



Australian Government
Department of Finance

GUIDE

Resource Management Guide No. 130

Overview of the enhanced Commonwealth performance framework

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Contact us

Questions or comments about this guide should be directed to:

Public Management Reform Agenda
Department of Finance
John Gorton Building
King Edward Terrace
Parkes ACT 2600

Email: pmra@finance.gov.au

Internet: www.pmra.finance.gov.au

This guide contains material that has been prepared to assist Commonwealth entities and companies to apply the principles and requirements of the *Public Governance, Performance and Accountability Act 2013* and associated rules, and any applicable policies. In this guide: the mandatory principles or requirements are set out as things entities and officials 'must' do; and actions, or practices, that entities and officials are expected to take into account to give effect to those principles and/or requirements are set out as things entities and officials 'should consider' doing.

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Audience

This guide applies to accountable authorities¹ or directors, chief financial officers, chief operating officers, programme managers and officers responsible for measuring and reporting on the performance of activities delivered by a Commonwealth entity or Commonwealth company.

Key points

- The enhanced Commonwealth performance framework will be implemented from 1 July 2015 to meet the requirement for a performance framework under paragraph 5(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
- The enhanced Commonwealth performance framework – implemented through the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) – requires Commonwealth entities and companies to prepare **corporate plans** by the end of August each financial year (or by the end of February for entities and companies that operate on a calendar year basis). Commonwealth entities are also required to include **annual performance statements** in their annual reports at the end of each financial year.
- **Transitional arrangements** are in place for 2015–16 for Commonwealth entities that publish Portfolio Budget Statements (PBS). For 2015-16, Commonwealth entities are required to include key performance indicators (KPIs) in their PBS. The 2015-16 corporate plan will reflect the first use of the new performance framework with performance information using new flexible arrangements. Annual performance statements published for 2015-16 will represent the first reporting against the new performance measures published by Commonwealth entities in their corporate plans. Special provisions will be made in the annual report requirements for 2015-16 to allow for this. Arrangements for the PBS following 2015-16 are currently under development and will be finalised in time for the 2016-17 budget process.

Commonwealth companies²

Under section 95 of the PGPA Act, Commonwealth companies are also required to prepare corporate plans. Section 27A of the PGPA Rule provides that the corporate plan of a company must address the minimum requirements set out in section 16E of the PGPA Rule.

Commonwealth companies are subject to annual reporting requirements under the *Corporations Act 2001*. The annual reporting obligations of Commonwealth companies under the PGPA Act are set out in section 97 of the Act.

Section 27A(2)(b) of the PGPA Rule requires companies to report in their annual reports on the actual performance results achieved against the performance information published in their corporate plans. Commonwealth companies are not required to prepare annual performance statements. The sections of this guide that discuss the requirements for annual performance statements are therefore not relevant for Commonwealth companies.

¹ Section 12 of the *Public Governance Performance and Accountability Act 2013* defines the accountable authority of a Commonwealth entity as the person or group of persons who has responsibility for, and control over, the entity's operations.

² The enhanced Commonwealth performance framework only partly applies to Commonwealth companies. As such, the terminology applied in this guide refers to Commonwealth entities, this term should be considered to be inclusive of Commonwealth companies for most of the core elements of the framework addressed by this guide.

The sections of this guide that are relevant to Commonwealth companies and their reporting obligations under the PGPA Act and PGPA Rule are those that deal with the enhanced Commonwealth performance framework, corporate plans, annual reports and the development of performance information.

Further information on the preparation of corporate plans for Commonwealth companies can be found in Resource Management Guide No. 133 *Corporate plans for Commonwealth companies*.

Companies may also use aspects of Resource Management Guide No. 131 *Developing good performance information* that are relevant to their organisation to assist them in developing performance information.

Resources

This guide is available on the Department of Finance website at www.finance.gov.au and relates to the following other guidance on the enhanced Commonwealth performance framework:

RMG No. 132	Corporate plans for Commonwealth entities	http://www.finance.gov.au/resource-management/performance/
RMG No. 133	Corporate plans for Commonwealth companies	http://www.finance.gov.au/resource-management/performance/
RMG No. 134	Annual performance statements for Commonwealth entities	http://www.finance.gov.au/resource-management/performance/
RMG No. 131	Developing good performance information	http://www.finance.gov.au/resource-management/performance/
	Guidance on the preparation of the Portfolio Budget Statements	http://www.finance.gov.au/resource-management/performance/
	Guidance on the preparation of annual reports	https://www.dpmc.gov.au/sites/default/files/publications/Requirements for Annual Reports.pdf

This guide comes into effect on 1 July 2015 when the amendments to the PGPA Rule 2014 take effect.

Introduction

The PGPA Act consolidates the governance, performance and accountability requirements of the Commonwealth into a single piece of legislation, setting out a framework for regulating resource management by Commonwealth entities.

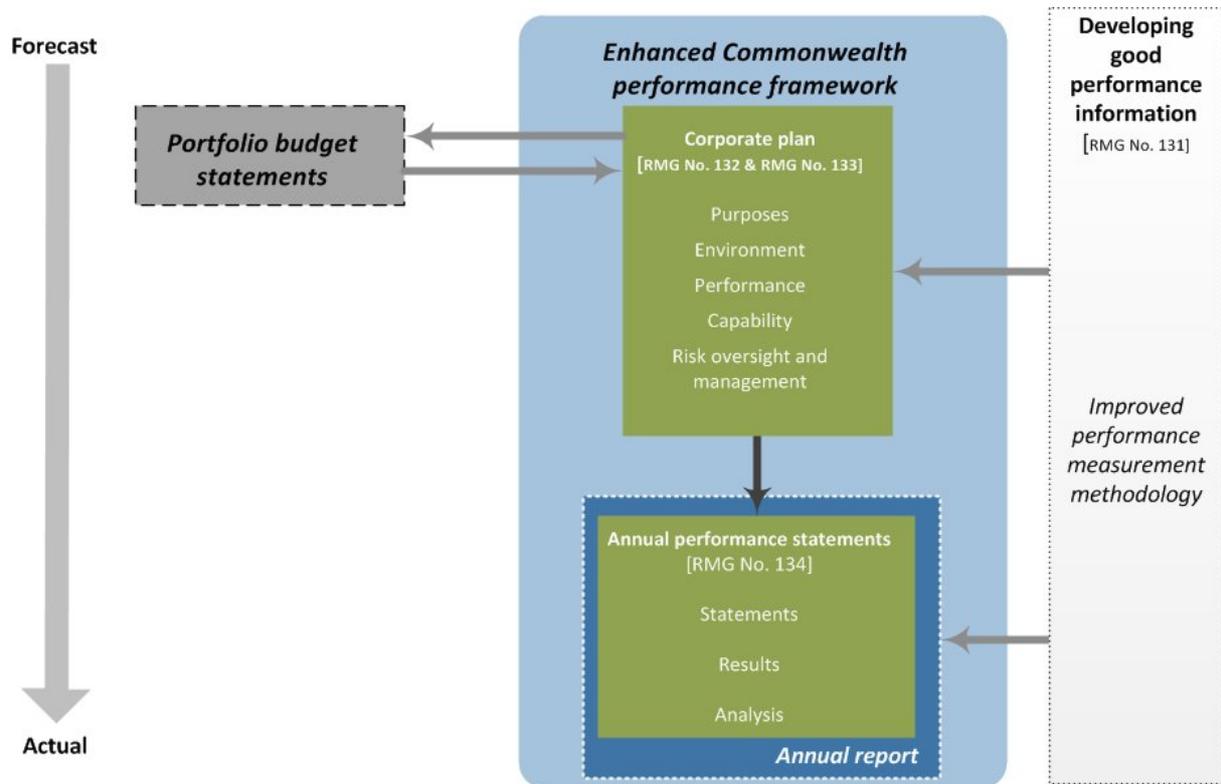
The PGPA Act took effect from 1 July 2014.

1. The public sector has a responsibility to support the government of the day in meeting its obligation to the parliament (and the Australian public more broadly) to report on its performance and the impact of its activities. Such reporting is critical to transparent and accountable government. It provides the evidence for assessing whether the use of public resources – including funds contributed by taxpayers – is achieving meaningful results.
2. Taxpayers and the parliament – like the shareholders of a company and financial supporters of charitable institutions – have a right to know what results are being achieved with the money they have provided. While financial reporting is important, non-financial reporting allows entities to report on their achievements against the purposes that they pursue, including government policy objectives.
3. The PGPA Act is underpinned by the principle that confidence in the efficient, effective and proper use of public resources is supported by a strong performance framework. A balanced and complete performance framework should provide both financial and non-financial information that allows judgements to be made on the public benefit generated by public expenditure.
4. The PGPA Act is built on principles to ensure good governance and accountability for public resources, and adds new elements to the financial framework to strengthen the quality and relevance of performance reporting. In particular, the PGPA Act aims to improve the line of sight between what was intended and what is delivered. For example, an interested party (including parliament) will be able to identify the purposes published in an entity's corporate plan and use published performance information in the entity's annual performance statements to make a judgement on the extent to which intended results were achieved, and the factors that affected the delivery of those results.
5. A key focus of the enhanced performance framework is ensuring that programme managers, accountable authorities, ministers, the parliament and the public are able to use performance information to draw clear links between the use of public resources and the results achieved.

The importance of clear purposes and leadership

6. Good performance is likely to result when the purposes of an entity (or company) are clear and senior leaders are able to organise resources and activities to deliver on those purposes. Developing good performance information relies on a shared understanding of what is being achieved and of the underlying principles (e.g. the efficiency and effectiveness of the use of public resources) that are important when pursuing intended results. Accountable authorities and senior managers play a critical role in ensuring that this understanding exists (and is reinforced) at all levels in an entity.

Figure 1: The enhanced Commonwealth performance framework



7. The enhanced Commonwealth performance framework meets the obligation under paragraph 5(b) of the PGPA Act to establish a performance framework across Commonwealth entities. The PGPA Act introduces a new legal requirement for Commonwealth entities and Commonwealth companies to produce annual corporate plans, and for Commonwealth entities to publish annual performance statements in their annual reports.³
8. Corporate plans and annual performance statements are the bookends of the performance framework for Commonwealth entities. The corporate plan is developed at the beginning of the reporting cycle and sets out an entity’s strategies for achieving its purposes and how success will be measured. The annual performance statements are produced at the end of the reporting cycle and provide an assessment of the extent to which an entity has succeeded in achieving its purposes.

³ Section 35 of the PGPA Act creates the legal requirement for the accountable authorities of Commonwealth entities to prepare corporate plans at least once every reporting period. Section 95 imposes the same legal obligation on the directors of Commonwealth companies. Section 39 of the PGPA Act places a legal obligation on the accountable authorities of Commonwealth entities to prepare annual performance statements as soon as practicable after the end of each reporting period and include the statements in their annual reports. No requirements exist for Commonwealth companies to produce annual performance statements. See also Footnote 5.

9. Section 46 of the PGPA Act requires Commonwealth entities to produce annual reports that are tabled in parliament. From the 2015–16 reporting period onwards, annual reports will include annual performance statements, in addition to audited financial statements and other information.

The legal requirements for accountable authorities, who are responsible for preparing corporate plans and annual performance statements, are set out in the PGPA Rule.

Portfolio Budget Statements

10. The majority of Commonwealth non-corporate and corporate entities receive some level of appropriation funding. As a result, key strategic information relevant to entities appears in their responsible Minister's Portfolio Budget Statements (PBS) that accompany the annual appropriation acts.
11. The PBS are publications presented to parliament by the responsible portfolio Minister. They describe, at a strategic level, what is intended to be achieved with money appropriated by parliament. The PBS explains the estimates for the purposes of the Budget Appropriation Bills and informs Senators and Members of Parliament of changes in the proposed allocation of resources to entities within the portfolio⁴.
12. The PBS are documents that relate to a particular annual appropriation request to the parliament. The performance information in the PBS is a strategically focused subset of the performance information reported in an entity's corporate plan, plus any performance measurements that relate to material new activities being proposed for funding by the parliament. The performance information for established programmes that are reported in an entity's PBS must have a strategic focus, and must be able to be read across to the entity's corporate plan for that year.

Corporate plan

13. Starting in 2015–16, Commonwealth entities and Commonwealth companies will be required to publish corporate plans by the end of August of each financial year (or by the end of February for entities and companies that operate on a calendar year basis).
14. The corporate plan is the principle planning document of an entity. It sets out the purposes and activities that the entity will pursue and the results it expects to achieve, including explaining the environment and context in which it operates, and its planned performance measures, risk profile and capabilities. Each plan, unless otherwise prescribed by the entity's enabling legislation, is **required to cover a minimum of four reporting periods** (usually four financial years).

An entity's corporate plan must be provided to the responsible Minister and the Minister for Finance and made publicly available on the entity's website.

⁴ Portfolio Budget Statements are produced for every appropriation bill where a Commonwealth entity within a portfolio is appropriated an amount by the parliament. This includes Portfolio Budget Statements, Portfolio Additional Estimates Statement, and Portfolio Supplementary Additional Estimates Statements.

Annual performance statements

15. Annual performance statements are the mechanism through which Commonwealth entities report on their actual results against the planned performance measures outlined in their corporate plans.⁵ Additionally, the performance measures that an entity identifies in its portion of a PBS are a strategic focused subset of the information it identifies in its corporate plan. As such, annual performance statements will acquit both the performance information in corporate plans and the PBS. **The annual performance statements will replace the report on performance section in annual reports.**
16. The annual performance statements should present an entity's actual performance in fulfilling its purposes, including meeting government policy objectives that relate to it, through its activities. The statements should be a direct acquittal of the performance measurement and reporting intentions identified in the entity's corporate plan at the beginning of the reporting period.
17. Section 40 of the PGPA Act allows the Australian National Audit Office to conduct audits of annual performance statements. Such audits may be initiated at the discretion of the Auditor-General or at the request of the Minister for Finance or responsible Minister.

An entity must prepare its annual performance statements as soon as practicable after the end of each financial year and include the statements in its annual report.

Annual reports

18. An entity's annual report is still a key document under the enhanced Commonwealth performance framework. It includes the audited financial statements and – from the 2015–16 reporting period onwards – an annual performance statements for entities.
19. The annual report remains the primary document through which responsible Ministers report to the parliament on the actual performance of entities.
20. The Department of Finance will continue to work during 2015 to develop rules on the requirements for annual reports under the PGPA Act. In 2016, Finance will issue updated guidance on preparing annual reports for the 2015–16 reporting year (the first reports in which annual performance statements will replace the report on performance section).

Annual reports are tabled in the parliament after the end of a financial year.

Transitional arrangements

21. Transitional arrangements will be in place for 2015–16 for Commonwealth entities that publish PBS. The existing framework will remain in place for the 2015–16 PBS, with planned performance measures to be included in an entity's PBS.

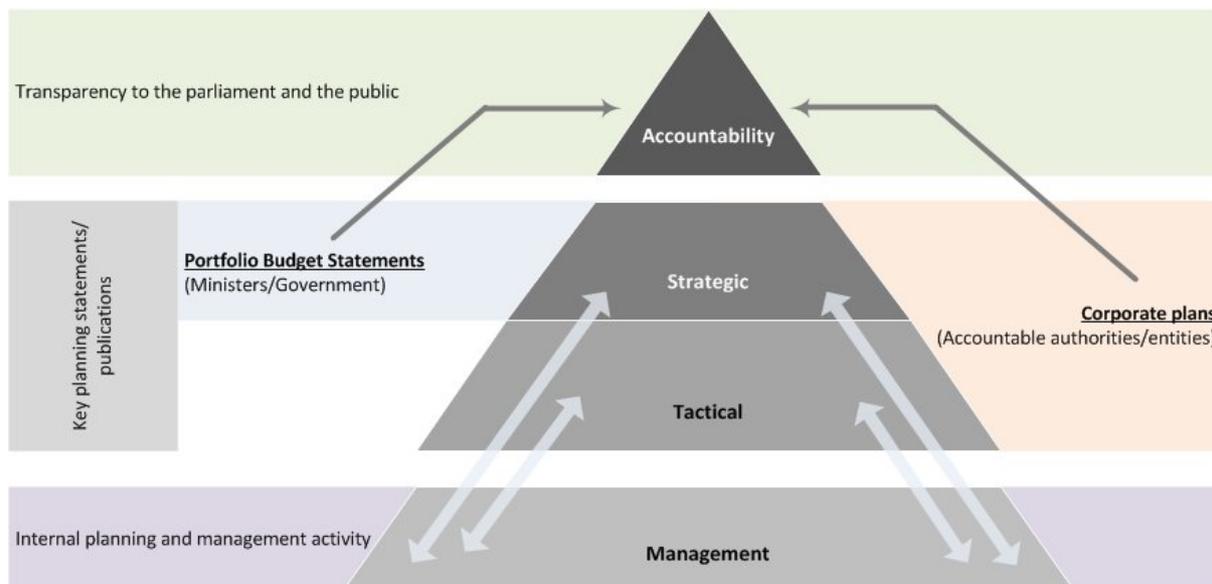
⁵ Under the PGPA Act, Commonwealth companies are not required to prepare annual performance statements. However, section 27A of the PGPA Rule requires companies to report in their annual reports on their actual performance results against the performance information outlined in their corporate plans.

22. The 2015-16 corporate plan will reflect the first use of the new performance framework with performance information using new flexible arrangements. Annual performance statements for 2015-16 will represent the first reporting against the new performance measures published by Commonwealth entities in corporate plans.
23. Arrangements for the PBS following the 2015-16 budget process are currently under development. The Department of Finance will undertake a period of consultation and consideration with relevant stakeholders; following which, a direction addressing performance information in the PBS will be issued prior to the commencement of the 2016-17 budget process.

Relationship with the outcomes and programmes framework

24. The PBSs published by the responsible Ministers of Commonwealth entities describe the appropriations requested from the parliament. These appropriations are described in terms of 'programmes' that are aimed towards achieving specific 'outcomes' identified by government (i.e. the 'outcomes and programmes framework').
25. To ensure there is a clear line of sight between the allocation and use of public resources, clear links must be able to be made between the appropriations reported in the PBS and the performance information reported in corporate plans and annual performance statements. The performance measures for programmes that are reported in an entity's PBS will have a 'strategic' focus and will relate to the outcome and impacts sought. They must be able to be read across to the entity's corporate plan (and annual performance statements) for that year. While directly related to the content of the PBS, the performance information in corporate plans will necessarily be more detailed, and will relate to the full range of key entity activities.
26. The figure below visually represents the relationship between the various levels of performance information, the two key planning publications and how they address accountability to the parliament and transparency to the public.

Figure 2: Performance information and the relationship between the PBS and corporate plan

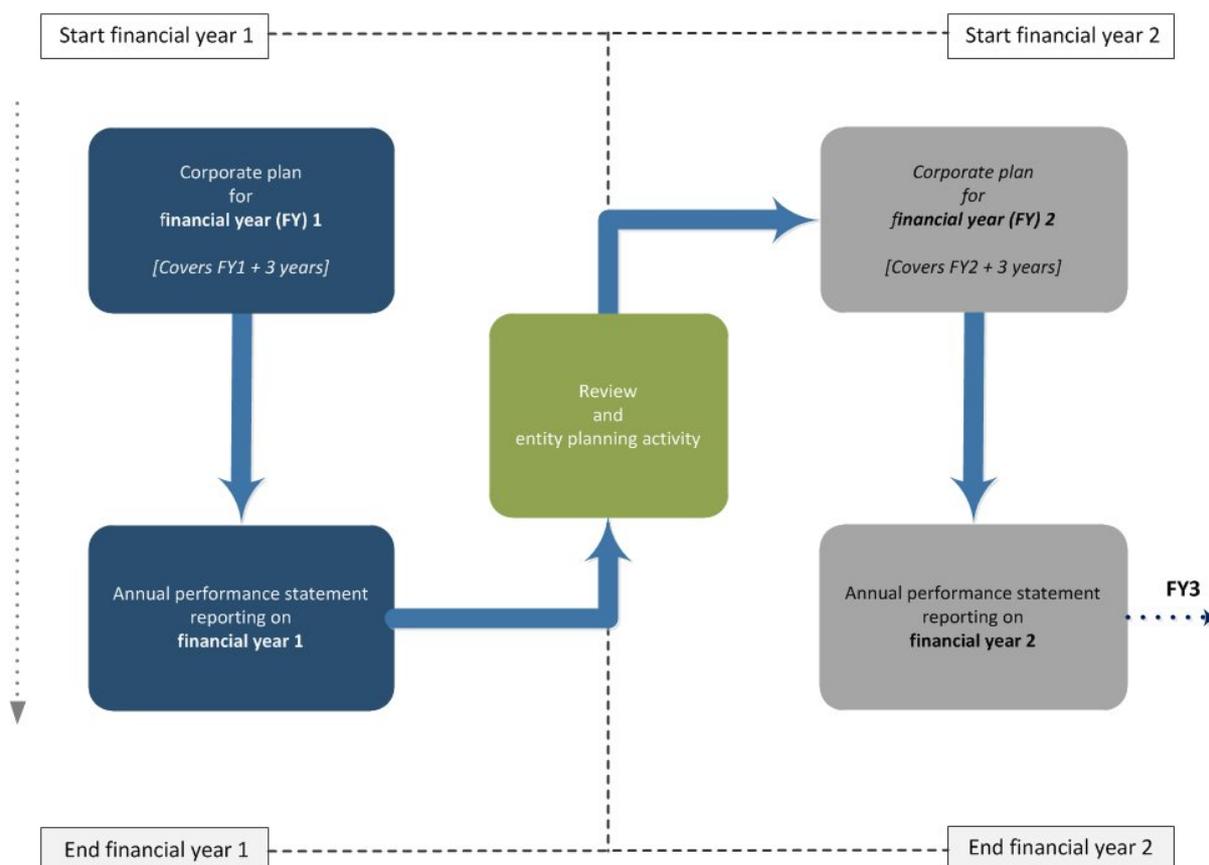


Part 2 – Improved performance measurement and reporting

27. The Department of Finance will issue performance measurement guidance to support the enhanced Commonwealth performance framework. The guidance will support a more flexible approach to measuring and reporting on the results of activities undertaken by Commonwealth entities.
28. Published performance data should provide high-level information about the extent to which government policy objectives are being met. Such performance information will support a more joined-up view of government activity by providing the parliament and the public with the means to relate contributions by different Commonwealth entities in shared policy areas. For example, over time, good-quality data should allow for links to be made between related results in employment, education and health.
29. Performance reporting is about telling a meaningful story about what has been achieved. A good performance story answers the following questions: What did we do? How well did we do it? Who was better off and why?
30. In general, a rich story will draw on diverse sources for evidence. Each entity should consider how best, and by what method, to gather the information it needs to tell its performance story. The types of information needed will depend on the nature, size and complexity of the entity, its purposes and the characteristics of its activities – and may differ across different entities.
31. The new performance framework gives entities the flexibility to apply a fit-for-purpose approach to their performance measurement. The performance measurement guidance issued by the Department of Finance encourages a flexible approach to performance measurement. This flexible approach retains the use of key performance indicators (KPIs), recognising that, if well designed, they can be a powerful source of non-financial performance information that is easy to understand.
32. However, the framework also recognises that KPIs (regardless of how much effort is invested in their design and presentation) are not always the best way to monitor the results of an activity – especially when it is difficult to measure impact in quantitative terms only. The circumstances in which they provide a complete picture are limited. The framework expands the measurement tools entities can use so that they can generate better quantitative and qualitative information that provides a more complete picture of their performance.
33. These other tools include benchmarking (against relevant best practice), stakeholder surveys (to provide firsthand data on the results of activities on the intended recipients), peer review (to provide assessments against the experience of those with proven records of delivering similar activities), and comprehensive evaluations (to provide a better understanding of the overall impact of an activity).
34. Performance information generated through these methods will improve the quality of the information provided to the parliament and the Australian public through the reporting documents. However, good quality performance information will often be required to fulfil different requirements for different users (e.g. users at the accountability, strategic, tactical and operational levels). As such, good performance information will also allow an activity, the results it generates and how it serves to fulfill an entity's purposes to be understood by different people for different reasons.

Part 3 – Annual performance reporting cycle

Figure 3: The annual performance reporting cycle



35. Figure 3 illustrates how the key elements of the enhanced Commonwealth performance framework interact and come together. The cycle begins with the corporate plan, which details a Commonwealth entity's purposes, the activities through which it will fulfil those purposes, and the environment in which it will deliver those activities. The corporate plan will also include planned performance measures against which it will report results in its annual performance statements at the end of the reporting period. The entity's annual performance statements – included in its annual report – reports on the extent to which the activities led to the planned results and informs planning for the next reporting period⁶.

⁶ Commonwealth entities are required to produce and publish a corporate plan by the last day of the second month of the reporting period (or 31 August each year for those entities who operate on a financial year reporting period) and, for each reporting period, produce and give to their Minister an annual report by the 15 day of the fourth month after the end of the reporting period (or 15 October for those entities who operate on a financial year reporting period). This legislative arrangement requires entities to prepare their corporate plans each reporting period prior to the provision of the previous year's annual report (including their annual performance statement) to their Minister. While the annual report will not yet be released to the Minister, it is expected that the actual performance results that will be reported in the annual report will be known and be available within each entity to inform the preparation of the next year's corporate plan.

Corporate plan

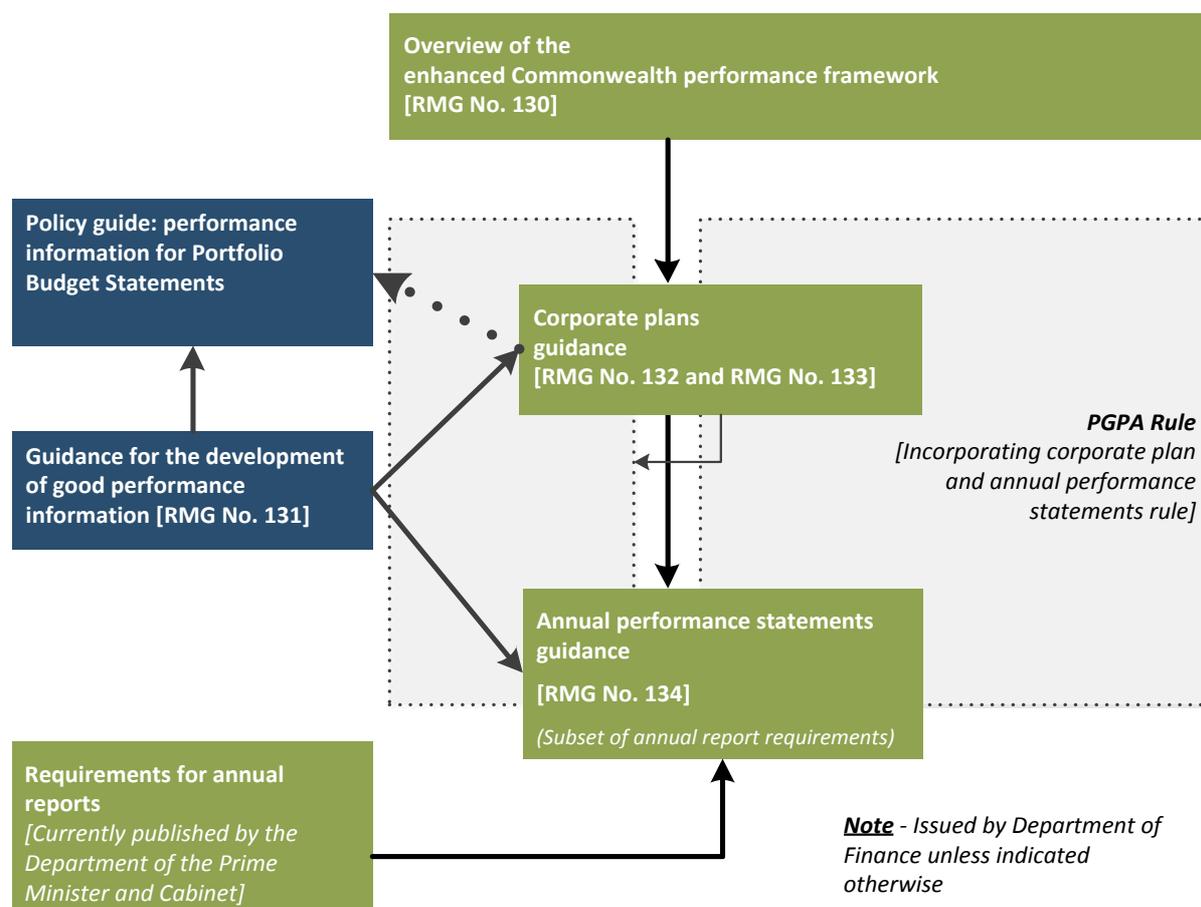
36. Under section 16E of the PGPA Rule, the accountable authority of a Commonwealth entity or director of a Commonwealth company must publish a corporate plan by the last day of the second month of the reporting period (the end of August every year, for those entities that operate on a financial year basis). Each corporate plan updates the previous year's plan by advancing the four-year horizon by a year. Because the corporate plan follows the announcement of the budget, it will also necessarily reflect any new budget decisions (e.g. funding for new activities or savings). Revisions will also need to reflect any significant changes in an entity's environment or purposes, such as significant changes in economic conditions or machinery-of-government changes.
37. Subsections 35(6) and 95(5) of the PGPA Act allow accountable authorities to vary their entity's corporate plans during a reporting period (i.e. before July of the following period, for entities that operate on a financial year basis). The decision to vary a plan during a reporting period is left to the discretion of the entity, but is expected to be the exception rather than the rule. Circumstances in which variations might be necessary include significant government decisions (new activities or termination of activities) or the emergence of substantial new risks.

Annual performance statements

38. Annual performance statements report on what Commonwealth entities have achieved through their activities in a reporting period, and need to be included in annual reports.
39. Annual performance statements **report against the performance measures detailed in an entity's corporate plan**. It is expected to reflect an entity's actual performance, and be supported by more detailed information in the case that the parliament, the government or an audit process seeks to understand an aspect of performance in greater detail.
40. In addition to meeting the requirement to report to the parliament and the public, the annual performance statements published in an entity's annual report provides information the entity can use in planning for the next reporting period. This could include development of budget proposals, shifting focus to areas of higher risk or shifting effort away from an activity that has been identified as delivering limited or low value.

Part 4 – Integrated guidance

Figure 4: Integrated performance framework guidance



41. This guide is part of an integrated set of guidance on what is required under the enhanced Commonwealth performance framework. This guide provides a general description of the performance framework and its main elements. The other guides in the set provide further detail on the various elements of the framework.

Preparation of corporate plans

42. The requirement for corporate plans is set out in sections 35 and 95 of the PGPA Act. Section 16E of the PGPA Rule outlines the minimum requirements for corporate plans, including requirements for content, timelines, publishing and annual updates.
43. Guidance on the preparation of corporate plans for entities is available at <http://www.finance.gov.au/resource-management/performance/>. The guidance should be read in conjunction with the relevant section of the PGPA Rule (at <http://www.comlaw.gov.au/Details/F2015C00361>).

Preparation of annual performance statements

44. The requirement for annual performance statements is outlined in section 39 of the PGPA Act and section 16F of the PGPA Rule, and is supported by guidance issued by the Department of Finance. The guidance includes an overview of the required content, tabling requirements, auditing requirements and treatment of sensitive information.

45. The guidance on the preparation of annual performance statements is available at <http://www.finance.gov.au/resource-management/performance/>. It should be read in conjunction with the relevant section of the PGPA Rule (at <http://www.comlaw.gov.au/Details/F2015C00361>).

Preparation of annual reports

46. The Department of the Prime Minister and Cabinet provides guidance on the preparation of annual reports each year. The guidance includes an explanation of mandatory content (e.g. audited financial statements). It also includes the timeline and process for tabling in parliament. The guidance is developed in consultation with the Commonwealth Parliament's Joint Committee of Public Accounts and Audit.

47. The current guidance on the preparation of annual reports is available at www.dpmc.gov.au/guidelines/docs/annual_report_requirements_2013-14.pdf.

48. It is expected that guidance issued to support the preparation of 2015–16 annual reports will provide advice on the inclusion of annual performance statements.

Development of good performance information

49. Guidance on developing good performance information is available at <http://www.finance.gov.au/resource-management/performance/>. The guidance supports a flexible approach to performance measurement and reporting, recognising that KPIs will not always be the most effective way to measure performance.