

How to write a great statement of service performance report

A key part of the new performance reports required of charities and other entities adopting the XRB's PBE accounting standards is the requirement to present a statement of service performance report. So how does an organisation write a great one?

Background

The mandatory requirement for registered charities to adopt the External Reporting Board's (XRB's) new accounting standards is looming, with years ending March 2016 being the first balance dates requiring compliance. For smaller charities that fall into the Tier 3 or Tier 4 size thresholds the new mandatory accounting standards require their performance report (the new name of their annual report) to include a statement of service performance. This is in addition to some general entity description information and the more familiar historical financial information content.

Depending upon the size of the Tier 3 entities, the performance report may also be required by law to be audited or reviewed.

So given that the statement of service performance will be a new requirement what tips are there for writing a successful one?

Firstly, what is a statement of service performance?

It is designed for those users who cannot require the entity to disclose the information needed for accountability and decision making, primarily to help them understand what the entity set out to achieve and what it has achieved. The performance information will generally be a mix of qualitative and quantitative reporting.

Service performance reporting is based around two elements:

1. **Outcomes:** what the entity is seeking to achieve in terms of its impact on society; and
2. **Outputs:** the goods or services that the entity delivered during the year.

The Tier 3 accounting standard for NFP PBE entities requires the Statement of Service Performance to:

- a) *Describe the outcome(s) that the entity is seeking to achieve or influence through the delivery of its goods or services. The outcomes are likely to be closely related to the mission/purpose reported in the entity information section of the performance report. The main difference is that the mission/purpose is usually stated in broad or general terms and applies over the life of the entity. By contrast, the description of the outcomes in the statement of service performance should be more specific and focused on what the entity is seeking to achieve over the short to medium-term; and*
- b) *Describe, and quantify to the extent practicable, the outputs (goods or services) the entity has delivered for the current year.*

Joined up thinking

One of the keys to writing a great informative and useful statement of service performance is (SSP) being clear on why the organisation exists, what it is attempting to achieve, and the strategies it will adopt to achieve its aims. The clearer the thinking and planning, the easier it is to report on.

Ideally in any organisation the governing body should be very clear on the organisation's raison d'être; its reason for being. This is often encapsulated in a vision or mission statement. However the practical work begins when the organisation then sets the specific strategies it will employ to achieve its aims. These may be annual or multiyear and enduring in nature. Regular monitoring and reporting to the governing body ideally should be focused around these strategies. Many organisations use a dashboard and KPIs (key performance indicators) in order to succinctly monitor and report their progress throughout the year. Then at the end of the year their summary reporting is largely just an aggregate of their KPIs.

Hence the "joined up thinking" comment in relation to a SSP is where the SSP is essentially a summary of the KPIs – the measures of the key strategies the organisation has employed to achieve its raison d'être. If you are clear on the big picture and the strategies employed, then generally creating a valuable and informative SSP should be relatively straight-forward.



An example

If you will excuse my indulgence I will use an example of an organisation dear to my heart. I am on the governing body of; the Fred Hollows Foundation NZ. We exist to eliminate avoidable blindness. Excuse the pun but; this is our very clear focus! Our sphere of operation is in the Pacific.

However while this is a noble and lofty aim, by itself it is aspirational rather than being overly practical. Hence the governing body along with management also needs to set the strategy through which it intends to achieve the aspirational goal or goals. i.e. the practical steps we as an organisation will undertake.

Again to use Fred Hollows Foundation NZ as an example; we have four clear strategies we focus on;

1. Perform eye surgeries
2. Train eye doctors and nurses from the islands, for the islands, in the islands
3. Help strengthen local health ministries
4. Research and measure

Our strategic plans provide further break down and detail on these main strategies to achieve our overall aim. As we are clear on the strategies it is then logical to monitor and measure our progress using these strategies as our lens. Accordingly, our board reporting dashboard and KPIs are focused around these four strategies. And while we have not explicitly called it as such; much of our annual stakeholder communication is a summation of our achievements against these KPIs that we could easily re-present as a statement of service performance in future.

Success Tips

There is a very important paragraph in the accounting standard that states the following:

The statement of service performance need include only the outputs that are significant to the performance of the entity. It is not expected to include a detailed account of everything the entity does.

Or put another way; clarity often comes from brevity. Beware the temptation of trying to report too much and hence losing the clarity, and impact of the reporting. Giving people too much detail often is counterproductive to focusing on the important matters. Rather than focusing on a lot of the detail the performance report essentially requests PBEs to report on their KPIs (key performance indicators). That is, those key measures that show whether the organisation is achieving its aims or not.

Another key consideration is how you can best present your SSP information. "A picture tells a thousand words" may be a cliché...but it is also true. Graphical presentation can often be an innovative and much more attractive and successful means to quickly tell your organisation's story.

And what about audit?

If the entity is subject to audit then this information will have to be audited. Hence for many PBEs this entire performance report will also require to be audited. That is, the auditors will also have to opine over the entity and statement of service performance report information as well as the other financial information. Hence the auditor will be reviewing to see that all key relevant KPIs are appropriately reported against.

The auditor will also need to understand, and then test to assess the accuracy of, the systems used to record the statement of service performance information reported. Hence the organisation being audited will have a much easier process if they have good clear systems for how they record their service performance information.

Summary

This is a new requirement and will require some hard thinking by organisations regarding what service performance information to present for their organisation and how best to present it. It may also require new information recording systems to be developed to ensure that the service performance information being collected is reliable.

However, at a conceptual level, an organisation with a clear vision and mission that is then further expanded into a strategic plan with KPIs or other milestone targets should have little difficulty in providing a valuable performance report. And hopefully by the mandatory requirement for entities to consider their outputs and outcomes we should see better focus on the things that really matter towards achieving their purpose.

About the Author



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