



EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho

Explanatory Guide A10

Service Performance Reporting

A Guide for Tier 2 not-for-profit entities applying PBE FRS 48 Service Performance Reporting.

This is an explanatory document and has no legal status.

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Introduction

Who should read this Guide?

1. This Guide is intended to help you understand the requirements of [PBE FRS 48 *Service Performance Reporting* \(PBE FRS 48\)](#) and think about how you will meet those requirements.
2. You should read this Guide if you:
 - (a) report in accordance with PBE Standards (which set out the Tier 1 and Tier 2 PBE Accounting Requirements);
 - (b) are a not-for-profit PBE, such as a registered charity;
 - (c) are a smaller Tier 2 PBE;¹ and
 - (d) will, for the first time, be reporting service performance information alongside the financial statements.
3. This Guide does not discuss the Tier 3 and Tier 4 Simple Format Reporting Standards. Those standards have less detailed service performance reporting requirements and are accompanied by their own guidance.

What is new?

4. PBE FRS 48 is a new PBE Standard that establishes service performance reporting requirements for Tier 1 and Tier 2 PBEs. It takes effect from 1 January 2021.
5. The Standard describes service performance information as information about what an entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
6. PBE FRS 48 reflects the view that service performance information is an essential part of a general purpose financial report and that an entity should report its service performance information alongside its financial statements.²
7. Not-for-profit entities do things for a reason – generally they want to help others or make some sort of difference to individuals, society or the environment. Not-for-profit entities often talk about “telling their story”. Service performance information is a critical part of that story. Annual reports should tell the story of the entity’s performance – both in terms of its financial performance and its service performance and explain the links between the two.
8. A new audit standard, New Zealand Auditing Standard 1 *The Audit of Service Performance Information*, also takes effect from 1 January 2021.

¹ XRB A1 *Application of the Accounting Standards Framework* sets out the tiers for reporting, with size being one of the tier criteria. Although Tier 2 PBEs may have total expenses between \$2 million and \$30 million, the majority of Tier 2 not-for-profit PBEs are at the lower end of that range.

² The term ‘general purpose financial reports’ (GPFRs) is used in PBE Standards to refer to reports intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. For a not-for-profit entity, its GPFR comprises the entity’s financial statements and its service performance information. Many entities present their GPFR within their annual report. Therefore, for ease of reading, this Guide refers to annual reports.

How is this Guide organised?

9. You are welcome to read this Guide from cover to cover, but you can also use the following links to go straight to a section.

- [Summary of service performance reporting requirements](#)
- [Getting started](#)
- [Preparation of service performance information](#)
 - [Information about the entity, what it does, and why](#)
 - [Reporting on what the entity has done](#)
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- [Appendix A: Reporting on shared performance](#)

10. The Guide uses the following icons.



Note

Things to keep in mind.



Planning prompts

Useful questions.



Further guidance

Other sections of the Guide that might be helpful.

11. Each section in the Guide summarises the requirements of the Standard. Some requirements have been paraphrased – please read the Standard.

12. Although this Guide focuses on meeting the reporting requirements in PBE FRS 48, many entities find that reporting service performance information has wider benefits. For example, it can prompt discussions about the entity's key objectives, how to improve the delivery of goods or services and the information that is needed for effective management. Reporting service performance information can also make it easier to communicate with funders and the wider community about what the entity does and what it has achieved.

13. What an entity does and how it reports are likely to evolve over time (refer to the section on Improving and making changes over time).

Summary of service performance reporting requirements

Principles and high-level requirements

14. PBE FRS 48 establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements. This is because the Standard will be applied by a wide range of PBEs – PBEs differ in size, organisational form and in what they do. Entities also use a variety of terms and approaches to explain what they do, why they do it and what they have achieved.
15. The Standard needs to work for the smallest of the Tier 2 entities and the largest of the Tier 1 entities. It needs to work for public sector entities (subject to various legislative reporting requirements) and not-for-profit entities. It also needs to work for entities that have some certainty about their budgets and plans for the year and entities with uncertain funding. When it comes to reporting on service performance, one size does not fit all and there is no standard format for presenting service performance information in accordance with PBE FRS 48.
16. The approach taken in developing PBE FRS 48 acknowledges that entities need flexibility to decide how best to “tell their story” in an appropriate and meaningful way and that service performance reporting is likely to continue to evolve. PBE FRS 48 therefore establishes high-level requirements that give entities considerable flexibility in reporting on service performance information. Despite this flexibility, the Standard establishes requirements to ensure that an entity gives a complete and balanced picture of its service performance.



Note

PBE FRS 48 stresses the importance of considering the information needed by users for accountability and decision making, the desired qualities of information (such as relevance and reliability) and the need to apply the concept of materiality. It uses the phrase ‘appropriate and meaningful’ as a reminder to think about all of these things when applying the Standard.

Key requirements

Reporting entity and reporting period

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

Contextual information and what the entity has done

18. The key requirements for service performance information are set out in paragraph 15 of PBE FRS 48 (refer to next page).

Extract from PBE FRS 48**15. An entity's service performance information shall:**

- (a) **Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and**
- (b) **Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.**

19. Paragraph 15(a) requires contextual information. This is information that puts the service performance information in context – it is information about the entity, what it does, and why. Users need contextual information in order to understand the information required by paragraph 15(b).
20. Paragraph 15(b) requires information about what the entity has done during the reporting period. The Standard sets out factors that must be considered in deciding what to report . It explains that in some cases an entity's service performance information is likely to focus on the delivery of specified goods or services and in other cases an entity may focus more on whether particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society have occurred.
21. Each entity decides whether the service performance information should focus more on:
- (a) the goods and services it has delivered during the period, or
 - (b) the effects of its work (whether described as outcomes or impacts).
22. Entities decide which focus and mix of information is most appropriate. Initially an entity might focus mostly on the goods and services it delivers. Over time its focus may broaden to encompass reporting on the value or impact of what it does.



Further guidance (including examples) is provided in the following sections:

- Paragraph 15(a) — [Information about the entity, what it does, and why](#) (Contextual information)
- Paragraph 15 (b) — [Reporting on what the entity has done](#)

**Note**

For entities subject to audit, one factor to consider in deciding the mix of service performance information to report is whether information can be verified by supporting evidence.

Other factors which require consideration when deciding what to report are discussed in the section [Reporting on what the entity has done](#).

Performance measures and/or descriptions

23. PBE FRS 48 requires that, in reporting on what it has done during the reporting period, an entity presents “an appropriate and meaningful mix of performance measures and/or descriptions.” These do not have to be numerical – there are examples of non-numerical measures and descriptions in the Standard (paragraph 20). Typical measures for goods and services include quantity, quality and cost. Reporting on cost is the main way of linking service performance information with the financial statements.



Further guidance (including examples) is provided in the following section — [Performance measures and/or descriptions](#)

Other requirements

24. PBE FRS 48 also establishes a number of other key requirements.

Requirement	Key paragraph(s) of Standard	Link to section of guidance
Service performance information must be presented in the same report as the financial statements	Paragraph 6	Presentation of service performance information
Some cross-referencing to other reports is permitted.	Paragraphs 33–35	
Comparative service performance information for the previous period is required (including the first year of adoption). ³	Paragraph 37	Comparative information and consistency of reporting
If an entity changes what it reports or how it reports its service performance information, it is required to explain the nature and effect of those changes. ⁴	Paragraph 40	
An entity must disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of its service performance information that are relevant to an understanding of the entity’s service performance information.	Paragraph 44	Disclosure of judgements

³ Comparisons against forecasts or targets are required *if the entity has previously published forecasts or targets* in a general purpose financial report. However, many not-for-profit entities do not publish forecasts or targets.

⁴ Changes to comparative information is permitted, but not required.



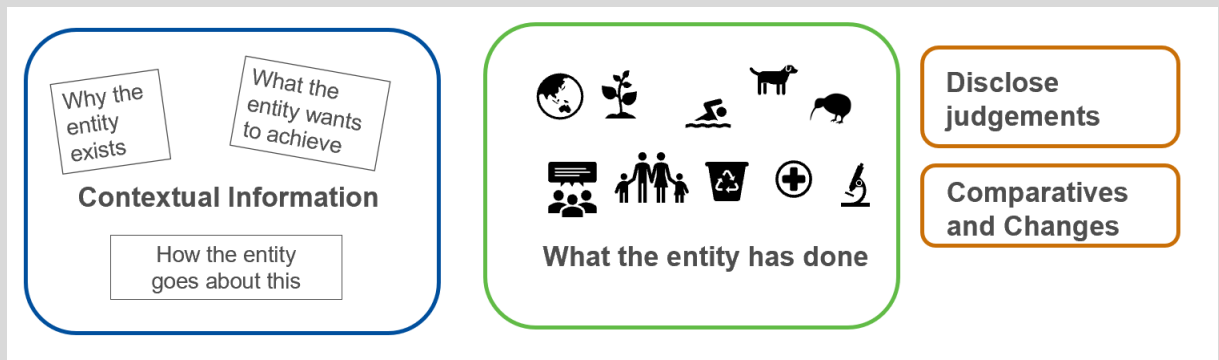
Note

An entity has the flexibility to choose where and how it reports its service performance information within its annual report.

However, it is important that the complete set of service performance information presented in accordance with PBE FRS 48 can be easily identified. This becomes particularly important when the service performance information is subject to audit.

Refer to [Presentation of service performance information](#)

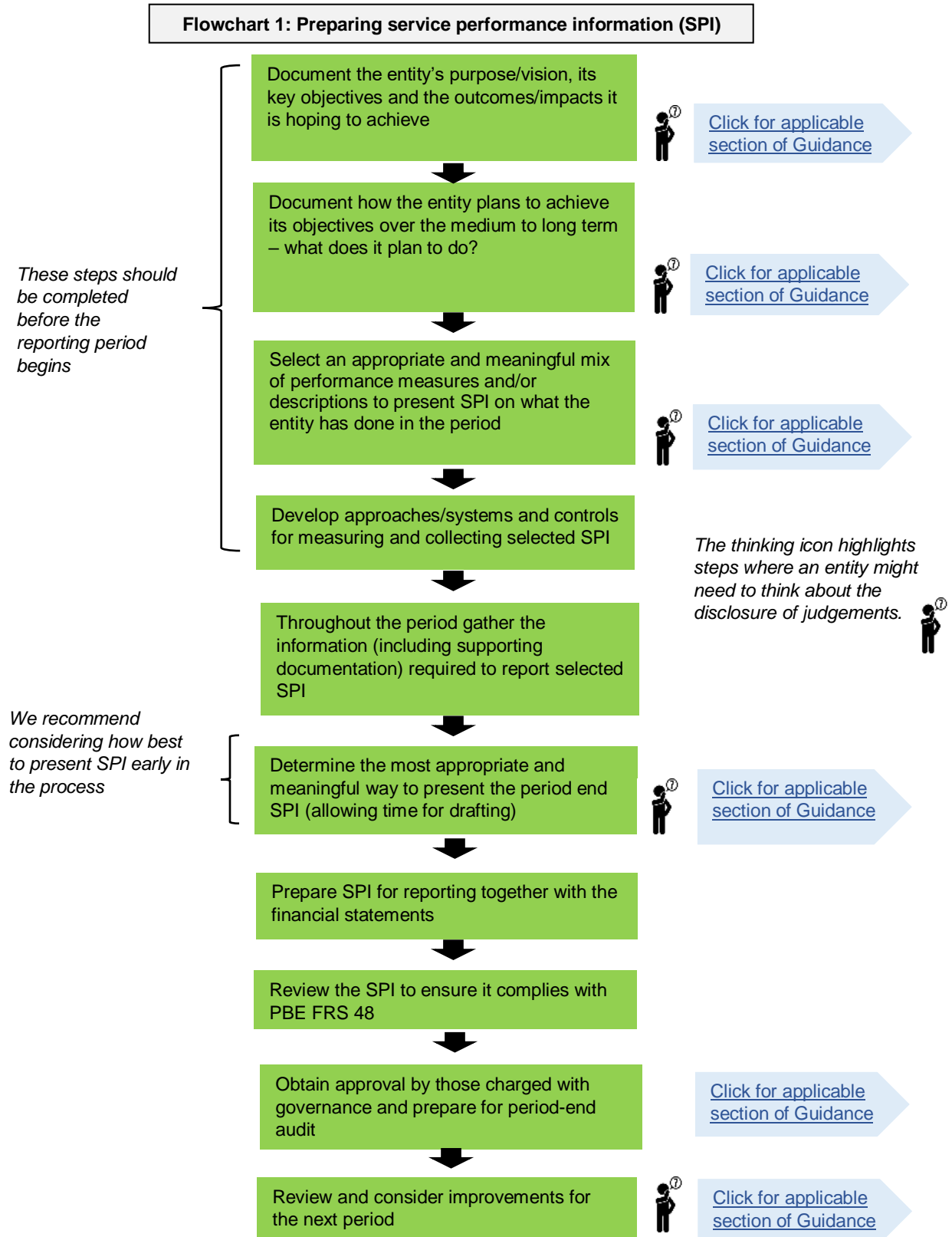
PBE FRS 48 Service Performance Reporting Requirements



Getting started

Applying the Standard

25. The diagram below sets out the steps that an entity could take as it works through the requirements of PBE FRS 48 for the first time.



26. As an entity works through these steps it will be pulling together information from various sources and making decisions. It is a good idea to document where information comes from and the decisions made. This will assist discussions with the entity's auditor and be a useful record for the next year. A record of key decisions will also be a good starting point when considering whether the entity needs to disclose any of its judgements.
27. Although service performance information is reported at the end of a reporting period, a number of decisions need to be made before the period begins. These include:
 - (a) confirming the vision or mission, outcomes sought and agreeing what the entity plans to do;
 - (b) selecting performance measures and/or descriptions;
 - (c) deciding whether to include targets as well as actual performance (reporting against targets isn't mandatory, but an entity might have good reasons to do so); and
 - (d) deciding how the entity will collect evidence to support the information it reports and what processes it needs to do that.
28. Some entities will already have much of the information they need to report on service performance, although it might not be in an appropriate format for reporting to external parties. It may be a question of pulling it together, connecting the dots, highlighting the important elements, and making it appealing and accessible to readers. Other entities will be starting from scratch and will need to think about both their internal and external reporting.

Preparation of service performance information

Information about the entity, what it does, and why

Reporting requirements

29. Paragraph 15(a) of PBE FRS 48 requires that an entity include contextual information in its service performance information. This is information that puts the service performance information in context – it is information about the entity, what it does, and why. Context is important to readers of service performance information – it helps them understand the information about what the entity has done this year – discussed in the [next section](#).
30. Entities can decide how best to organise their service performance information. Some entities organise information using headings such as the following. Contextual information would fit under the first two of these questions.

Contextual information	Who are we?
	Why do we exist?
What we did this year	What did we do?
	How did we perform?

31. A summary of what PBE FRS 48 requires in relation to contextual information, together with some things to think about, is set out below.

What PBE FRS 48 requires ⁵	Consider
<p>Paragraph 15(a)</p> <p>An entity's service performance information shall provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this.</p>	<p>The Standard is asking an entity to explain what it does and why, the changes it wants to bring about, and how it plans to achieve its desired objectives.</p> <p>The change that an entity wants to bring about can range from the achievable to the aspirational.</p>

⁵ Some requirements have been paraphrased – please read the Standard.

What PBE FRS 48 requires ⁵	Consider
<p>Paragraph 17</p> <p>Contextual information should be drawn from relevant documents (such as the constitution, trust deed, mission statement (vision, purpose) and recent plans and strategies).</p>	<p>The contextual information should be consistent with these documents, but the best explanation of what the entity currently does might be obtained from other sources, such as the entity's website, a recent grant application, governance report or newsletter.</p>
<p>Paragraph 17</p> <p>If an entity uses a performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw upon that performance framework, theory of change or intervention logic.</p>	<p>Not all entities have a formal framework or intervention logic that sets out their understanding of how they and other entities help bring about the changes that they are seeking. Some do – others don't.</p> <p>The Standard requires that an entity that is managed or governed using such a performance framework etc reflect this in its service performance information. This is because it is likely to influence the service performance information that an entity collects and reports, both internally and externally.</p>
<p>Paragraph 18</p> <p>The entity shall explain the main ways in which it carries out its service performance activities.</p>	<p>Does the entity:</p> <ul style="list-style-type: none"> • deliver goods and services directly to individuals, entities or groups (including members)? • work together with other entities (refer to Appendix A: Reporting on shared performance)? • deliver goods and services through other entities? • make grants?

32. If an entity provides a limited number of services, all of which are clearly linked to its mission, the contextual information might be quite short. In other cases, more explanation might be helpful. For example.

- (a) Has the entity decided to focus on certain services when it could equally well have done other things?
- (b) Has the entity decided to do things in a certain way when it could equally well have done them in other ways?
- (c) Is the entity trying out new services or new ways of doing things?
- (d) Is the entity cutting back on certain services?

Examples

33. Examples illustrating the type of information that might be reported in accordance with paragraph 15(a) are shown below.⁶ Most of the examples focus on the entity's mission and give a brief explanation of what the entity does. In some cases there are two versions – a shorter version and a more detailed version.

Example 1: Youth Charity (Provides services for community and social benefit)
<p><i>Who are we?</i></p> <p>The entity is an independent charity with 12 volunteer staff operating mainly from our central office.</p> <p><i>Why do we exist?</i></p> <p>The mission of the entity is to reduce suicide rates among young people.</p> <p><i>What we aim to do</i></p> <p>The entity works to fulfil this mission through three strategies:</p> <ul style="list-style-type: none"> • Offering supportive counselling to young people to reduce the risk that they become suicidal. • Providing crisis counselling to young people thinking of suicide. • Educating those who interact with young people at risk of suicide on prevention, risk detection and response.

Example 2: Youth Charity (more detailed) (Provides services for community and social benefit)
<p><i>Who are we?</i></p> <p>The entity is an independent charity with 55 staff operating from our central office and five regional outreach facilities.</p> <p><i>Why do we exist, what do we hope to achieve, and how we plan to achieve this?</i></p> <p>The entity's mission is to improve the health and wellbeing of youth in the region, particularly those that face social, psychological or economic pressures. It does this by providing youth health care services in a safe, confidential and youth-focused environment and adopting a one-stop shop approach.</p> <p>The aim of our work is to reduce rates of teenage suicide and measures of teenage risk-taking (including smoking, drug and alcohol use). The long-term consequences of such activities to young people are particularly significant in terms of health, earning capacity and social integration. These consequences are reflected in significant emotional costs to families and individuals and in major costs for many components of government including social welfare, justice, education, police and corrections.</p> <p>The one stop shop approach makes it easier for young people to access all the services they need in one location and in a coordinated way.</p>

⁶ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Youth Charity provides a range of services to young people including counselling, crisis support and social and recreational activities. The types of issues that we assist with include mental health, low self-confidence, low self-esteem, low resilience, low aspirations, family problems, sexual health, sexual identity, eating disorders, education and employment, drug and alcohol use and self-harm. We provide some medical services on site and refer youth to other services as required.

We work alongside groups of young people that meet regularly, like Youth Advisory Groups and Youth Health Councils. We have established formal and informal links with many other organisations including primary health organisations, district health boards, Māori health providers, child and adolescent mental health services, sexual health clinics, family health centres, dental health services, various Ministries and groups.

The entity's ultimate aims are to achieve a sustainable transformative change in the life of a young person through (for example) improved mental and physical health, improved self-confidence and self-esteem, and improved social and personal skills. However, some of the entity's services aim to reduce the immediate risk of harm or occurrence of risk and problematic behaviour.

We are funded by central government agencies, the Lottery Grants Board and receive donations from other private NFPs. The nature and level of services provided is expected to remain stable over the next few years.

Example 3: Native Bird Trust (Provides grants to other organisations to achieve its charitable objectives)

Who are we?

The Native Bird Trust (the Trust) is established for the sole purpose of providing grants to other organisations to achieve the charitable objectives of the Trust.

The Trust is funded by a large bequest that is invested solely for the purpose of the distribution of future grants.

Why do we exist?

The mission/objective of the Trust is to support the increase in populations of native birds in their natural habitat throughout New Zealand.

What we aim to do

The Trust provides funding through grant applications to entities that:

- care for and rehabilitate injured birds;
- breed endangered species;
- rid natural habitats of predators that are a danger to native birds; and
- educate people about the risk to native birds of dogs, cats and other predators kept as pets.

**Example 4: Foodbank
(Delivery of goods for community and social benefit)**

Who are we?

The Foodbank is a not-for-profit registered charity, that operates a self-sustaining shop that makes it easy for anyone to donate groceries to Kiwis in need and for those in need to easily get the food goods required for their family's wellbeing.

Why do we exist?

Our mission is to provide nourishment and hope to those members in our community in need of support.

What we aim to do

We collect money and food from the local community, including local businesses, and distribute food to local families in need. We work with other agencies to ensure that the food hampers get to those who need them most. We donate surplus food to other community groups in the region who provide drop-in services and shelter services.

**Example 5: Housing Trust
(Provides low-cost social housing)**

Housing Trust provides housing for senior citizens to give them secure housing and a sense of community, at below market rents.

The Trust has built a number of one and two-bedroomed houses close to the shops and public transport in the local region. The houses are grouped together to create small communities.

The Trust employs a property manager who inspects properties regularly and keeps them in good condition.

Studies show the value of communal space to residents' lives and the importance of social interaction on the quality of life of residents (cite studies, if available and relevant). Residents are encouraged to take pride in their community and, along with volunteers, help maintain the gardens. The Trust helps residents engage with the local community and each other by arranging monthly outings.

To evaluate whether the Trust is meeting its objectives, the Trust seeks written feedback from residents annually. If an issue arises between these evaluations, the matter is addressed immediately by one or more of the Trustees.



Note

Each entity needs to determine the level of detail that is the most appropriate and meaningful to explain what the entity does and why, having regard to the users of this information. Entities may choose to provide more detail when their external funding is strongly reliant on securing grant revenue.

There are various ways to present contextual information. Some entities present this information in an infographic style, while others include short videos in their reports.

Planning prompts

34. The following questions will be useful when preparing service performance Information about the entity, what it does, and why (contextual information).



- Why does the entity exist – what's its mission, key objectives?
- What outcomes or impact is the entity seeking to achieve?
- What goods or services is the entity planning to deliver (to achieve its key objectives) over the medium to long term?
- How does the entity intend to conduct its planned activities, and will this involve working collaboratively with other organisations?

Reporting on what the entity has done

Reporting requirements

35. Paragraph 15(b) of PBE FRS 48 requires that an entity report on what it has done during the reporting period in working towards its broader aims and objectives — this requirement goes to the very heart of the Standard.
36. Although an entity has to make decisions about what service performance information to report, it does not do so in isolation. As indicated in [Flowchart 1](#), the first steps are to be clear about why the entity exists, what it is trying to achieve and how it will go about doing this ([refer to the previous section](#)). If an entity has clear strategies and reports regularly to the governing body on progress in relation to those strategies, its end of year service performance information will largely be an aggregation of that information.
37. The service performance information reflects what the entity has done in a particular period. It may change in future periods if the entity changes its strategies, objectives and/or activities – refer to the section [Improving and making changes over time](#).
38. A summary of what PBE FRS 48 requires in relation to reporting on what the entity has done during the reporting period, together with some things to think about, is set out below.

What PBE FRS 48 requires ⁷	Consider
<p>Paragraph 15(b)</p> <p>An entity's service performance information shall provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in 15(a).</p>	<p>What are the key activities the entity plans to conduct in the period in order to achieve its planned objectives and desired impacts on the community?</p>

⁷ Some requirements have been paraphrased – please read the full Standard.

What PBE FRS 48 requires ⁷	Consider
<p>Paragraph 19</p> <p>The nature of this information provided to meet the requirements of 15(b) will depend on the circumstance of the entity. An entity is required to consider the following factors in deciding what to report.</p> <p>(a) What is it accountable/responsible for.</p> <p>(b) What it intended to achieve during the reporting period.</p> <p>(c) How it went about achieving its service performance objectives.</p> <p>(d) Other factors relevant to an understanding of an entity’s service performance during the period.</p> <p>These factors guide an entity’s decisions about what service performance information to include in its annual report. They build on the principles in paragraphs 6 to 10 of PBE FRS 48.</p>	<ul style="list-style-type: none"> • What are the entity’s strategies for delivering against its key objectives? • How does the entity monitor progress against its key strategies? • What is best practice for reporting service performance for entities conducting similar activities? • What information do funders and other key users regard as important? • What information do service recipients regard as important? • Refer to Table 1 below.
<p>Paragraph 20</p> <p>In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions.</p> <p>See also paragraphs 21–28 of PBE FRS 48 for further guidance on determining the type and extent of information to report.</p>	<ul style="list-style-type: none"> • When deciding what service performance information to report, the entity should also consider what performance measures and/or descriptions will be used to communicate what has been done. • Refer to the discussion below on Performance measures and/or descriptions.

39. For some entities selecting information and deciding what to report will be straightforward. This is likely to be the case where an entity delivers a small number of easily identifiable and measurable goods or services. For others it will be more difficult. The governing body is ultimately responsible for decisions about the selection of measures and/or descriptions and what is reported, and needs to be involved early in the process.



Note

For entities subject to audit, documentation will be required on how both the service performance information and performance measures and/or descriptions were selected.

40. Further discussion on the requirements summarised above are set out below as follows:



- [Deciding what to report](#)
- [Performance measures and/or descriptions](#)
- [Balancing the amount of service performance information reported](#)
- [Examples](#)

Deciding what to report

41. An entity deciding what service performance information to report on is likely to consider current practice, best practice, funders' requirements and feedback from others, including service recipients. An entity needs to think about how to give a complete and balanced picture of what it has done without overwhelming readers with too much information. One way of avoiding too much detail (and keeping service performance information understandable) is to group similar services. The process is likely to involve conversations about how to convey key messages about service performance to users.
42. One approach to deciding what to report is to look at the information reported internally and consider how useful it would be to external users. Some questions that could guide this process are as follows.
- (a) Is the information about service performance from an external users' perspective or more about internal activities and processes?
 - (b) Is there good coverage of what is important to external users?
 - (c) If the entity reports multiple measures, which are the most useful to external readers?
 - (d) Is information sufficiently reliable for external reporting – can it be verified? If not, is it sufficiently useful for the reader's understanding of the entity and its work to be reported externally?
43. Another approach is to look at any detailed information provided to funders for monitoring performance against agreements and consider how useful it would be to external users. The reporting requirements in the funding agreement or contract could form a useful basis for selecting measures and targets. However, such information is likely to be more detailed than is appropriate for an annual report.
44. The process of deciding what to report is likely to take some time as people come up with ideas, test them or seek feedback on them and then refine them.

Application of the principles and overarching requirements of PBE FRS 48

45. When deciding what service performance information to report and the level of detail to provide, an entity needs to consider the principles and overarching requirements in the Standard (see [Table 1](#) below).

Table 1: Desired qualities of service performance information⁸
<p>Overarching principles (see paragraphs 6 and 7 of PBE FRS 48)</p> <p>Service performance information should be prepared with the users of that information in mind. Users include service recipients and funders.</p> <ul style="list-style-type: none"> • Is information useful for accountability and decision making? • Is information appropriate and meaningful?
<p>Qualitative characteristics (see paragraphs 8 and 9 of PBE FRS 48)</p> <p>PBE FRS 48 uses the term ‘qualitative characteristics’ to refer to the desired qualities of service performance information. More formally qualitative characteristics are defined as the attributes that make financial and non-financial information useful to users. The qualitative characteristics listed in PBE FRS 48 are:</p> <ul style="list-style-type: none"> • Relevance • Faithful representation (reliability)⁹ • Understandability • Timeliness • Comparability • Verifiability <p>Paragraph 9 of PBE FRS 48 explains how these characteristics relate to service performance information.</p> <p>Relevance and faithful representation are particularly important. For service performance information to be faithfully representative it must be complete, neutral and free from material error.</p>
<p>Constraints on information (see paragraphs 8 and 10 of PBE FRS 48)</p> <p>All of the qualitative characteristics must be considered when selecting and presenting service performance information.</p> <p>In practice, some items or sets of service performance information may have more of one characteristic than another. It may be necessary to consider the overall balance of characteristics and make trade-offs between attributes.</p> <p>The concept of materiality can help in making these and other judgments. An item is material if excluding it or misstating it would affect the decisions and assessments that users make concerning the service performance of an entity.</p> <p>There are also costs and benefits associated with reporting information. The Basis for Conclusions that accompanies PBE FRS 48 acknowledges that the introduction of PBE FRS 48 could lead to increased costs for NFPs and explains that high-level approach taken in developing the Standard was intended, in part, to avoid imposing unnecessary costs.</p> <p>Refer to the discussion below on Balancing the amount of service performance information reported.</p>

⁸ Some requirements have been paraphrased – please read the Standard.

⁹ The Conceptual Framework that underpins PBE Standards uses the term “faithful representation” to describe what is substantially the same concept as reliability.

46. All the desired qualities of service performance information in [Table 1](#) need to be considered, but materiality deserves a special mention as it plays an important role in deciding what service performance information should be included in the service performance report.
47. The term 'material' is defined in paragraph 7 of PBE IPSAS 1 *Presentation of Financial Reports* as follows.

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements or service performance information. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

48. Materiality can influence how much information and the level of detail that is provided about particular aspects of service performance as well as being used as a prompt to make sure that important information has been included. For example, if an entity reports against targets, the fact that an entity has not met targets could be material.



Note

Remember to document decisions about the selection of performance measures and/or descriptions and what to report. This will assist discussions with the entity's auditor and be a useful record for the next year.

Performance measures and/or descriptions

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

Selecting performance measures and/or descriptions to report

50. Selecting an appropriate and meaningful mix of performance measures and/or descriptions first requires an entity to determine what aspects of service performance to report on (discussed in the previous section — [Deciding what to report](#)). Some entities will focus more on reporting what they have done (i.e. the goods and/or services they delivered) whereas others will focus more on reporting the difference that they have made (i.e. the outcome/impact of their activities).
51. The selection of measures and/or descriptions to report will depend on what aspect of service performance an entity wants to report. Entities might report on what has happened during the period or on changes in behaviour that will affect what happens in future periods. These can be referred to as lagging and leading indicators. For example, an entity could report on the number of accidents in the current period or the percentage of people using safety equipment (which could influence the number of future accidents).
52. The nature of an entity's services may also affect what it measures and reports. If services are geared to address current and observable problems the entity may be able to measure the difference it has made to people's lives or an environment. However, such assessments are more challenging if services are preventative, one-off or anonymous. The decision on what aspects of service performance to report on and how to measure or describe it should be considered together, rather than in isolation.
53. An entity may report against performance measures and/or descriptions that it has developed itself or with other entities. It could also report some measures and/or descriptions required by funders. An entity will need to think about which measures and/or descriptions are of most relevance to users of its service performance information.

54. Entities that are not already collecting performance-related information will be starting from scratch and will need to think about both their internal and external reporting. Ideas for possible performance measures and/or descriptions can come from the reports of entities with similar objectives and services, talking to people involved with similar entities and reading relevant publications. Discussions with like-minded individuals and entities can help identify commonly used measures and/or descriptions.

Measuring and describing performance measures and/or descriptions

55. When selecting performance measures and/or descriptions entities also need to determine how to measure or describe the chosen aspects of service performance. An entity that delivers courses for example could report on what it has done during the year using the following numerical measures:
- (a) the number of courses delivered;
 - (b) the number of people who attended the courses;
 - (c) the number of people who successfully completed the courses; and
 - (d) the percentage of people satisfied with the courses.
56. An entity wanting to assess the impact of its services on the recipients of those services could develop performance measures based on the results of recipient feedback forms, the entity could ask direct questions about the difference/impact the service had to them. For example, if an entity has been offering courses/programmes to help individual quit smoking, the performance measure could be the percentage of participants that had stopped smoking by the end of the course (or within a specified timeframe).
57. In selecting an appropriate and meaningful mix of performance measures and/or descriptions, it is important to consider the qualitative characteristics that make information useful to users (see [Table 1](#)). For example, in deciding whether to report on the number of people who attended courses an entity could consider the extent to which the measure is:
- (a) relevant to users – running courses is a key activity for the entity and the number of attendees gives an overview of how many people the entity is reaching and its level of activity;
 - (b) faithfully representative of the entity's service performance –the entity has reliable records of attendee numbers for all courses; and
 - (c) understandable (provided that the description is clear), timely (as the information relates to the current year), comparable (because the entity can also report the number of course attendees in the prior year), and verifiable (because there are records of people who register and attend courses).

Balancing the amount of service performance information reported

58. Entities also need to consider the balance between the qualitative characteristics, materiality, and the costs and benefits of providing information (see [Table 1](#)). While some things are readily quantifiable and therefore easier to measure, an entity should consider first the information that would be of most relevance to the reader. For example, it might be more relevant to report on the impact of a course on attendees (such as changes in knowledge or behaviours) than to report on attendee numbers. However, an entity could decide that both are relevant.
59. Materiality requires careful consideration when selecting performance measures and/or descriptions – especially if the entity undertakes a wide range of activities.

60. Materiality is considered when deciding how much detail to report. For example, if an entity's main activity is to provide counselling services, but it also offers exercise and mindfulness courses, the entity might decide to focus its service performance information on the counselling services and combine information about the mindfulness and exercise courses. An entity's internal performance measures and/or descriptions will often be more detailed and comprehensive than is appropriate for an annual report. For external reporting it may be necessary to aggregate measures (for example, reporting measures for the entity as a whole rather than by location) or to select a more limited set of measures and/or descriptions to report.



Note

The service performance information reported externally is not expected to include detailed information on every aspect of every service performance activity undertaken by the entity. This could lead to readers being overwhelmed with too much information and struggling to find the information that is most important to them. It is important that material information is not obscured by immaterial information.

The entity is required to select the service performance information that is useful for accountability and decision-making purposes, by applying the qualitative characteristics of information and the pervasive constraints on information (refer to [Table 1](#)).

61. There may be a trade-off between the costs and benefits of reporting certain information. Some aspects of service performance may be easy to measure at low cost but other aspects (such as those involving ongoing follow-up of individuals or groups) may be more costly but might be more relevant and therefore be of more benefit to users — judgement is required.
62. This section has focused on the need to think about the matters listed in [Table 1](#) when selecting performance measures and/or descriptions. Although this consideration will occur at a point in time and be influenced by current data and data collection methods, an entity could also use the application of PBE FRS 48 as an opportunity to review its data and data collection methods. For example, if there are concerns about the completeness or accuracy of data, the entity could develop new ways of capturing data to improve completeness and accuracy – these improvements will help improve the overall performance of the entity.

Examples

63. Some examples illustrating the application of paragraph 15(b) — information about what the entity has done in the period — are shown below.¹⁰

Example 1: Charity providing youth support services

The mission of the Charity is to reduce suicide rates among young people.

The entity works to fulfil this mission through three strategies:

- Offering resources and supportive counselling to young people to reduce the risk that they become suicidal.
- Providing crisis counselling to young people thinking of suicide or self-harm.
- Educating those who interact with young people at risk of suicide about prevention, risk detection and response.

Performance measures and/or descriptions could include:

- Number of service users (this could be in total, for various types of services or by age bracket)
- Percentage of service users reporting satisfaction with services
- Percentage of service users reporting a change in behaviour (e.g. decrease in self-harm)
- Number of suicide awareness sessions delivered to the community
- Number of training sessions/seminars held for youth counsellors

Ways of collecting information:¹¹

- In-house records of number and type of services provided
- Questionnaires that give feedback on services or indicate changes in young people's circumstances or lifestyle. These can include self-evaluations of progress between the start and completion of a course. Such tools may be developed by the entity itself, be used by a number of entities or be nationally validated measures of clients' feelings in areas such as well-being, problems, functioning and risk¹²
- Data on what happens to young people immediately after they finish a programme, such as whether they re-enter education, find a job, or enrol in another programme
- Long-term tracking of a selected group of young people that have used the entity's services

¹⁰ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

¹¹ Some information may be useful in reporting on the current year's performance and some may be relevant for longer term assessments.

¹² Some entities offering youth services use a New Zealand-developed tool called TOMM – The Outcomes Measurement Model.

Example 2: Housing Trust (provides low-cost social housing)

Housing Trust provides housing for senior citizens to give them secure housing and a sense of community, at below market rents.

Performance measures and/or descriptions could include:

- Number of houses made available for low-cost rental, including number added or demolished and replaced in period
- Occupancy/vacancy rates
- Number of residents, including movements in period
- Number of complaints received and resolved in period
- Percentage of residents who report feeling part of a community
- Common concerns raised by residents and how addressed

Ways of collecting information include:

- Register of social housing portfolio
- Record of tenancy agreements
- Register of complaints and how they were resolved
- Tenancy evaluation forms completed each year

Example 3: Museum

The appropriateness of measures will depend on a number of factors including the nature of its collections and exhibitions, the museum's objectives and what the museum wants to assess.

From the perspective of the museum itself, the objectives could include:

- Assessing visitor satisfaction and experience
- Contributing to make a specific art/science/culture form accessible
- Demonstrating the positive impact the institution is having across the community (social, educational, economic)

Quantitative performance measures for a museum (mainly focusing on visitor satisfaction) could include:

- Number of visits (overall visits, exhibitions, online visits, repeat visits, school visits etc)
- Number of workshops held
- Exhibitions (number held, invitations to hold exhibitions, requests to circulate exhibitions)
- Visitor satisfaction measures

However, if a museum wanted to report on how it was affecting visitors and volunteers (in terms of knowledge, attitudes or behaviours) it could use the following ways of collecting information:

- Interviews with participants and volunteers about the impact of the museum on their lives
- Structured observations of participants and their reactions
- Testimonials (including the use of apps for participants to upload videos)
- Wellbeing measures (for example, for volunteers to provide feedback about their experience)

Example 4: Family Support Service

Family Support Service assists families in need by providing free food and clothing. The food and clothing are collected in several ways including donations of unused goods and donations of used clothing. The donated food and clothing are difficult to value so the entity uses physical quantities and weights to record the volume of items collected and distributed.

Possible performance measures and/or descriptions could include:

- Number of boxes of food distributed (there could be different types of boxes, such as basic ingredients, fruit and vegetables). Larger entities might report quantities as shiploads, truckloads or carloads.
- Number of boxes of clothing distributed
- Weight (in kilos or tonnes) of food redistributed
- Number of people assisted (total, daily average)
- Unusable donations by volume (e.g. skip load, trailer load)

Because the items are difficult to count, photographs of items collected and distributed are used as a digital record.

Example 5: Native Bird Trust

The Native Bird Trust is an independent conservation organisation with a mission to increase the native bird population in New Zealand.

Performance measures and/or descriptions could include:

- Number of bait stations and traps managed
- Number of predators caught
- Number of trees and shrubs planted
- Number of seedlings distributed to other conservation groups
- Number of plant pots made
- Number of school visits (could be in relation to education or planting days)
- Volume of seeds collected and redistributed
- Area cleared of gorse and weeds (or time spent clearing areas)
- Area being managed
- Changes in bird populations (by region)
- Changes in predator populations (by region)
- Changes in habitat (by region)
- Development of land corridors – narrative explanation of work done to safeguard existing areas, connect areas or create new areas
- Submissions made on land development proposals (narrative explanation of action taken by entity and any response)

Planning prompts

64. The following questions will be useful when preparing service performance Information about what the entity has done in the period.



- What are the entity's key objectives, what is it accountable/responsible for?
- What did the entity intend to achieve during the reporting period?
- What activities or outcomes will best illustrate what the entity has done during the period in working towards its broader aims and objectives:
 - the goods or services delivered in period for community or social benefit,
 - the outcomes/impacts achieved as a result of the entity's activities in the period; or
 - a mixture of both?
- What internal records are already retained on the achievement of the entity's key objectives/goals for governance purposes (and/or grant purposes)?
- What performance measures and/or descriptions will be used to report on the delivery of service objectives for the period – where will the information come from?
- For new information, what additional systems and controls are required to capture the required information?
- How will we validate the information about what the entity has done in the period for external auditor purposes?

Presentation of service performance information

Reporting requirements

65. Once an entity has decided what service performance information to report, it then needs to think about how to present that information. PBE FRS 48 does not prescribe the format for presenting service performance information. Because service performance information is likely to be a combination of narrative and numerical information, a variety of formats can be used.
66. A summary of what PBE FRS 48 requires in relation to the presentation of service performance information, together with some things to think about, is set out below.

What PBE FRS 48 requires ¹³	Consider
<p>Paragraph 29</p> <ul style="list-style-type: none"> • Clearly identify the service performance information presented in accordance with the Standard. 	<ul style="list-style-type: none"> • What to call the section of the report where service performance information is presented – statement of service performance is one option. • Where to locate the service performance information in the annual report. • Is the service performance information clearly identified? This is important for readers and audit purposes. • What information should be reported as service performance information, what should be reported in the financial statements and what belongs in other sections of the annual report?
<p>Paragraph 31</p> <ul style="list-style-type: none"> • There is no prescribed format. • Entities develop a format that best meets the information needs of their users. • Possible formats include graphs, tables, narrative, infographics and explanatory comments in ‘pop-up’ boxes. 	<ul style="list-style-type: none"> • What is the most appropriate and meaningful way to present key service performance information and make the information visually appealing? • Infographics and icons can be useful for snapshots of information and linking information. Find out what tools other entities use to create infographics. • Case studies can be useful for personal insights or more in-depth information about an activity or service. • Feedback from users about services often helps to heighten readers’ interest in the report. • Colour and charts can help break up large blocks of text and highlight key information. • Think about how the annual report will be

¹³ Some requirements have been paraphrased – please read the Standard.

What PBE FRS 48 requires ¹³	Consider
	<p>accessed. If the report will be accessed mainly through the website then consider how information looks on the screen, and how it works with mobile devices.</p> <ul style="list-style-type: none"> • Would an online interactive report (with features such as page turning, embedded videos, hyperlinks, etc.) be useful and feasible/appropriate?
<p>Paragraph 28</p> <ul style="list-style-type: none"> • Service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. 	<ul style="list-style-type: none"> • Refer to the next section in the guidance — Linking the service performance information with the financial statements
<p>Paragraph 32</p> <ul style="list-style-type: none"> • An entity may cross-reference the service information and the financial statements to help users obtain an overall impression of the entity's performance. 	<ul style="list-style-type: none"> • Consider where cross-referencing between the service performance information and the financial statements would help users better understand the entity's performance.
<p>Paragraphs 33–35</p> <ul style="list-style-type: none"> • Some cross-referencing to other information is permitted, but this is subject to a number of requirements. • For example, the cross-referenced information must remain unchanged and available over time at the cross-referenced location (important when cross-referencing to information on a website). 	<ul style="list-style-type: none"> • Would cross-referencing to other information enhance the understandability of the service information? • Think about providing links in the service performance information to case studies or videos available on your website. • Can you meet the cross-referencing requirements in paragraphs 33–35? • Would the complete set of required service performance information still be clearly identified?










Note

- Reports that look good and are easy to read are more likely to be read. Time spent considering how to best present service performance information is time well spent.
- Service performance information should be consistent with the financial statements, the notes to the financial statements, and other public reports. See also [Linking the service performance information with the financial statements](#).


Examples

67. Some examples of possible ways of presenting service performance information are shown below.¹⁴ For the sake of simplicity the examples do not include comparative information.

Example 1: Usefood						
Service performance information about the entity, what it does, how it operates, and what it achieved in the period.						
How USEFOOD works					Fighting hunger, reducing waste	
						
5 suppliers	2 tonnes donated food	20 volunteers	20% composted	80% reused	2,000 meals	500 people helped
Donate surplus food	We collect surplus food	Sort the food	We compost unusable food	We distribute usable food to 10 community groups	..who cook mealsfor people in need

Example 2: Youth Counselling
Service performance information about key services delivered in the period.

COUNSELLING




266

Counsellors provided 266 hours of counselling to 115 individuals

2,500

counselling sessions during the year

HELPLINE




400

calls from 320 people



20 awareness sessions delivered to the community

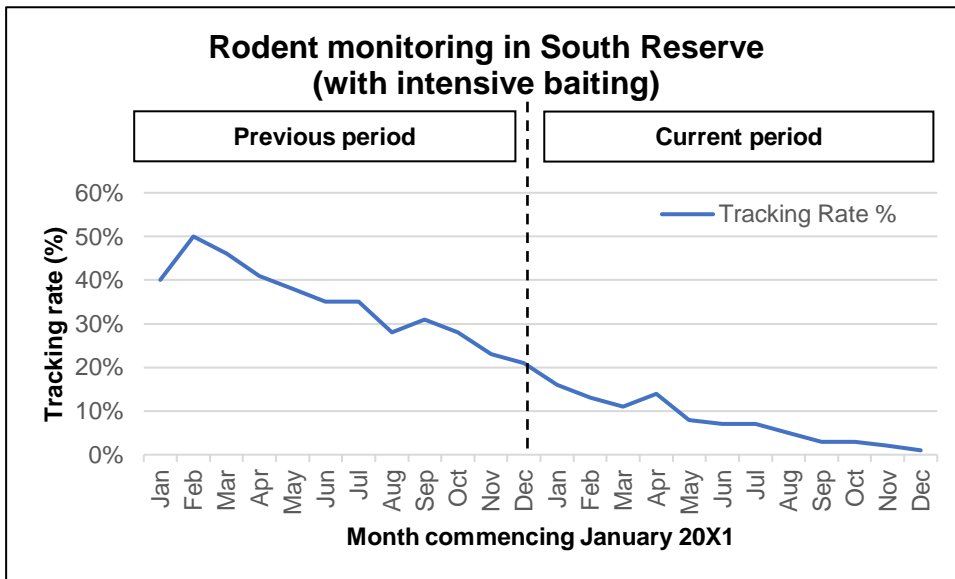
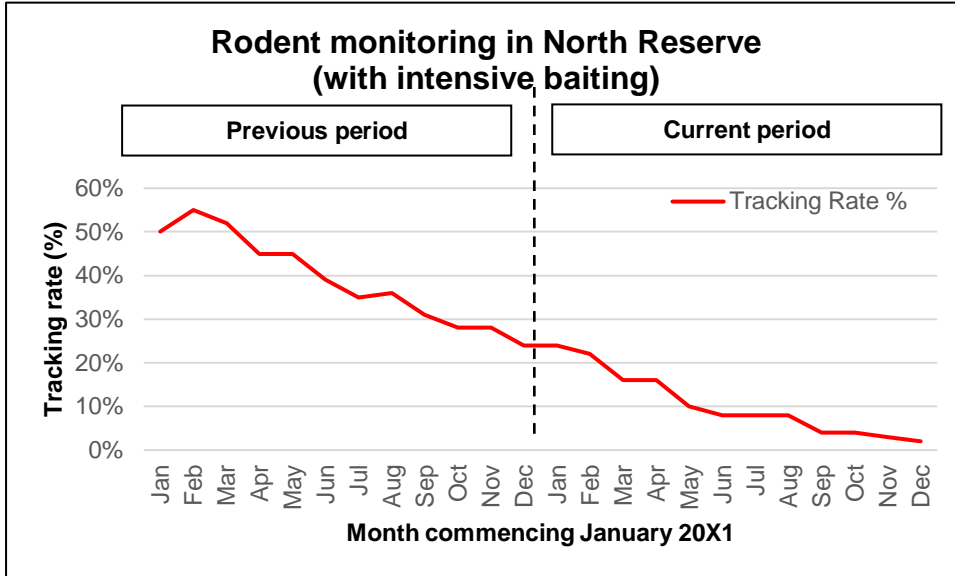
¹⁴ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Example 3: Youth Counselling (detailed)		
<p>What we do</p> <p>Youth Counselling is one of region’s largest/most long-standing provider of counselling support for young people. Young people aged between 14 and 20 can access free, confidential counselling for a wide range of issues. They are offered 10 weekly sessions and can re-refer if they need further support.</p> <p>We work closely with GPs, mental health service providers and other professionals.</p> <p>Young people who use our services experience significant measured improvement in their emotional wellbeing and give positive feedback about how our support has helped them.</p>	<p>Looking ahead</p> <p>We will continue to deliver our mental health workshops in schools.</p> <p>With the help of new staff and funding from other private NFPs we will also be running workshops to provide information and peer support to parents and offering a new drop-in centre.</p>	<p>Our locations</p> <p>Suburb 1 Suburb 2 Suburb 3 School 1 School 2</p>
<p>Highlights this year</p> <p>We saw 105 referrals to the service – up from 98 last year.</p> <p>Twenty counsellors offered counselling sessions in the year.</p> <p>We helped the Northern Regional Authority meet its targets to ensure that young people have access to mental health services.</p> <p>With the support of the Regional Council we have delivered mental health, wellbeing and early intervention sessions in schools and youth centres.</p> <p>We have had a successful first year of working with ABC Trust delivering counselling to young people in the Northern Region.</p>	<div data-bbox="566 788 858 1025" style="border: 1px solid black; border-radius: 15px; padding: 10px; margin-bottom: 10px;"> <p><i>Youth Counselling helped me find a way forward</i></p> <p style="text-align: right;"><i>Male 16</i></p> </div> <div data-bbox="566 1102 858 1339" style="border: 1px solid black; border-radius: 15px; padding: 10px;"> <p><i>My counsellor listens to me and that makes all the difference.</i></p> <p style="text-align: right;"><i>Female 17</i></p> </div>	<p>Personal story to illustrate the impact of the services provided.</p>
<p>200 young people received free counselling</p>		

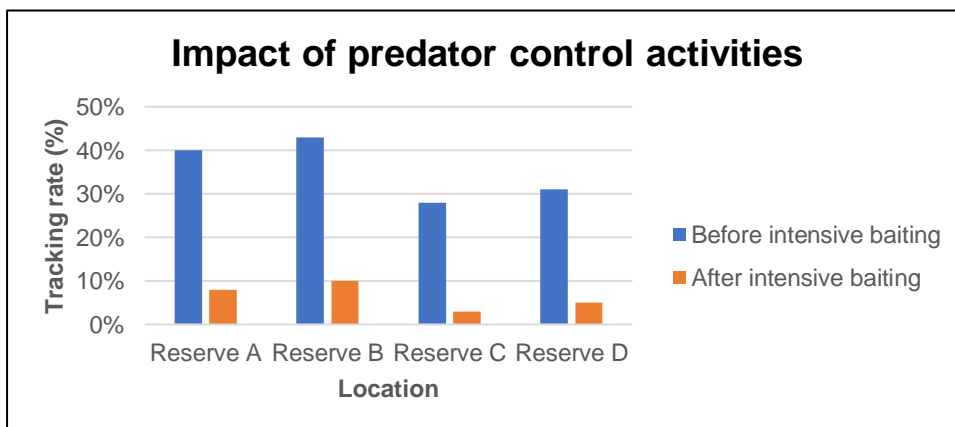
Example 4: Native Bird Trust

Service performance information about the impact on the environment as a result of the Trust's predator control activities.

(a) Rodent tracking index trend lines – by location and time.



(b) Impact of predator control activities (i.e. laying traps and bait)



Planning prompts

68. The following questions will be useful when thinking about the most appropriate and meaningful way to present service performance information.



- What presentation format will be of most use to the users of the service performance information?
- What current design and formatting expertise do we have within the organisation?
- How do other organisations with similar objectives present their service performance information?

Linking the service performance information with the financial statements

Reporting requirements

69. Service performance information and financial statements are both important components of an annual report. Annual reports should tell the story of the entity's performance – both in terms of its financial performance and its service performance and explain the links between the two.
70. A summary of what PBE FRS 48 requires in relation to linking the service performance information and the financial statements, together with some things to think about, is set out below.

What PBE FRS 48 requires ¹⁵	Consider
<p>Paragraph 9(b)</p> <ul style="list-style-type: none"> One aspect of faithful representation is completeness. Completeness implies that the service performance information presents an overall impression of the entity's service performance with appropriate links to the financial statements. <p>Paragraph 28</p> <ul style="list-style-type: none"> Service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. The link is generally made, where practicable and appropriate, by reporting on the cost of goods and services. Entities that report on the cost of goods and services in the service performance information need to reconcile the total cost of goods and services reported with the expenses in the financial statements. <p>Paragraph 32</p> <ul style="list-style-type: none"> An entity may cross-reference the service performance information and the financial statements. 	<p>How can service performance information be linked with the financial statements?</p> <ul style="list-style-type: none"> Pie charts can show how the entity's expenditure relates to its main service performance activities. Graphics about revenue and expenses can be used along with narrative to explain how increases or decreases in categories of revenue and expenses have affected what the entity has done during the year. Narrative can be used to explain how volunteers' contributions have contributed to an entity's service performance. Some expenses might relate directly to volunteers – for example, volunteer training. <p>If an entity does not report on the cost of goods and services in the service performance information how else can it link service performance information with the financial statements?</p> <ul style="list-style-type: none"> If an entity has significantly changed its services and has not yet developed costing systems it could describe the staff resource and assets required to support various services. If an entity has revenue-generating activities it could discuss how profits from

¹⁵ Some requirements have been paraphrased – please read the Standard.

What PBE FRS 48 requires ¹⁵	Consider
	those activities have supported service delivery.
<p>Paragraph 28</p> <ul style="list-style-type: none"> Acknowledge the use of donated goods and services (which have not already been recognised in the financial statements). 	<ul style="list-style-type: none"> Which, if any, donated goods and services have already been included in the financial statements? Which haven't? Information about how volunteers have influenced service performance could be presented as narrative, narrative and numbers (for example, number of volunteers, number of volunteer hours), a personal story or infographics.

71. Narrative explanations of the link between the financial statements and service performance information might cover the following matters.
- (c) If revenue has gone down, what impact has this had on what the entity can do?
 - (d) Are some services being funded by a new revenue stream?
 - (e) If services have been discontinued but revenue was stable, where are these extra resources being used?
 - (f) Do any significant changes in assets or liabilities relate to particular services? For example, are some services now being delivered from a different location.
72. Volunteers' contributions are often not fully reflected in the financial statements (although other standards require disclosures about types of donated goods and services). Registered charities are required to report on the number of volunteers and the hours they worked in their Annual Return to Charities Services. Charities Services has tips for collecting information about volunteers.¹⁶



Note

Information about volunteer contributions helps readers to understand the entity's reliance on volunteers in relation to its service performance.

When reporting on costs of goods and services, where appropriate, acknowledge donated resources (including volunteers' contributions).

¹⁶ Available at <https://www.charities.govt.nz/im-a-registered-charity/running-your-charity/volunteers/>

Examples

73. Some examples of possible ways of presenting cost information or linking financial statements and service performance information are shown below.¹⁷

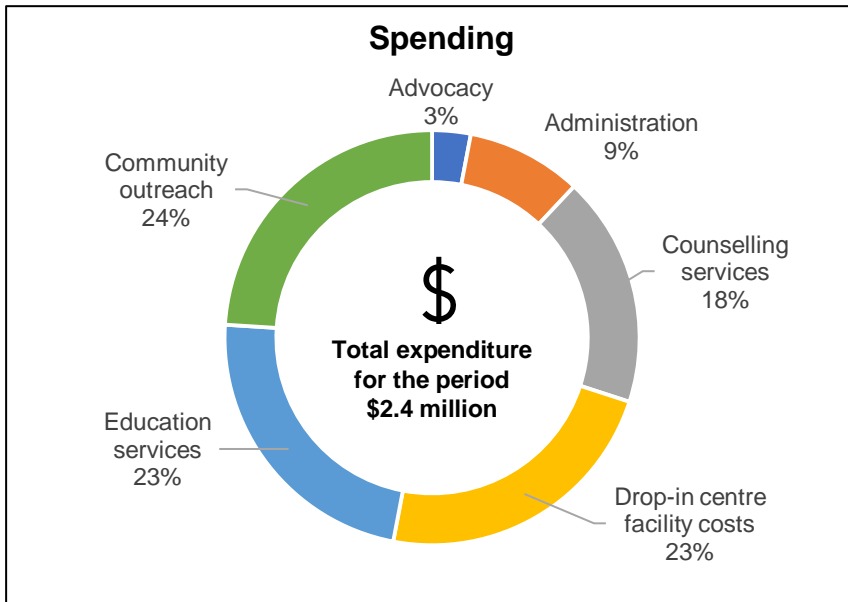
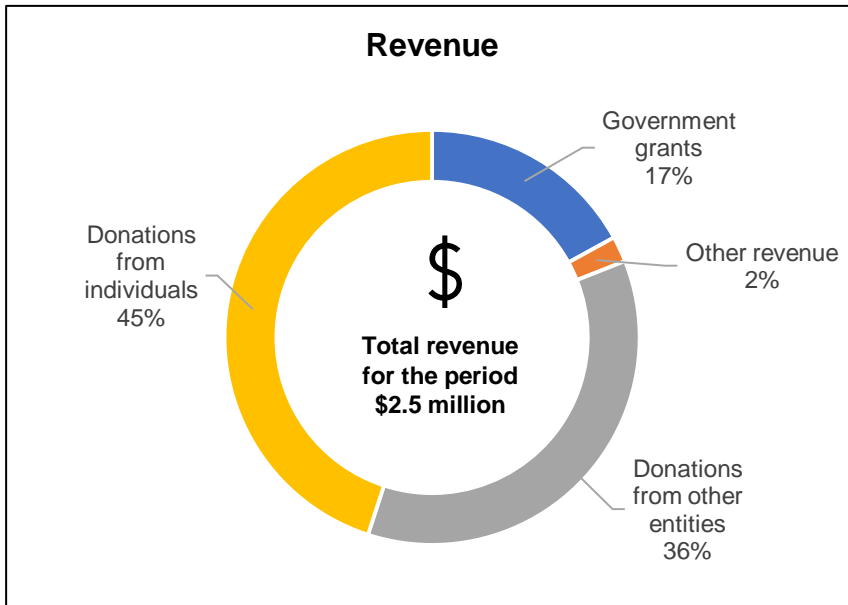
Example 1: Cost of outputs		
<p>The cost of outputs is determined using the cost allocation system outlined below. Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be attributed to a specific output in an economically feasible manner. Direct costs are charged directly to outputs. Indirect costs are allocated to outputs based on cost drivers and related activity or usage information. Depreciation is allocated on the basis of asset utilisation. Personnel costs are allocated on the basis of actual time incurred. Property and other premises costs, such as maintenance, are allocated on the basis of floor area occupied for the production of each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output. There have been no changes in cost accounting policies, since the date of the last audited financial statements.¹⁸</p>		
	Current period	Prior period
Output 1		
Output 2		
Output 3		
Total output expenses		
Other expenses		
Total expenses (as per statement of financial performance)		
Volunteer hours		

Example 2: Information about volunteers	
<p>The goods and services delivered in the period (as reported in the Service Performance Statement) could not have been achieved with the support of our volunteers.</p>	
Key performance activities	Volunteers help us by
Helping people	Driving clients to and from appointments/classes Advocating for clients
Education and networking events	Advertising events Catering and running events
Connecting people	Setting up a database
Administration	Record keeping Fundraising

¹⁷ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

¹⁸ Based on example policy in Ministry of Public Accountability, Audit NZ

Example 3: Revenue and spending for the period



The entity made a surplus \$100,000 in the period which will be used to fund increased performance activities next year.

Example 4: Link the financial information with volunteer contributions		
<i>The entity's main activity is to bring people together to share information and create networks. Volunteers organise the annual conference and other meetings – the costs shown in the financial statements do not include any payments to volunteers for their services.</i>		
<i>The following example shows the financial and volunteer resources used in running the conference.</i>		
Conference financials		
	Current year	Last year
Total conference revenue	\$250,000	\$180,370
Total conference expenses	\$240,800	\$200,000
Surplus/ deficit	\$9,200	(\$19,630)
<i>Annual conference volunteers</i>		
Number of steering committee volunteers	12	6
Number of general volunteers	24	19

Planning prompts

74. The following questions will be useful when thinking about the linkage between the service performance information and the financial statements



- How will we provide an appropriate and meaningful link between the service performance information presented and the financial statements?
- To what extent does the delivery of our planned service performance objectives rely on donated goods and services (including volunteer time)?
- Have we complied with the requirements to present comparative information?

Disclosure of judgements

Reporting requirements

75. PBE FRS 48 requires the disclosure of the judgements used in preparing service performance information in accordance with the Standard. Users need to know why, in reporting on its service performance, an entity has chosen to do something one way rather than another. These judgements are presented as part of the service performance information.
76. A summary of the requirements to disclose judgments used when applying the Standard is provided below, together with some things to think about.

What PBE FRS 48 requires ¹⁹	Consider
<p>Paragraph 44</p> <p>An entity shall disclose those judgements that have <i>the most significant effect</i> on the:</p> <ul style="list-style-type: none"> • selection; • measurement; • aggregation; and • presentation; <p>of service performance information reported <i>that are relevant to an understanding</i> of the entity's service performance information.</p>	<p>Not all judgements have to be disclosed.</p> <p>There are two parts to this requirement.</p> <ul style="list-style-type: none"> • Identify the judgements that have the most significant effect on the service performance information reported. • Decide which judgements are relevant to a user's understanding.

Extent of disclosure on judgements required

77. Some entities may have few, if any, judgements that need to be disclosed. For example, a small entity whose objective is to provide a safe and affordable transport service to the local community (to enable the community to access education, health and recreation services) might have a single service – transport, and report on the number of people transported. In this case there is a clear link between what the entity does and its objective – the entity has reported on all aspects of its service performance and the reported measure is clearly understandable.
78. In some cases, there may be very little judgement involved in deciding what measures should be reported. For example, an entity that receives funding to provide a specified number of hours of counselling, could report on hours of counselling provided; an entity that gives books to schools could report on the number of books donated. In cases where there are established performance standards or benchmarks, the entity should report using those standards or benchmarks.
79. On the other hand, a larger entity which delivers a range of services is more likely to have to make judgements about the selection of information, the selection of performance measures, and how best to report the service performance information.
80. Increased disclosure about judgements are more likely to be needed in the following circumstances.
- (a) Where an entity undertakes a variety of activities, some of which are incidental or complementary to the main activities undertaken to achieve the entity's objectives, an entity applies judgement in deciding which activities to report. For example, an entity that has

¹⁹ Some requirements have been paraphrased – please read the Standard.

objectives relating to litter-free coastlines and educating people about the effects of litter might decide that education is the most important aspect of what it does and focus its service performance reporting on that aspect.

- (b) Where an entity has made a choice to use a particular performance measure when there are a number of well-established measurement options. For example, an entity offering counselling services to the elderly might choose to use the shorter version of a geriatric depression scale before and after counselling because the longer version is too time consuming and the shorter version has similar validity.
 - (c) Where an entity has developed its own performance measures and uses those measures rather than an industry or sector norm that was previously applied. For example, a church might have developed its own overall measure of engagement or participation.
 - (d) Where an entity is undertaking a new activity and is still in the process of developing measures or deciding which measures should be reported. For example, an entity might report one measure with the intention of adding more measures once it has more experience and the chance to better evaluate alternatives.
 - (e) Where a national entity undertakes a variety of activities throughout the country. Judgement is exercised in deciding whether to report service performance information by activity, or by region, or whether to report by both activity and region.
81. Most entities will need to make judgements about the selection of information to report and the selection of performance measures and/or descriptions. As explained in the sections on [Information about the entity, what it does, and why](#) and [Reporting on what the entity has done](#) the entity considers the requirements in paragraphs 19 and 20, along with the principles and overarching requirements in paragraphs 6 to 10 of PBE FRS 48, in making these judgements. When deciding what to report and the evaluation of alternative measures, what is easy to report is not always the most appropriate to report.



Note

PBE FRS 48 does not require that all judgements be disclosed. An entity needs to decide which judgements have the most significant effect on the service performance information reported and are relevant to a user's understanding.

Examples

82. Some examples of the disclosure of judgements used in the preparation of service performance information in accordance with paragraph 44 are shown below.²⁰ Some of the examples shown here include contextual information for understandability – in practice this contextual information will already be available in the service performance information.

²⁰ All examples are hypothetical and are for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Example 1: Youth Counselling**Judgements made in the reporting of service performance information**

In preparing the service performance information for the period the entity has made a number of significant judgements about what information to present, based on an assessment of what information would be most appropriate and meaningful to users when assessing performance against the entity's NFP objectives. This was a challenge due to the diverse nature of the entity's activities and its multiple funding streams, which include grants from government agencies, and donations from individuals and other NFP organisations.

The decisions about what service performance information to present were made in consultation with the entity's Board, key management personnel and service managers.

The judgements that had the most significant effect on the non-financial information presented related to the selection of information about what the entity has done in the period – the "key activities" as reported (and the selection of performance measures for each key activity identified).

The selection of key activities to report was initially based on management's assessment of where the entity expected to invest the most time and resources in the period (based on budget information). This was further refined through discussions with staff and the Board – as a result five key activities were identified that would best illustrate what the entity has done in pursuit of its NFP objectives.

The entity decided to base its service performance measures around the quantity of services delivered in the year, because this information is already retained for internal management purposes. The entity decided not to report against performance measures that assessed the outcome/impact of the entity's activities because, at this time, performance measures of this nature are not easily available, reliable or independently verifiable.

Example 2: Read Aid

Read Aid's mission is to encourage reading as a means of improving self-confidence. We work mainly with young children and immigrants. Our volunteers take their dogs into schools, libraries and community centres. They read to people and people can also read stories to the dogs. At the request of schools or parents we also work on a one-to-one basis with children.

The governing body has decided to report on the following key activities because they best reflect our mission:

- Number of schools visited and number of children who attended
- Number of libraries visited and number of people who attended
- Number of community centres visited and number of people who attended
- Number of volunteers making visits to schools, libraries and community centres
- Feedback received from participants in the reading programmes

Judgements

The service performance information does not report on Read Aid's one-to-one work with children because that is not its primary focus.

Example 3: Nature Loving

Nature Loving Charitable Trust promotes, supports and undertakes programmes, actions and initiatives to beautify City A. Being involved in our projects gives people a sense of pride in their communities (see comments on our website). We report on the following key activities in our service performance information.

- (a) A free annual education event which has a different environmental focus each year. The focus of the event this year was the establishment and maintenance of native flora and fauna. This event is run over a period of three days, with the first two days being for schools and the third day being open to the public as a family-oriented event. We partner with the Council of City A, the local office of the Department of Conservation and volunteers in running this annual event. Attendees at the public event are asked to complete a brief satisfaction survey, which also seeks suggestions for future events.
- (b) Community work, such as painting murals, picking up rubbish from town centres and local waterways, and providing educational sessions on environmental issues in schools. The local community and schools are encouraged to participate in the painting of murals and picking up rubbish. This year, we organised the painting of murals in suburbs M and N, and the picking up of rubbish in suburbs W, X Y and Z and Freshwater Stream.
- (c) The removal of tagging on behalf of the Council of City A. Members of the public are encouraged to report tagging and we undertake to remove the tagging within 24 hours of it being reported to us.

For more information on our activities, including stories from participants, visit our webpage.

Judgement

The service performance information focuses on the annual education event, community work and removal of tagging. It does not report on other incidental activities.

Example 4: Healthy FoundationJudgement

The service performance information does not report on our research and work to develop a new course about healthy living for people living with diabetes. We expect to start offering the course towards the end of next year.

The service performance information focuses on how our courses improve the lives of people living with diabetes, as that is our primary focus. Although some of the information we collect gives us feedback on how our participants' lifestyle changes also benefit their families, this is not our primary focus and we do not collect such feedback in a systematic manner.

83. Another decision that an entity needs to make when reporting service performance information is whether to aggregate some of the information. If an entity operates in several locations which are demographically different, service performance information for each location may be important to users.

Example 5: Foodbank location

We have reported separately on each foodbank in City M because each foodbank operates independently and the food is supplied by local businesses in each suburb.

84. Similarly, a national organisation might choose to report on the activities that it undertakes in each region because the activities might reflect the differing demographic profile of each region.

Planning prompts

85. The following questions will be a useful starting point when thinking about the disclosure of judgements.



- What judgements had the most significant effect on the service performance information reported and which of these judgements are relevant to a reader's understanding of the service performance information?
Consider:
 - Selection
 - Measurement
 - Aggregation
 - Presentation
- To what extent is the service performance information reported consistent with the entity's overall purpose and objectives? If the link to the entity's overall purpose and objectives is not immediately clear, users may need more information to understand why the information reported has been presented.
- How much discretion does the entity have over the service performance information reported? The more discretion the entity has over what it reports, the more likely users are to be interested in the entity's judgements.
- To what extent were key users consulted about the entity's selection of performance measures and/or descriptions and the focus of its service performance information?
- Have the key judgements been documented?
- Has the entity advised the external auditors which judgements it plans to disclose?

Comparative information and consistency of reporting

Reporting requirements

86. PBE FRS 48 establishes requirements for reporting comparisons and reporting consistently so that users can compare an entity's service performance over time. However, it acknowledges that what an entity does and how it measures its performance may change over time (refer to the section on [Improving and making changes over time](#)). An entity should provide an explanation of such changes.
87. A summary of what PBE FRS 48 requires in relation comparative information and consistency of reporting, together with some things to think about, is set out below.

What PBE FRS 48 requires ²¹	Note
<p>Paragraphs 36 to 39</p> <ul style="list-style-type: none"> • In general, comparative information for the preceding period is required. • Comparative information for all performance measures and/or descriptions for which an amount is reported in the current period is required. • Comparative information for narrative and descriptive information reported in the current period is required when it is relevant to an understanding of the current period's service performance information. 	<ul style="list-style-type: none"> • The requirement for comparatives means two year's information must be reported for any amount included in the service performance information. • Judgement is required in deciding whether prior period narrative and descriptive information is required.
<ul style="list-style-type: none"> • Some entities are required to, or choose to, report against previously published prospective information. 	<ul style="list-style-type: none"> • Public sector entities typically have requirements to report actual performance against planned performance. • Other entities are not generally required to publicly report against budgets, plans or targets, although they may do so if they wish.

²¹ Some requirements have been paraphrased – please read the Standard.

What PBE FRS 48 requires ²¹	Note
<p>Paragraphs 40 to 41</p> <ul style="list-style-type: none"> • An entity shall report service performance information consistently (unless an entity chooses in the current period to change what it reports or how it reports, its service performance information). • If an entity changes what it reports or how it reports, its service performance information (in contrast to the previous period) it shall explain the nature of those changes and their effect on the current period's service performance information. • Changes to comparative information are permitted, but not required. 	<ul style="list-style-type: none"> • Careful selection of the information to be reported at the outset will help avoid unnecessary change. • If an entity has made changes to the information reported, consider explaining why. For example, its primary objectives have changed, or a new performance measure is now used because it is more relevant or reliable than the previous measure?



Note

Comparatives are required in the first year of reporting in accordance with PBE FRS 48.

Therefore, decisions about what information to report, how service performance will be measured and presented, and if any new processes are required should be considered as early as possible.

Examples

88. Some examples illustrating the presentation of comparative information and the impact of changes are shown below.²²

Example 1: Prior year comparatives				
Support Dogs (the entity) grants funding to NFP entities that train assistance dogs to support individuals with various disabilities and disaster rescue. The number of dogs trained is measured based on the number of dogs that meet international guidelines for the specialist service for which they are trained. As part of the grant conditions, recipient entities are required to provide evidence on the number of dogs successfully trained in the period.				
	Grants distributed			
	20X2		20X1	
Type of assistance	No of entities	Total \$	No of entities	Total \$
Diabetes	10	1,500,000	8	1,300,000
Epilepsy	4	500,000	5	500,000
Help for physically disabled people	8	78,000	8	75,000
Disaster rescue dogs (e.g. earthquakes)	4	300,000	4	300,000
Other grants	1	2,500	-	-
Total grant expenditure for period		2,380,500		2,175,000

Example 2: Reporting against targets				
Assistance Dogs (the entity) trains assistance dogs to support individuals with various physical disabilities.				
Previously the entity published training targets for the current and preceding period. Number of dogs trained means the number of dogs that meet international guidelines for specialist assistance dogs.				
	Number of dogs trained			
	20X2		20X1	
	Target	Actual	Target	Actual
Number of dogs trained	20	14	20	18
This year we planned to train 30 dogs, but we had fewer staff than expected and a number of dogs were not suitable. We are in the process of recruiting more staff and are reassessing our method of identifying dogs suitable for this type of training.				

²² All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Example 3: Discontinued measure

In the past we have used average waiting time for a request to be satisfied as a measure of the unmet demand for our services. A few years ago, the average waiting time was nine months. Now that the average waiting time is less than two months, we have decided not to report this measure.

Example 4: New measure

A new measure known as the Client Evaluation Tool has been developed to measure the effectiveness of our assistance dogs in improving quality of life for physically disabled people. The tool is administered before receipt of the dog and two months afterwards.












Example 5: New activity

Help for Hikers (the entity) helps people to enjoy their outdoors recreation safely. The entity receives funding from a variety of sources, including from other NFP entities. It also has an online shop which sells outdoor safety resources (with all profits used for the entity's charitable purpose), a website, and social media page.

The entity works collaboratively with other entities with the aim of reducing injuries, the number of search and rescue call-outs and fatalities in the outdoors.

At the end of last year, the governing body agreed to train its own search and rescue dogs and developed a strategy for sourcing and training the dogs. This activity was also included in the budget.

Volunteers with appropriate qualifications (regarding dog psychology and training) assess dogs that are available for adoption for their suitability to undertake search and rescue activities. Dogs with the appropriate temperament and ability to learn are adopted by a volunteer and trained to search for people lost and/or injured in the outdoors.

Example 5: New activity				
Activity	20X4		20X3	
Training courses for volunteers				
Number of courses presented		9		7
Number of attendees	240		178	
 Webpage – Be prepared in the outdoors		Hits 18,654		Hits 15,267
 Social media page		Hits 34,789		Likes 30,546
Search and rescue operations conducted – no serious injuries		23		17
Search and rescue operations conducted – moderate to serious injuries		4		5
Search and rescue dogs trained – new activity		2		-

Planning prompts

89. The following questions will be a useful starting point when thinking about the disclosure of comparatives and disclosure of changes to what you report or how you report in contrast to the previous report.



- Has there been any changes in the nature of the entity's activities from the prior period or from what was planned?
- When considering the extent of changes to the service performance information in comparison to the previous period, it is useful to consider why the changes are being proposed. Do the changes ultimately result in the user receiving better information on the performance of the entity?

Preparing for audit and final approval

90. This section looks at what you'll need to do for the first audit of your service performance information. A new audit standard, NZ AS 1 *The Audit of Service Performance Information*, sets out the requirements for auditors. 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.
91. Because the governing body (for example, the Board of Trustees) is responsible for final approval of the service performance information, the planning reminders in this section also refer to the governing body.

Initial planning
<ul style="list-style-type: none"> • Check that you have an engagement letter. Amongst other things, it will cover: <ul style="list-style-type: none"> ○ The services to be performed ○ What you/your staff are responsible for ○ The fees ○ The start date and completion date. • Talk to your auditors about what information you are planning to report, why you believe this will meet the requirements of the Standard and what evidence you will have to support that information. Identify the key decisions that you've made to date. • Find out what the auditors will want to review, what they need from you and the key dates in the audit plan. • Set dates for the internal review and sign-off of the service performance information and schedule the meetings.
Roles and responsibilities
<ul style="list-style-type: none"> • Identify the first point of contact for the auditors. • Identify any new roles and responsibilities for collecting, checking and reporting information.
Getting information ready
<ul style="list-style-type: none"> • Assemble as much information as possible in advance. Write a file note explaining how to find important documents and keep as many as possible together. • Where you will be obtaining information from non-financial databases, consider if the relevant system's reporting functionality is adequate for audit purposes (date sensitivity of report generation, ability for aggregated data to be tested). • Identify what will need to be documented throughout the year. • Establish controls to make sure that information is collected, complete and reviewed. • Do periodic checks to make sure that information is collected, complete and reviewed.

Improving and making changes over time

Changes over time

92. There are a number of reasons why an entity might change what it reports or how it reports its service performance information over time. Possible reasons include changes in:
- (a) the nature or focus of the entity's activities compared to the previous period or from what from planned;
 - (b) the descriptions of goods and services or the way in which the information is aggregated to improve the quality of information presented;
 - (c) the performance measures and/or descriptions used as improved performance information becomes available and reliable; and
 - (d) industry best practice or information requested from funders.
93. PBE FRS 48 has requirements to make sure that readers can understand changes in service performance information over time (see [Comparative information and consistency of reporting](#)).
94. Over time an entity might seek to integrate its systems and processes so that data used for external reporting can also be used for internal monitoring and decision making.

Improving service performance information

95. What an entity does and how it reports are likely to evolve over time. Entities often want to know whether what they do works and what they could do better. PBE FRS 48 does not require that an entity report on what it does in terms of monitoring, seeking feedback and evaluation but such information can provide context.
96. A brief description of monitoring, feedback and evaluation follow.
- (a) Ongoing monitoring (checking progress or quality over time) might involve collecting information about who is being served and with what level of frequency and intensity. An entity might regularly review that information to assess progress in meeting targets, quality of services and whether its service performance is in line with its objectives.
 - (b) Seeking feedback might involve systematically soliciting, listening to, and responding to the experiences of users or other participants and about their perceptions of the entity's services or products. An entity might then use information about users' experiences, preferences, and ideas to improve the quality and effectiveness of its services.
 - (c) Evaluations tend to be more formal, conducted periodically and might be carried out by, or in conjunction with, an external party.
 - (d) Research can inform any aspect of an entity's service performance. For example, it might lead to a better understanding of clients' needs or better information about the effectiveness of alternatives.

Examples

97. Examples of how an entity might refer to monitoring, feedback and evaluation in its service performance information follow.²³

Example 1: Youth Charity

Studies support the effectiveness of integrated services for young people [*cite studies*]. Young people who may not otherwise have sought help are accessing the services they need through one stop shops.

Young people report being highly satisfied with these services. Pre- and post-counselling intervention assessments show that young people report developing healthier coping strategies and increased self-belief. Evaluations have demonstrated an increased understanding of stress and management techniques. This approach seems to work well for many young people, although those with more serious health issues may benefit from more direct specialist care.

Example 2: Foodbank

Some recent research [*cite study*] looked at how food banks are embedded in a broader environment of community organisations, resources and networks. The study found that food banks are important to people because of the way people feel when they are there, as well as because of the help that is offered.

We have therefore created areas for people to socialise at two churches where we have distribution centres.

Example 3: Emergency assistance

As part of our ongoing process of seeking feedback we learned that some clients were having to queue for extended periods. This negatively affected their view of our services and is not the way we want to treat clients. We have therefore changed our process to greet all clients on arrival and assess whether we can help them immediately or need to set up an appointment. We have allocated more volunteers to service x/location x to help greet people and make these assessments.

²³ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Example 4: Independent evaluation

Breakfast Club sets up breakfast clubs in schools and helps run the clubs for the first year.

Last year we participated in an independent evaluation of breakfast clubs across the region. One of the objectives of the study was to explore schools' perceptions of whether breakfast club provision has achieved the intended outcomes for children. The researchers carried out phone interviews, and face to face interviews with school staff (those involved in running the breakfast club, teachers, support staff, the head teacher or other members of the senior leadership team), partners (governors, school caterers or other partners), and pupils who attended the breakfast clubs. Parents were also invited to take part in a survey.

The study concluded that [add findings].

The study has given us better data to encourage schools to set up clubs, to recruit volunteers and to obtain funding.

Example 5: Trialling new method of delivering services

In the past we have operated offices in the main centres. Over the last year, we have also used a bus to offer education and support services in rural communities. The bus operates in public places such as shopping centres and libraries and we set up information stands in nearby public buildings. The team is made up of health professionals, counsellors, financial advisors and volunteers. The team is available to talk to people, offer advice and distribute information pamphlets.

We will decide whether to continue the mobile service at the end of this year. In the interim we are collecting data on how many people use the mobile service that would not otherwise access our services.

98. Ideas for improved reporting of service performance information can come from:
- (a) polling users about what they consider to be the most important aspects of an entity's service performance;
 - (b) seeking advice from independent experts;
 - (c) liaising with other entities with similar objectives; and
 - (d) entering annual reporting contests.

Appendix A: Reporting on shared performance

Reporting requirements

NFP entities often work with other entities to achieve their objectives/goals over the medium to long term. Because there are many ways of working together with other organisations, PBE FRS 48 does not establish detailed requirements about reporting on such relationships. Instead, it:

- (a) prompts an entity to discuss its relationships with other entities, both in giving information about the entity, what it does, and why (contextual information), and when discussing what it has done during the reporting period (see paragraph 15 of PBE FRS 48);
- (b) requires an entity to explain the main ways in which it carries out its service performance activities, which may include working together with other entities that share common objectives (see paragraph 18 of PBE FRS 48); and
- (c) identifies a number of factors that an entity must consider including “how it went about achieving its service performance objectives” (see paragraph 19 of PBE FRS 48).

If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on service performance.

Examples

Some examples of how an entity might report on collaborative activity are shown below.²⁴ However, there are many different scenarios and an entity will need to use judgement in deciding what and how to report. The entity will also need to consider the existence of evidence to support the entity’s involvement.

Example 1: Wildlife Trust			
In the period the Wildlife Trust has worked together with the Nature Trust to achieve certain service performance objectives, namely in the form of providing training and support to planning staff in local authorities to demonstrate how wildlife sites and networks can be incorporated into planning policy.			
	Local Authority 1	Local Authority 2	Local Authority 3
Training	Wildlife Trust delivered 2 training sessions	Wildlife Trust delivered 2 training sessions	Wildlife Trust and Nature Trust jointly delivered 3 training sessions
Support	Wildlife Trust staff met monthly with local authority staff	Wildlife Trust staff met monthly with local authority staff	Nature Trust met monthly with local authority staff
Wildlife Trust participates in projects led by other entities which are aligned with our service performance objectives. This year we participated in the following projects.			

²⁴ All examples are hypothetical and are used for illustrative purposes only. An entity is required to report service performance information based on its specific circumstances.

Example 1: Wildlife Trust	
BEE Trust has a project to improve the roadside habitat for bees. Briefly describe the project....	Wildlife Trust took the lead on improving the habitat on 10 road verges in the region. Wildlife Trust has made a commitment to manage these 10 road verges for the next three years.
Bird sanctuary project is led by Department X and Incorporated Society Y. Briefly describe the project....	<p>During the year volunteers planted 30,000 native trees and regularly checked predator traps. Wildlife Trust supported this project by informing its members about the activities and arranging transport. Wildlife Trust volunteers helped plant trees (100 people in March and 120 people in August) and made up 20% of the trap checking volunteers.</p> <p>Wildlife Trust donated \$5,000 towards the cost of traps and Wildlife Trust volunteers donated 2,000 plants.</p>
Annual beach clean is led by Nature Trust. Briefly describe the project....	<p>Wildlife Trust supported this project by informing its members about the event and arranging transport.</p> <p>Wildlife Trust volunteers made up 150 of the 1,000 that attended. X amount of rubbish was collected at the event.</p>

Example 2: Nature Reserve Foundation
<p>Nature Foundation has partnered with Entity X to support a project to eradicate predators (rats, weasels and stoats) in City X. The two organisations have jointly funded a project director for two years and start-up costs.</p> <p>The Foundation encourages residents to trap pests in their backyards. It distributes traps to community groups who make them available to households and monitor their use. Individual households report back to the community groups about what they have caught. This year the Foundation has focused its efforts on Suburb S. In order to find out more about the number and location of predators in Suburb S, the Foundation and Entity X investigated the waste water system (zero rats found) and used camera traps.</p> <p>The Foundation has distributed 1,000 traps to community groups.</p> <p>500 households now have traps and have caught xx rats this year.</p> <p>Entity X is focusing its efforts on parks and reserves and works with a range of community groups. Entity X has provided xxx traps to community groups. One of those groups, Group G has used 300 traps to catch xx rats at Reserve R. Group G has used chew cards to monitor population levels in the Reserve. The cards are used in accordance with the guidelines issued by XX. Rat numbers have reduced by 30% in Reserve R over the last two years.</p>

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