



ED260 – Reporting Service Performance Information



May 2016

ED270 Reporting Service Performance Information

The Local Government Finance Professionals

April 2016

Local Government Finance Professionals

The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

ED270 – Reporting Service Performance Information

The Local Government Finance Professional Inc (LGFP) welcomes the opportunity to comment on Exposure Draft 270, Reporting Service Performance Information.

The LGFP Inc (the Association) represents Queensland Local Government practitioners in the fields of accounting and financial management, and has members across the full Local Government spectrum and from most Queensland Councils.

The Association considers that ED270 is an important step forward in recognising that the financial statements do not by themselves contain Local Government return on investment information, and need to be complemented by other measures.

Queensland Local Government legislation already requires Councils to report on their performance against the corporate and operational plans in their annual reports.

This submission has been authorised by the Association's Executive, and myself as President. We would welcome the opportunity to discuss the issues raised with AASB so as to achieve a framework which enhances Local Government financial reporting. For LGFP policy matters, please contact me on 07 5462 0318 or dlewis@lvrc.qld.gov.au For technical matters, please contact the Association's Technical Advisor, Mr David Spearritt on 07 3113 3644 or david@orionco.net.

Yours faithfully

David Lewis,
President

LGFP Response

The LGFP Inc (the Association) represents Queensland Local Government practitioners in the fields of accounting and financial management, and has members across the full Local Government spectrum and from most Queensland Councils.

The Association welcomes the opportunity to provide input to ED270, Reporting Service Performance Information.

The Association has been actively supporting Local Government Councils in implementing accrual accounting and then using the accrual financial information to enable Councils to become financially sustainable. However, it has been a long-term problem that the financial information in the financial statements only provides part of the picture. Local Governments use community resources and levy Rates to provide services and facilities to the community. The financial statements provide information on the financial investment in terms of community assets and associated liabilities, as well as use of community resources such as Rates and government grants. But, unlike For-Profit organisations, the financial statements give no indication of the achievement of the main objective since these are mostly non-financial.

Therefore, we support the AASB's recognition that non-financial information of a NFP's achievement of its objectives is needed to supplement the financial statements.

We support the following proposals under ED270:

- The proposed application date is annual reporting periods beginning on or after 1 July 2018 with early adoption permitted.
- 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.
- 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.
- 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.
- ED 270 does not propose that service performance information be audited. This is a matter for each entity's regulator.
- 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.

However, we have several concerns, as follows.

Local Government Finance Professionals

Currently Queensland Local Governments are already required to report on their performance in relation to their Corporate and Operational Plans.

Queensland Local Government legislation currently requires the following service performance reporting in the Annual Report:

The annual report for a financial year must contain the following information

the chief executive officer's assessment of the local government's progress towards implementing its 5-year corporate plan and annual operational plan;

particulars of other issues relevant to making an informed assessment of the local government's operations and performance in the financial year;

an annual operations report for each commercial business unit;

The AASB accounting standards are applied under Commonwealth law, whereas Local Government performance reporting comes under state law. Under the Constitution of Australia, where a state and commonwealth law are in conflict, the commonwealth law prevails. To avoid complications, **we suggest that the ensuing accounting standards state that where an entity is complying with the relevant state legislation regarding service performance report, it is deemed to comply with the AAS standards in relation to service performance reporting.**

Secondly, we are concerned that although ED 270 does not propose auditing of service performance reporting, it leaves this to 'each entity's regulator'. **This should be clarified so that it will only be subject to audit if specifically mandated by the relevant governing legislation.**

Finally, we are concerned that ED270 outlines five types of performance indicators (inputs, outputs, outcomes, efficiency and effectiveness). This implies that the required indicators must come from this group. There are other types of indicators, such as throughput/volumes, and quality. Local Governments in Queensland often provide over 100 different services, ranging from water and sewerage through to community services. Each service has a myriad of performance indicators which could be used. Attempting to apply all five types of identified indicators would require hundreds of indicators being published.

The standard needs to leave this to each Local Government to determine which indicator is appropriate, unless there is an industry-wide range of adopted performance indicators. In addition, the terms 'inputs', 'outputs', and 'outcomes' are confusing when practitioners try to apply them. Preferable alternatives would be 'resources', 'services', and 'results' respectively.