Resource Management Guide No. 130
Overview of the enhanced Commonwealth performance framework
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**Audience**

This guide applies to officials of all Commonwealth entities and staff of Commonwealth companies responsible for planning, measuring and reporting on the performance of activities delivered by the entity or company.

**Key points**

- From 1 July 2015, the enhanced Commonwealth performance framework requires:
  - Commonwealth entities and companies to prepare corporate plans by 31 August each financial year (or by the end of February for entities and companies that operate on a calendar year basis)
  - Commonwealth entities to include annual performance statements in their annual reports at the end of each financial year.
  - These requirements are set out in Part 2-3 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the accompanying rules in Part 2-3 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

**Commonwealth companies**

1. The enhanced Commonwealth performance framework only partly applies to Commonwealth companies.
   - In relation to performance planning section 95 of the PGPA Act requires Commonwealth companies 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.
   - In relation to performance reporting Commonwealth companies are subject to annual reporting requirements under the Corporations Act 2001. The PGPA Rule prescribes some additional reporting requirements for Commonwealth companies. Section 27A(2)(b) of the PGPA Rule requires Commonwealth companies to report in their annual reports on the actual performance results achieved against the performance criteria published in their corporate plans. Commonwealth companies are not required to prepare annual performance statements.

2. The sections of this guide that are relevant to Commonwealth companies are those that deal with the enhanced Commonwealth performance framework, corporate plans, annual reports and the development of performance information. The sections of this guide that discuss annual performance statements are not relevant for Commonwealth companies.

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

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1 The terminology applied in this guide refers to Commonwealth entities, where the guide refers to parts of the performance framework that are relevant to Commonwealth companies, the term "Commonwealth entities" is inclusive of Commonwealth companies.
4. 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](http://www.finance.gov.au) together with related guidance on the enhanced Commonwealth performance framework:

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**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.

5. 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.

6. 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.
7. 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 will provide both financial and non-financial performance information that allows judgements to be made on the public benefit generated by public expenditure.

8. 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.

9. A key focus of the enhanced Commonwealth 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**

10. 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.

**Part 1 – The enhanced Commonwealth performance framework**

**Figure 1: The enhanced Commonwealth performance framework**
11. 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.2

12. Together with the pre-existing Portfolio Budget Statements and annual reports, corporate plans and annual performance statements are fundamental elements of the new performance framework for Commonwealth entities and companies. 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.

13. 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 and annual reports, are set out in the PGPA Rule.

Portfolio Budget Statements

14. The majority of non-corporate and corporate Commonwealth 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 that accompany the annual appropriation acts.

15. The Portfolio Budget Statements 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 Portfolio Budget Statements 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 portfolio.3

16. A Finance Secretary Direction on ‘Requirements for Performance Information in Portfolio Budget Statements’ is now in place, which requires, amongst other things, entities to continue to include performance criteria, and indicative current year results, in their Portfolio Budget Statements. The Direction requires entities to include at least one performance criterion in their Portfolio Budget Statements for each program. Entities are also required to map each of these performance criterion to corporate plan purposes to

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2 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.

3 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.
ensure a clear read between the documents. The performance information for established programmes that are reported in an entity’s Portfolio Budget Statements must be able to be read across to the entity’s corporate plan for that year.

**Corporate plan**

17. 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).

18. The corporate plan is the primary 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).

19. 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). This will require the corporate plan to be revised to accommodate these changes. 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. New performance criteria covering new decisions, which will have been detailed in the Portfolio Budget Statements at budget, will also need to be integrated into the corporate plan.

20. 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.

> 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.

**Annual performance statements**

21. Annual performance statements are the mechanism through which Commonwealth entities report on their actual results against the planned performance criteria outlined in their corporate plans and Portfolio Budget Statements.4

22. An entity’s annual performance statement needs to present the entity’s actual performance in fulfilling its purposes, including meeting government policy objectives that relate to it, through its activities. The statement will be a direct acquittal of the performance measurement and reporting intentions identified in the entity’s corporate plan and Portfolio Budget Statements at the beginning of the reporting period.

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4 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.
23. The content requirements of annual performance statements are outlined in section 16F of the PGPA Rule. The requirement to include annual performance statements in annual reports is provided for by section 39(1)(a) of the PGPA Act; and also sections 17AD(c)(i) and 17BE(b)(ii)(g) of the PGPA Rule. Commonwealth companies are not required to produce annual performance statements.

24. 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 provide 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.

25. 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

26. An entity’s annual report is still a key document under the enhanced Commonwealth performance framework. It includes the audited financial statements and annual performance statements for entities.

27. The annual report remains the primary document through which responsible Ministers report to the parliament on the actual performance of entities.

28. All annual report requirements have now been consolidated under the PGPA Act. Commonwealth entities are covered under section 46 of the PGPA Act while Commonwealth companies are covered under section 97.

29. The PGPA Rule contains the mandatory requirements for Commonwealth entities and Commonwealth companies. The specific sections of the PGPA Rule that apply include:

- Non-corporate Commonwealth entities – Part 2-3, Division 3A, Subdivision A
- Corporate Commonwealth entities – Part 2-3, Division 3A, Subdivision B
- Commonwealth companies – Part 3-3

Annual reports are required to be provided to the relevant Minister by 15 October each year, and expected to be tabled in Parliament no later than 31 October.

Relationship between corporate plans and Portfolio Budget Statements

30. Portfolio Budget Statements and corporate plans are produced at different times at the start of each financial year/reporting period. Portfolio Budget Statements are produced at Budget, prior to the start of the financial year, while corporate plans are required by 31 August, after the start of the financial year (although this does not prevent earlier production if desired). However, the performance criteria in each document will need to be reported collectively in a single annual performance statement (placed in annual reports at the end of the financial year).
31. Accordingly, it is important that the Portfolio Budget Statements and corporate plan work together and complement each other to ensure a consistent performance story is able to be presented in the annual performance statements at the end of the financial year.

32. It is expected that entities will build on the performance criteria from their Portfolio Budget Statements and provide, where justified, more detailed performance criteria in their corporate plan. This positions the corporate plan as the primary document for setting out non-financial performance and provides the reader with a comprehensive understanding of how an entity intends to measure and assess its performance. Importantly, entities need to ensure that corporate plans are updated for any new budget measures that may be presented in subsequent portfolio estimates statements (for example, Portfolio Additional Estimates Statements).

**Figure 2: Performance information and the relationship between the Portfolio Budget Statements and corporate plan**

Inclusion of Annual Performance Statements in Portfolio Budget Statements

33. The Finance Direction on Portfolio Budget Statements also requires entity annual performance statements to be included in entity Portfolio Budget Statements from 2017-18. This further reinforces the need for entities to consider the compatibility of performance criteria across the corporate plan and Portfolio Budget Statements.

**Part 2 – Improved performance measurement and reporting**

34. The Department of Finance has issued performance measurement guidance (Resource Management Guide No.131* Developing good performance information*) 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.

35. The aim is for published performance data to 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, it is anticipated that good-quality data will allow for links to be made between related results in employment, education and health.

36. 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?

37. In general, a rich story will draw on diverse sources for evidence. Each entity needs to consider how best, and by what method, to gather the necessary information 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.

38. The new performance framework gives entities the flexibility to apply a fit-for-purpose approach to their performance measurement. Resource Management Guide No.131 Developing good performance information 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.

39. 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.

40. 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).

41. 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 fulfil 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

42. Figure 3 illustrates how the key elements of the enhanced Commonwealth performance framework interact and come together. The cycle begins with the corporate plan and Portfolio Budget Statements. The corporate plan 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 Portfolio Budget Statements provide detail on entity funding. The corporate plan and Portfolio Budget Statements will also include planned performance criteria 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 period\(^5\).

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\(^5\) 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.
43. 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**

44. Corporate plans are required by 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. Guidance on these requirements in the PGPA Act and PGPA Rule is available at www.finance.gov.au/resource-management/performance/.

**Preparation of annual performance statements**

**Preparation of annual reports**


**Development of good performance information**


48. 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.