

## Summary—Recommended Practice Guideline Reporting Service Performance Information

This summary provides an overview of RPG 3, *Reporting Service Performance Information*.

**Project objective:**

The objective of this project was to use a principles-based approach to develop a consistent framework for reporting service performance information that focuses on meeting the needs of users.

**Approved:**

The IPSASB approved Recommended Practice Guideline 3 (RPG 3), *Reporting Service Performance Information*, in March 2015.

**RPG 3's history:**

The IPSASB's project on reporting service performance information began in 2010, after project approval in 2008. A consultation paper (CP), *Reporting Service Performance Information*, was issued in 2011. After reviewing responses to the CP the IPSASB developed an exposure draft (ED) for an RPG on reporting service performance information. ED 54, *Reporting Service Performance Information* (ED 54), was issued in December 2013. The IPSASB reviewed responses to ED 54 in 2014, after which RPG 3 was developed. RPG 3 is based on ED 54. It takes into account the responses that the IPSASB received on ED 54.

## Why did the IPSASB undertake this project?

*The objective of the IPSASB's project on reporting service performance information was to use a principles-based approach to develop a consistent framework for reporting service performance information that will meet the needs of users.*

RPG 3 addresses the need for guidance on reporting service performance information. Previously there was no IPSASB pronouncement on this topic.

The primary function of governments and most public sector entities is to provide services to constituents. Users of general purpose financial reports (GPIFRs) need information on service performance to hold entities accountable and to make decisions, including decisions with respect to resources for services.

RPG 3 supports entities' reporting of high quality service performance information.

RPG 3 will be useful to entities that are already reporting service performance information and entities that plan to begin reporting such information in the future. The RPG takes into account the diversity of public sector services that exist in different jurisdictions, different service performance reporting contexts, and different levels of experience with such reporting.

Issuance of RPG 3 on reporting service performance information is consistent with the IPSASB's strategic priority of developing requirements and guidance on public sector specific issues. *The Conceptual Framework for Financial Reporting by Public Sector Entities* (the Conceptual Framework) explains that the scope of financial reporting is more comprehensive than the financial statements and includes reporting information on services.

Public sector entities provide a wide range of services including:

- (a) Services provided directly to individuals and institutions, for example, health services or provision of goods such as food or books;
- (b) Services provided indirectly to individuals and institutions, for example, services which aim to develop, promote, protect or defend a community, institution, country, or community values and rights;
- (c) Transfers to individuals and institutions;
- (d) Provision of policies, regulations or legislation to achieve public policy goals; and
- (e) Collection of taxes and other revenues.

## When should an entity apply this Recommended Practice Guideline?

*The reporting of service performance information in accordance with this RPG represents good practice.*

### Status

Entities are encouraged to follow this RPG when they report service performance information. However, entities are not required to comply with this RPG in order to assert that an entity's financial statements comply with International Public Sector Accounting Standards (IPSASs).

### Scope

This RPG is applicable to all public sector entities other than Government Business Enterprises (GBEs).

Although this RPG does not apply directly to GBEs, the services related to a GBE controlled by the reporting entity are within the scope of this RPG.

This RPG sets out good practice for reporting service performance information. It provides:

- (a) Guidance on presentation decisions with respect to service performance information that will meet users' needs; and
- (b) Information that should be presented when reporting service performance information.

The exclusion of GBEs from the scope of this RPG does not mean that this guideline could not be applied by GBEs. The IPSASB considers that where GBEs report service performance information the guidance in this RPG would be useful for such reporting.

Where a controlling entity chooses to provide information on services provided by one or more controlled GBEs, information about the GBEs' services presented by the controlling entity will need to follow the RPG's requirements.

## What is service performance information?

*Service performance information is information on the services that the entity provides, an entity's service performance objectives and the extent of its achievement of those objectives.*

*Service performance information assists users of GFRs to assess the entity's service efficiency and effectiveness.*

### **Service Performance Objectives**

A *service performance objective* is a description of the planned result(s) that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes or efficiency.

Service performance objectives may be expressed using *performance indicators* of inputs, outputs, outcomes or efficiency; or through a combination of one or more of these four performance indicators. A service performance objective may also be expressed using a narrative description of a desired future state resulting from provision of services.

### **Performance Indicators**

Performance indicators may be quantitative measures, qualitative measures, and/or qualitative descriptions of the nature and extent to which an entity is using resources, providing services, and achieving its service performance objectives.

### **Achievement of Service Performance Objectives**

The service performance information presented should be tailored to the entity's service performance objectives. Information on actual service performance may include effectiveness performance indicators.

*Service performance objectives:*

- (a) Will generally be specific, measurable, achievable, realistic and time-bound.
- (b) May all be expressed in the same type of performance indicator (for example, all expressed in outcomes), or may be expressed in different types of performance indicators.

*Performance indicators may be:*

- Quantitative measures, for example, the number of outputs produced, the cost of services, the time taken to provide a service, or a numerical target for an outcome;
- Qualitative measures, for example, descriptors such as poor/good/excellent or satisfactory/unsatisfactory; or
- A qualitative description.

## Types of Performance Indicators

*RPG 3 has definitions for five types of performance indicator:*

- *Inputs;*
- *Outputs;*
- *Outcomes;*
- *Efficiency; and*
- *Effectiveness.*

### **Inputs**

*Inputs* are the resources used by an entity to provide outputs.

### **Outputs**

*Outputs* are the services provided by an entity to recipients external to the entity.

### **Outcomes**

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

### **Efficiency**

*Efficiency* is the relationship between (a) inputs and outputs, or (b) inputs and outcomes.

### **Effectiveness**

*Effectiveness* is the relationship between actual results and service performance objectives.

*Resources used* include: (a) human resources or labour, (b) capital assets such as land, buildings and vehicles, (c) cash and other financial assets, and (d) intangible assets such as intellectual property. *Inputs* may be reported in terms of costs incurred or quantities used to produce outputs.

Public sector entities provide a wide range of *services*. The receipt of services by recipients *external* to the entity is a critical factor in deciding whether services are *outputs*, rather than services consumed internally as part of an entity's production of outputs.

*Impacts on society* may include, amongst other things, impacts on educational achievements, on poverty and crime levels, and on the health of different groups within society.

If the same quantity and quality of outputs can be produced at less cost than before, then production *efficiency* has improved and an efficiency indicator designed to report that type of efficiency gain will show an improvement.

The more *effectively* an entity operates as a service provider, the better will be its actual results compared to its planned results.

## Principles for Presentation of Service Performance Information

*An entity should present service performance information that is useful for accountability and decision making.*

*Presentation should enable users to assess the extent, efficiency and effectiveness of the entity's service performance.*

Presentation of service performance information should be appropriate to the entity's service performance objectives. It should make clear the relationship between the entity's service performance objectives and its service performance achievements.

The presentation of service performance information should meet the qualitative characteristics of financial reporting.

The pervasive constraints on information in GPFs should also be applied to service performance information.

The service performance information presented should take account of the entity's specific circumstances.

The Conceptual Framework describes the *qualitative characteristics* of information presented in GPFs and the *pervasive constraints* on such information. The qualitative characteristics are relevance, faithful representation, understandability, timeliness, comparability and verifiability. The pervasive constraints are materiality, cost-benefit and achieving a balance between the qualitative characteristics.

Aggregation or disaggregation of service performance information should be at a level that conveys a meaningful understanding of the entity's service performance achievements.

Comparability to other entities can be difficult to achieve in the context of service performance information. Inter-entity comparability may need to be traded off against relevance, so that service performance objectives and their related performance indicators are relevant to the service performance situation of the entity.

## Selection of service performance information

*Service performance information is selected for display or for disclosure.*

### Information for Display

The following information should be displayed for each relevant service:

- Service performance objectives;
- Performance indicators; and
- Total costs of the services.

### Information for Disclosure

Information should be disclosed so that users:

- Understand the basis of the displayed service performance information; and
- Receive a concise overview of the entity's service performance, which highlights the main issues relevant to their assessment of that service performance.

With respect to *performance indicators* and the *total costs of services*, the entity should display:

- Planned and actual information for the reporting period; and
- Actual information for the previous reporting period.

*Basis of displayed service performance information:*

- Information to evaluate whether displayed information achieves the qualitative characteristics;
- Sources of displayed information; and
- Explanations related to the service performance objectives, the relationship(s) between related performance indicators, and the basis for information aggregation (or disaggregation).

*Narrative discussion and analysis* should discuss the degree to which service performance objectives have been met, provide balanced explanations of the information displayed, and facilitate users' assessments of the efficiency and effectiveness of the entity's service performance.

## Location and organization of service performance information

*Location—An entity may present service performance information either:*

- (a) As part of a GPFR that includes the financial statements; or,*
- (b) In a separately issued GPFR.*

*Organization—Should enable users to understand the entity’s service performance, assess its efficiency and effectiveness and use the information for accountability and decision making.*

### **Location—With financial statements or separate?**

Factors to consider when making this decision:

- Extent to which service performance information needs to be reviewed within context of information in the financial statements;
- Whether users’ needs and the qualitative characteristics are enhanced;
- Application of the constraints on information, including cost–benefit; and
- Jurisdiction-specific requirements.

### **Organization of service performance information**

Organization should enable users to understand an entity’s service performance, assess efficiency and effectiveness, and use the information for accountability and decision making.

Organization should make connections between displayed information and disclosed information clear.

### **Disclosures when in separate GPFR**

RPG 3 identifies information that should be presented when service performance information is in a GPFR that is separate from the financial statements.

### **Different ways to organize information**

There are different ways to organize service performance information within a GPFR. One way that service performance information can be organized is into a “statement of service performance”, which uses a tabular form.

A mixture of different organization approaches may be appropriate, e.g. tables and narrative.