected that the absence of a working assumption would have a significant influence on the choice of baseline. However, it is relevant to note that the chosen baseline could influence the nature of the next due process document. In particular:
- (a) a Research Report⁵ and/or Discussion Paper as the next due process document arguably would be most consistent with a 'green fields' baseline, where the Board has not formed preliminary views, let alone views, to perhaps be followed by an Invitation to Comment or Exposure Draft;
 - (b) an Invitation to Comment (which is a vehicle by which the Board can convey its preliminary views) as the next due process document arguably would be most consistent with NZ PBE FRS 48, RoGS and INPAG ED1, to be followed by an Exposure Draft. For example, consistent with paragraph 6.4 of the AASB's Due Process Framework: "The AASB may choose to issue ... [eg NZ PBE FRS 48] ... in Australia for comment ... with an Australian Preface added to explain the context"; and
 - (c) an Exposure Draft, Re-exposure Draft or Standard (which are vehicles by which the Board can convey its views) as the next due process document arguably would be most consistent with ED 270 being adopted as the baseline.

5 Since ED 270 was issued, the AASB has published a number of Research Reports and other documents relating to NFPs that throw some light on service performance reporting issues. The Project Plan could include an assessment of the extent to which further research would need to be undertaken to bring them up to date for the purpose of the Service Performance Reporting project. They include:

- [Research Report 14](#) *Literature Review: Service performance Reporting for Not-for-Profits* (February 2020);
- [Research Report 16](#) *Financial Reporting by Non-Corporate or Small Entities (Public Sector Entities, Private Sector SMEs, Not-for-Profits including Charities and Non-Government Organisations)* (April 2021); and
- [AASB Staff Paper](#): *Comparison of Standards for Smaller Entities* (April 2018).

In addition, information gathered as part of the Management Commentary project is provided as extracts in sections 1 and 2 of Agenda Paper 4.4 of this meeting in the supplementary folder. Furthermore, a benchmarking study of Australian state, territory and local governments public sector service performance reporting frameworks could be undertaken as part of the project.