



HM TREASURY

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Stephenie Fox  
Technical director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
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Dear Stephenie

**IPSASB Consultation Paper – Reporting Service Performance Information**

1. The UK Treasury welcomes the opportunity to respond to the consultation paper (CP) on reporting service performance information.
2. We note that the consultation paper has been released as part of a wider project to develop a consistent framework for reporting service performance information of public sector entities. While we support the role that such a framework might play, it will need to be flexible enough to reflect the diversity in performance information reporting across various jurisdictions.
3. We commend the quality of the CP, which clearly sets out the issues on which comment is sought. Such clarity has enabled us to form developed views on each of the Specific Matters for Comment, which are in the annex.
4. We believe that reporting performance information is useful, if not essential, for users of General Purpose Financial Reports (GPFRs), and consequently performance information should be reported in all organisations' GPFRs. Whether or not any eventual guidance issued by IPSASB would enhance performance reporting would depend on both its content and status (i.e. whether it is voluntary or mandatory) and IPSASB will need to come to a firm view on this. Our tentative view is that performance reporting should be required but that its form and content should be flexible.

5. Another conceptual issue is that the proposed set of principles may not be sufficient to support the construction of different performance measurement frameworks (and the characteristics of the metrics) that are required for different purposes and for different groups of users of performance information. For example, the principles that might be used to report public accountability are likely to differ in nature from those used in reporting on management of a service. Linked to this, the CP does not appear to recognise that public bodies are not always established for the main purpose of service delivery to end users.

6. While it would be useful to describe a set of performance reporting principles to encourage organisations to present performance information, this should not be at the expense of closing the door to developments in good practice. This could mean that some jurisdictions' performance reporting regimes would not be compliant with the principles in their current form, even though these regimes are sufficiently developed to report information outside of GPFs that meets the proposed qualitative characteristics of IPSAS.

7. We recommend that the CP acknowledges that performance reporting can take many forms and, consequently, any performance reporting principles or guidance should be sufficiently flexible to accommodate these different forms. This might usefully include commentary on when organisations are expected to follow the principles set out in the CP, and when they might not be applicable.

8. One potential solution might be to require entities to disclose details of the performance framework in place and the principles underpinning it, rather than seeking to prescribe a universal model. This disclosure could then be by way of reference to some published statement or standard. This would of course be dependent on the outcome of discussions about which organisations should follow the principles.

9. Notwithstanding this, I do believe that there is a role for the guidance in the CP in meeting the aim of reporting performance information in GPFs, and I attach an annex in which we respond to the Specific Matters for Comment.

10. If you would like any further information on any aspect of this response, or to discuss the contents of this letter please contact Chris Wobschall in the first instance ([chris.wobschall@hmtreasury.gsi.gov.uk](mailto:chris.wobschall@hmtreasury.gsi.gov.uk), +44 (0)20 7270 4508), whom of course you know as the Technical Adviser to the UK IPSASB member.

Yours sincerely



**LINDSEY FUSSELL**

## Annex 1

### Specific Matters for Comment

**1: Should the IPSASB consider issuing (a) non-authoritative guidance for those public sector entities that choose to report service performance information, (b) authoritative guidance requiring public sector entities that choose to issue a service performance report to apply the guidance, or (c) authoritative guidance requiring public sector entities to report service performance information?**

Option (c) is preferred – the IPSASB should issue authoritative guidance requiring public sector entities to report service performance information.

On the presumption that service performance information would form part of a GPFR (see Specific Matter for Comment 5), all public sector entities should be required to report this information. Authoritative guidance supports the qualitative characteristic of comparability, as all public sector entities would be required to report information based on consistent guidance.

However, we believe that there should be flexibility for public sector entities. This could be achieved by drawing the parameters more widely and more on a principled basis and it could also be achieved through a ‘comply or explain’ approach

**2: Do you agree that this project should not identify specific indicators of service performance?**

We agree that the project should not identify specific indicators of performance. Given the likely differences in service performance information across (and perhaps even within) jurisdictions, there is a significant risk that identification of specific indicators within any guidance could result in reporting that does not accurately represent the service performance.

This may be exacerbated where an entity has outsourced the delivery of a particular service to an external service provider, but is still required to report on the performance of that service. The external service provider may report performance information differently from the responsible entity. Therefore the requirement to use specific indicators may not be practicable, as the service performance information may not be suitable for translation to specific entities.

However there may be an opportunity to include guidance on different themes of indicator. For example, it may be useful to include examples of both quantitative and qualitative indicators. Such guidance might be more usefully included within an appendix as application guidance, or even as a supplementary guidance document.

### **3. Should service performance information included in GPFRs be prepared for the same reporting entity as for general purpose financial statements (GPFs)?**

Service performance information should normally be linked to the GPFS entity, but it does not have to be. So, for example, the service performance information could be provided with group accounts and not for all 'subsidiary' entities, so that it is linked to the group GPFS, but not to each entity's separate GPFS. It could also be linked to aspects beyond the competency of the financial statements, but clearly linked to the remit of the entity. Thus a health body might need to address social care issues to make sense of their performance indicators and that body may not have expenditure specific to some of its performance measures.

On balance, we believe that group service performance information is preferable to each subsidiary entity reporting, but also recognise that this might need to be supplemented with information beyond the group. In any case, the principle of 'comply or explain' should again apply.

To support this approach, we believe it is important that any future standard should provide clarity on the definition of a public sector entity's reporting boundary (e.g. this might mean those services over which the entity has direct 'control'). Such definition should then help reporting entities in applying judgement to determine the breadth of service performance information to be reported.

### **4. This CP identifies four dimensions of service performance information that are necessary to meet the needs of users. These are:**

- (a) Information on the public sector entity's objectives, including the need or demand for these objectives to be achieved (the "why" dimension);**
- (b) Input, output, outcome, efficiency and effectiveness indicators, including service recipient perception or experience information (the "what" dimension);**
- (c) Comparisons of actual performance to projected (or targeted) results, including information on the factors that influence results (the "how") dimension); and**
- (d) Time-oriented information, including comparisons of actual results over time and to milestones (the "when" dimension).**

**Do you agree with these dimensions of service performance information? Are there dimensions that should be added or deleted?**

We agree that the four dimensions proposed could represent one set of possibilities, but also recommend inclusion of a fifth – the "what next?" dimension; future needs are indeed addressed in the document.

This dimension would require presentation of information focussing on future plans (not necessarily time-specific) and could be referenced by users of future GPFRs to assess whether performance targets and expectations have been met.

We do recognise that this dimension does not necessarily need to be separate from the four set out above – indeed the “what next” dimension could be incorporated into each of the four proposed dimensions. We do believe though that some form of forward-looking information would be useful for users of GPFRs.

**5. Should service performance information be reported (a) as part of the GPFR that is currently issued (for example, an annual financial report) but not part of the GPFSs, (b) in a separately issued GPFR, or (c) in both a separately issued GPFR and as part of the currently issued GPFR?**

If the GPFR includes the GPFS, then the service performance information might usefully be reported in the GPFR, which should also be consistent with information presented in the GPFS. Our preference is therefore for option (a). A further perspective on this is that by reporting service performance information within a document that is produced in a disciplined framework, including audit scrutiny, there is potentially more of an incentive to ensure that the information is accurate.

The Service Performance information also complements the information presented in a GPFS in that the data is historic and covers the same reporting period. Inclusion of relevant and complementary information in one publication should be of benefit to users of the GPFR / GPFS. This might not always be the case, however, particularly if Service Performance Information relates to a different timeframe from that covered by the GPFS.

This is not meant as a barrier to reporting service performance information elsewhere. Reporting entities should have freedom to present information in a separate GPFR if this best suits the reporting needs within that jurisdiction. Consideration should be given to what (if any) assurance review these separate reports might be subject to.