

AASB Exposure Draft ED 270 *Reporting Service Performance Information*

This summary provides an overview of AASB Exposure Draft (ED) 270 Reporting Service Performance Information

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- Project objective:** The objective of this project is to establish principles and requirements for not-for-profit entities to report service performance information that is useful for accountability and decision-making purposes.
- Entities affected:** The proposals in this ED apply to not-for-profit entities in both the private and public sectors that prepare general purpose financial statements. Consideration will be given to whether the proposals could also apply to for-profit private sector entities.
- Project status:** ED 270 was issued in August 2015.
- Next steps:** The AASB is seeking feedback from constituents on the proposals in the ED to assist with the development of a Standard.
- Comment deadline:** The ED is open for comment until 12 February 2016. Formal submissions should be lodged online at www.aasb.gov.au/comment.
- Outreach:** The AASB will be conducting extensive constituent outreach, see www.aasb.gov.au/events for details.
- Application Date:** The proposed application date is annual reporting periods beginning on or after 1 July 2018 with early adoption permitted.



Key messages

User-driven reporting

The proposals are aimed at providing users of not-for-profit entity reporting with service performance information that is useful for accountability and decision-making purposes. This information should allow a user to be able to assess an entity's performance in relation to its service performance objectives.

Flexible reporting

The location and format of reporting service performance information is flexible, as the proposals do not specify where and how service performance information should be reported. This allows an entity to determine a delivery method that best meets the needs of users of the information.

No extra burden

Many not-for-profit entities are already providing information similar to the proposals in ED 270. The AASB expects that, to a large extent, the information already being reported by these entities would meet the requirements of any future Standard.

Audit not required by proposals

ED 270 does not propose that service performance information be audited. This is a matter for each entity's regulator.

Key Information

The proposals in ED 270 provide a framework for not-for-profit entities to provide information that tells their service performance story. This would include providing information on KEY service performance objectives, KEY performance indicators and KEY outputs/outcomes.



Why is the AASB undertaking this project?

Financial information is not sufficient for users of not-for-profit entity reporting to assess an entity's performance in relation to its service performance objectives

The AASB's powers and functions are set out under Part 12 Section 227 of the Australian Securities and Investment Commission Act 2001. Section 227(1)(c) allows the AASB to "formulate accounting standards for other purposes" and it is under this function that the AASB has the mandate to develop an Australian Accounting Standard for reporting service performance information

The AASB is aware that there is a gap in information available for performance reporting between for-profit and not-for-profit entities. Specifically, concerns have been expressed by constituents that the disclosures required for not-for-profit private sector entities by existing Australian Accounting Standards are not sufficiently targeted to the needs of users. ED 270 is a response to these concerns.

The primary objective of a for-profit entity is to obtain a return for investors. As such, the financial statements provide relevant information for users to assess whether a for-profit entity has been successful in achieving this objective.

In contrast, the primary objective of not-for-profit entities is to provide goods and/or services for the community or social benefit. Therefore, non-financial information about a not-for-profit entity's achievements in delivering those goods and/or services is essential for users to assess that entity's performance in relation to its service performance objectives.

The benefits that are expected to flow from these proposals include:

- users of not-for-profit entity reporting would be provided with more relevant and understandable information about the financial and non-financial aspects of the entity;
- greater consistency of reporting by not-for-profit entities; and
- not-for-profit entities could better satisfy their accountability obligations.

What is service performance information?

Service performance information relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society

Service performance reporting provides information about an entity's service performance objectives, the goods and/or services the entity provides to fulfil those objectives and the entity's achievement of those objectives

Information that is proposed to be reported includes:

- *Key service performance objectives;*
- *Key performance indicators including achievements*
- *Information on the cost of services*

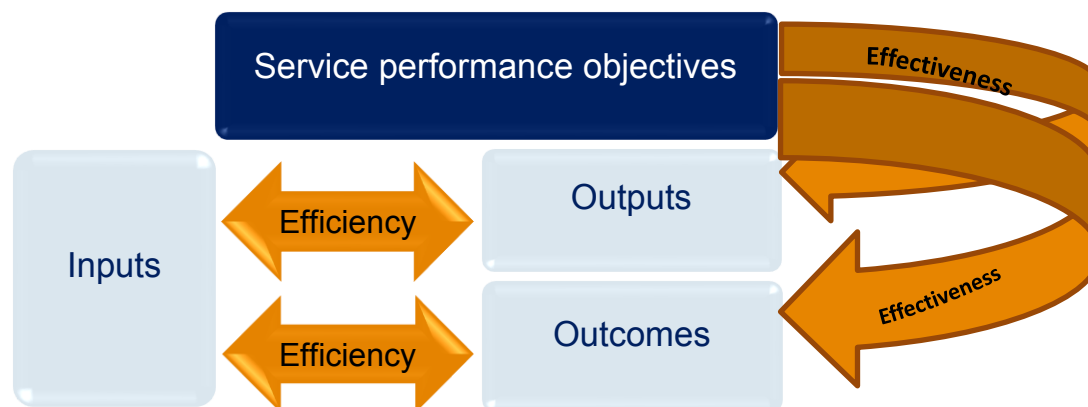
Service Performance Objectives

A **service performance objective** is a description of the planned result(s) that an entity is aiming to achieve through its service performance. Service performance objectives can be expressed in terms of performance indicators.

Service performance objectives are entity specific. Therefore, the service performance information reported should be tailored by each entity to address its achievement of those service performance objectives.

Performance Indicators

A **performance indicator** is a quantitative measure, qualitative measure and/or qualitative description of the nature and extent to which an entity is using resources, providing goods and/or services, and achieving its service performance objectives.





Types of performance indicators

ED 270 identifies five types of performance indicators

- *Inputs*
- *Outputs*
- *Outcomes*
- *Efficiency*
- *Effectiveness*

Performance indicators may be expressed as

- *Quantitative measures*
- *Qualitative measures*
- *Qualitative descriptions*

Inputs

Inputs are the resources used by an entity to provide outputs

Examples of inputs include (but are not limited to):

- Labour (including voluntary);
- Land, buildings and vehicles; and
- Cash and other financial assets.

Outputs

Outputs are the goods and/or services provided by an entity to recipients *external* to the entity

Examples of outputs include (but are not limited to):

- Health and/or education services;
- Provision of policies, regulations or legislation; and
- Collection of taxes and other revenues.

Outcomes

Outcomes are the impacts on society or segments of society, which occur as a result of, or are reasonably attributable to, the entity's outputs

Outcomes could include (but are not limited to) impacts on:

- Educational achievements;
- Poverty and/or crime levels; and
- Health of different groups within society.

Efficiency

Efficiency is the relationship between inputs and outputs and/or outcomes

Efficiency allows users to assess how well an entity has used its resources to achieve its service performance objectives.

Effectiveness

Effectiveness is the relationship between service performance objectives and outputs and/or outcomes

Effectiveness allows users to assess an entity's success in achieving its service performance objectives.



What are the key proposals in ED 270?

The proposals in ED 270 aim to support the provision of high-quality service performance information by not-for-profit entities in both the private and public sectors that is useful to users for accountability and decision-making purposes

Service performance information should identify an entity's important services, relevant performance indicators and other information relevant to those services

The AASB considers that flexibility is important for an entity to report service performance information in a manner that is useful to users

Elements of Service Performance Information

ED 270 identifies two elements of service performance information – service performance objectives and performance indicators. An entity may have many service performance objectives and performance indicators. Therefore, ED 270 proposes that only KEY service performance objectives and KEY performance indicators should be reported.

Reporting Entity

The proposals in ED 270 would require service performance information to be reported for the same entity that prepares general purpose financial statements, including entities that prepare consolidated financial statements. This would also include entities that prepare whole-of-government and general government sector financial statements.

Reporting Period

Although reporting for the same period as the financial statements would be preferable, the proposals would allow an entity to provide service performance information for a different period. This flexibility could be useful for entities that conduct their service performance programs over periods that differ from time period to that of the financial statement periods.

Location of Service Performance Information

Where and how service performance information is to be reported is not proposed in ED 270. This would allow an entity to deliver this information in a manner that best suits its user's needs. For example, service performance information could be presented in a report accompanying financial statements, in a separate report or on an entity's website.

Status

The AASB's view is that the proposals in ED 270 should become mandatory requirements so that the service performance information reported, in conjunction with an entity's financial statements, will provide useful information for users to assess the performance of the entity in respect of its service performance objectives.