



Accounting Standards Board

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Stephenie Fox
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CANADA

23 April 2012

Dear Stephenie

Re: Consultation Paper *Reporting Service Performance Information*

1. The UK Accounting Standards Board's (ASB) Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to respond to the above consultation paper.
2. In general we agree with most of the preliminary views but have made a few suggestions which can be found in the attached Appendix which sets out our views on the Preliminary Views and the Specific Matters for Comment.
3. We would highlight the following:
 - a. It should not be mandatory to report service performance information, but if it is reported it should be done so within an authoritative framework;
 - b. Specific indicators of service performance should not be identified;
 - c. Different divisions within an entity may not make it possible to report service performance information on the same basis as the general purpose financial statements, and where this is the case a segmental reporting approach should be taken;
 - d. Service recipient perception or experience information should be removed from the "what" dimension and the "how" dimension should be renamed the "how well" dimension. Further the "when" dimension should be an overarching dimension that covers the other three; and
 - e. Input and outcome information (the "why" and "what" dimensions) should be available when preparing the general purpose financial report and therefore should be reported at the same time.
4. If you require any further information please contact me or Joanna Spencer (j.spencer@frc.org.uk).

Yours sincerely

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Chairman, Committee on Accounting for Public-benefit Entities

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Preliminary Views

Preliminary View 1

The reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the Conceptual Framework Exposure Draft (CF-ED 1), *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*.

We agree with the statement made as preliminary view (PV) 1 that the reporting of service performance information is necessary to discharge the objectives of GPFs. However, as stated in our response to ED 1 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity* we do not consider that all information can fulfil the accountability and decision-making objectives equally well and that some information may be weighted more heavily towards one objective than the other.

In the case of service performance reporting, we consider that this type of information best addresses the objective of accountability rather than decision making, although knowing how an entity utilised its resources will aid in deciding what level of resources are to be provided in future periods.

Preliminary View 2

Developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and should include the seven terms and working definitions in Table A on paper 14.

We agree with PV 2 and consider that in the main, the terms and their related definitions are adequately generic to capture those terms already in existing use, however they could do with some tweaking, as does the example. Our suggestions are as follows:

- Bare numbers should be provided at all times in conjunction with percentages, this would be important in cases as the percentage hit rate may increase while the overall population had decreased. Therefore, the example in outputs should be a bare number but accompanied by a percentage.
- Where appropriate, all results should be provided as a time-series so that users can identify any trends that may exist.
- An overall measure of 'value for money' indicator should be provided – this would be a relationship between inputs and outcomes – e.g. the cost of reducing the incidence of measles by 1%.
- We consider that the use of the word 'impact' in the definition of outcomes may be confusing as impact can have several meanings, therefore we suggest replacing 'impact' with 'result'.

Preliminary View 3

Components of service performance information to be reported are (a) information on the scope of the service performance information reported, (b) information on the public sector entity's objectives, (c) information on the achievement of objectives, and (d) narrative discussion of the achievement of objectives.

We agree with PV 3 regarding the components of service performance information to be reported. However, we noted that paragraphs 5.1-5.23 seem to just elaborate on paragraphs 4.1-4.18 which addresses the dimensions needed to address users' needs, therefore we suggest that any subsequent exposure draft that results from this CP combines these two sections to provide more comprehensive guidance on what should be reported and how to achieve this effectively.

Preliminary View 4

The qualitative characteristics of information and pervasive constraints on the information that is currently included in GPFs of public sector entities also apply to service performance information.

We agree that in general the qualitative characteristics that have been proposed to apply to financial information in GPFs should also be applied to service performance information. The only exception might be comparability which whilst desirable may not always be achievable. For example, it may not be feasible within one jurisdiction to compare one entity's service performance with another, as they will most likely have different objectives, inputs and outcomes (e.g. hospital to fire service). However, for comparisons between jurisdictions this would be a necessary characteristic.

We also suggest that it is essential to use the correct key performance indicator for the relevant entity according to their business model. For example, salary costs at an online university may be in line with salary costs at a traditional university but the two have completely different operating procedures. The online university might have large warehousing, distribution and call centre activities, whilst the traditional university will have a large number of cleaning and catering staff.

Specific Matters for Comment

SMC 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?

We consider that it should not be mandatory for entities to report service performance information but if they do so they would be required to apply any authoritative guidance that results from this CP (Option (b)).

SMC 2

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

Given the diversity of jurisdictions that use IPSASs and the diversity between public sector entities, we agree with SMC 2 that specific indicators of service performance should not be identified.

SMC 3

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

Whilst the concept of aligning service performance information with the reporting entity as for GPFs is admirable, we consider that this may not be necessary in all circumstances especially when there are sub-groups within an entity which may have different objectives, inputs and outcomes.

Therefore, we suggest that where the two do not align the concept of segmental reporting be employed and service performance information be prepared for each segment and then reconciled back to the reporting entity as a whole.

Further we consider that it is necessary for entities to report on the activities that they are responsible for but do not necessarily perform themselves - e.g. hospital cleaning which may be contracted to a third party.

SMC 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?

The "Why" Dimension - We agree that it is necessary to identify what an entity's objectives are and how that entity proposes to achieve these objectives. However, we also consider that it may not always be possible to identify what the demand for certain circumstances will be (e.g. response to a natural disaster) therefore it may be useful to provide a scenario analysis of how certain needs will be fulfilled.

The "What" Dimension - We are of the opinion that regarding this dimension, it may not always be appropriate to report service recipient perception or experience information (e.g. inmates in a prison may not give an unbiased opinion). However

we do agree that input, output, efficiency and effectiveness indicators are necessary to report the “what” dimension.

The “How” and “When” Dimensions – we consider that these dimensions are confused and the “how” dimension should be “how well” and the “when” dimension should be an overarching dimension requiring a comparison against time for each of the preceding dimensions.

That said we do agree that the “how [well]” dimension should be a comparison of actual performance to projected or targeted results.

SMC 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?

We consider that if service performance information is available at the same time as when the GPFR is being prepared (as inputs and outputs should be) then they should be reported in conjunction with the financial data. Therefore, the “why” and “what” dimensions (excluding any service recipient perception or experience information) should be reported at the same time as the associated financial data. If this is not reported at the same time, it may be an indication that the entity is not managing its business effectively.

However, we acknowledge that with qualitative information (e.g. that obtained from surveys etc.) there may be a reporting lag and consider that this information may need to be reported after the associated financial data but in such cases this should be explained.