

measuring  
social value  
the gap  
between  
policy and  
practice

Claudia Wood  
Daniel Leighton



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Dan Leighton

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# Foreword

From the start of the Calouste Gulbenkian Foundation's discussions with Demos it was clear that we had a similar set of beliefs and concerns about measuring social value. We both believed that the push for greater measurement of social return in the third sector was inevitable; that it could be hugely beneficial if done in the right way, but that there was a huge gap between expectations and reality. However, we both felt we needed some facts on what the sector was already doing and how well prepared it was to adopt Social Return on Investment (SROI). By looking at a sample of third sector organisations Demos has shone an invaluable light on the preparedness of the sector. It also makes some very useful suggestions on how we can bridge the gap between expectations and reality.

Providing measures of SROI offers huge opportunities and challenges for the sector. The opportunities are clear: it will enable us to improve our ability to have impact by focusing our efforts on what really makes a difference; it will enable us to manage (some of) our outcomes; it could enable us to make the case for investment in advance rather than fixing after the event; and it will help stimulate continuous improvement. However the challenges are enormous and this report lays them out.

I have spent most of my working life working with large corporations so I think it is helpful to compare the situation they face with that of the third sector in order to show these challenges. In the private sector, the current measure of profit has been refined over several hundred years, there are international standards and a very large accounting profession to police them, and investors and managers have considerable experience and training in interpreting the result. Even so there remain significant problems in the interpretation of this single measure of profit (not to mention scope for profit manipulation)

and in incorporating measures of risk in evaluating returns on investment. The third sector is starting now without this accumulated experience and infrastructure. The sector is moving fast: several organisations have done notable work to fill this gap by defining and explaining the purposes and methodology of calculating social returns and several grantees are making good progress in measuring social returns, but the sample in this report indicates that many are not yet ready for the full rigours of the SROI frameworks.

A first step could be for charities to specify and measure their desired outcomes (which deliver value to society, rather than just outputs). This alone will deliver considerable benefit. It will also create the base for the later quantification of financial impact and the calculation of SROI. This will require our best creative thinking and force us to really look at what we set out to achieve and what we actually achieve. We will have to build new skills and ask ourselves new questions but the rewards will be enormous.

On the funders' side, in the absence of standards and an auditing profession, they will need to understand in detail how outcomes have been measured and how the final numbers have been generated. Measures of social return are not like laws or sausages; you *do* want to understand how they are made. If funders demand and rely on one magic SROI number – without understanding its derivation – they will get a number, but it is likely to be meaningless.

The report lays out some practical steps on how we can all realise some of the opportunities and address the challenges. Three things seem particularly crucial: first, we should not forget our ultimate goal is social impact – measurement is merely a tool to help us maximise this; second, the move to better measures of social return on investment is a journey. The important thing is to embark on that journey, get the benefit from the first steps, and not worry too much that nirvana is a long way off; third, the sector is going to need a lot of help.

The Calouste Gulbenkian Foundation funded this work as part of our commitment to developing the capacity of the third sector to maximise its social return through innovation. We will

continue to work in this field through funding research but we believe that our main value added, and that of other foundations, will be in working with the third sector directly and supportively. More generally, all funders can and should help grantees face the challenges posed by measuring social returns. Here are some suggestions for funders:

- Include a budget for measurement of outcomes (and then social returns) in your grants and set measures for yourself as well so you learn in parallel with your grantees.
- If you hit difficulties in your discussions with grantees come back to the common goal: social impact. Discuss this with your grantees: many of the problems of measurement turn out to be problems of lack of agreement on goals.
- Even if you do not seek to quantify the financial impact of your outcomes do think about how this financial value will be delivered as it will refine your view of what is truly valuable. Monitor implementation around outcomes, not outputs, as this is where the impact is often assumed and not managed.
- Be persistent: this is going to be a long journey. Seek continuous improvement; one of the benefits of measures is that they enable us to continually ratchet up expectations (of ourselves and others). Share good practices between grantees and with other funders.

This is an exciting time to be working in the third sector: we are beginning to communicate the value of what we are doing in new ways. I look forward to seeing where our collective creative thinking takes us and believe this report is an important step and builds on the valuable work of others.

Martin Essayan  
Trustee with responsibility for UK Branch  
Calouste Gulbenkian Foundation



## Summary

Public services are facing a period of unprecedented cuts as the economy, and the public debt, recovers from one of the worst economic declines in living memory. In light of these stark budgetary conditions, policy makers from both sides of the political spectrum are more keenly focused on ensuring 'genuine' value for money in the delivery of services. This has led to growing interest in social value, value added and outcomes measures as alternatives to narrow interpretations of monetary value for money. For the third sector, a key partner in delivering public services whose USP is displaying exactly this sort of wider social value, this is a time of unique challenges and opportunities.

With this in mind, the Demos project Measuring Social Value aimed to gain a better idea of the current capacity within the third sector to measure and communicate social value. Our key concern was the extent to which the aspirations of policy makers and the capacity of the third sector diverged, and our objective was to see whether a balance could be struck between the rigours of the emerging theoretical frameworks and the existing capabilities of the third sector to meet them.

In order to explore this issue, Demos considered the measurement of social value in the third sector from both a theoretical and a practical perspective, and in so doing sought to answer the following questions:

- What are the tools available for measuring social value?
- How does the third sector currently measure and communicate its social value?
- Is the sector ready to adopt the Social Return on Investment (SROI) model, currently the focus of government and other work?

- What alternative approaches to measuring social value might be usefully applied to improve the overall standards of social reporting in the sector, particularly for organisations for which SROI is unattainable and/or inappropriate?

This report answers these questions by drawing on a review of theoretical frameworks for measuring social value; by looking at a selection of third sector organisations to assess their capacity and progress towards utilising these frameworks; and by consulting sectoral experts to gain a wider picture of the sector than our review could afford.

Based on this research, we were able to draw a number of conclusions:

- 1 There are several, and diverse, methods for measuring social value, and this fragmentation may be a factor in the poor penetration of social value reporting in the third, statutory and commercial sectors.
- 2 A recent surge in interest in social reporting has seen SROI becoming the tool promoted by government, thanks to its unique feature of attributing monetary values to ‘soft’ outcomes.
- 3 Current policy is focusing on making SROI, a complex and resource intensive process, more accessible and user-friendly to third sector organisations.
- 4 A snapshot of a range of third sector organisations suggests, however, that very few organisations are implementing SROI as yet and, indeed, the majority are not ‘SROI ready’. SROI-readiness mainly involves being able to identify and measure organisational outcomes adequately in a quantitative way.
- 5 Consultation with a number of practitioners and experts confirms this, with scepticism regarding the feasibility of making SROI the norm for the third sector.
- 6 Nevertheless, although SROI may be neither practicable nor desirable for all organisations, the basic concepts of outcomes evaluation that it encourages are important for all organisations to achieve.



We subsequently present the following recommendations for further development and discussion:

- 1 Given that the principles behind SROI are sound, but for many SROI is an extremely ambitious goal, there ought to be a more achievable social value measurement target set for the third sector as a whole.
- 2 This needs to embody good outcomes measurement and evaluation practice, and will prove a stretch target for many in the sector.
- 3 It will require investment in the sector in training and practical guidance, as well as encouragement and incentivisation from commissioners and funders to help the entire sector to reach it as a universal benchmark.
- 4 Setting this benchmark must be underpinned by three fundamental principles:
  - proportionality: so that the burden of evaluation is in line with the scale and nature of the organisation undertaking it
  - comparability: so that even with a range of flexible frameworks, organisations can still produce outputs based on comparable principles and terms of reference
  - standardisation: so that there are tools and data available to remove the need to evaluate outcomes from scratch and reduce the burden on organisations.
- 5 Stakeholders from all sides – organisations from the third, statutory and public sector, policy makers and leading strategic bodies – need to consider how to make concrete this concept of an achievable benchmark of social value measurement, including what combination of investment, incentivisation and tools need to be in place. In lifting the entire sector to a universal, achievable standard of measuring social value, these proposals do not represent the limiting of the SROI ambition – simply a more equitable advancement towards it.

## Background

Third sector organisations have increasingly been used to deliver public services over the last decade. Since 1997, there has been an

unprecedented shift towards plurality in public services, with commercial, state and third sector organisations working alongside one another. The third sector has excelled in the provision of welfare to work and working with vulnerable groups like the homeless and children in care. As a result, the government now accounts for one-third of the sector's total income, and around 27,000 charities (a quarter of the third sector) rely on it for over three-quarters of their funding.

But the sector faces a time of unprecedented change, and two imminent challenges lie ahead. First, the new coalition government could mean a whole new approach to the third sector as it relates to service delivery. Second, recovery from the recession will lead to new pressures on departmental budgets. These two issues combined could result in the sector facing a very different political and economic climate from the one in which it has flourished over the past decade.

New budgetary pressures certainly bring the 'added value' of an organisation, over and above its hard deliverables, into the spotlight. Getting more 'bang for your buck' is becoming increasingly interesting to policy makers of all persuasions. In April 2008, David Cameron declared: 'The next Conservative government will attempt to establish a measure of social value that will inform our policy-making when in power... When making decisions, ministers will take account not just of economic efficiency, but also social efficiency.'<sup>1</sup>

The Centre for Social Justice, led by Iain Duncan Smith, has announced a new commission examining how all government spending programmes can be assessed according to their social value, to ensure they are delivering 'genuine value for money'. Duncan Smith stated, 'The current economic situation requires new and innovative ways to make sure we get the most from our finances.'<sup>2</sup>

At the same time, the British and Scottish governments are both undertaking an ambitious agenda of encouraging the widespread use of Social Return on Investment, a model for measuring social value considered in detail in this report. Further afield, France's President Sarkozy has endorsed the work of the Stiglitz Commission on the measurement of Economic

Performance and Social Progress, which seeks to go beyond GDP to measures of progress that incorporate sustainability and community wellbeing.<sup>3</sup> Sarkozy has instructed the French statistics service to implement the Commission's recommendations, which included a shift of emphasis from a 'production-oriented' approach to a wellbeing-orientated approach.

By measuring and communicating social 'added' value, third sector organisations may well be able to defend their role in public service delivery and justify their funding more effectively. Indeed, some of the experts we consulted as part of this project<sup>4</sup> predicted an increase in interest from the third sector in SROI as competition for funding increased.

Whether or not this prediction becomes reality, what is certain is that the third sector will have an important and, if anything, growing role in delivering public services. And with that role comes a greater responsibility to commissioners, grant givers, policy makers and the wider public as taxpayers, to demonstrate the real impact of what can be achieved, not just what can be easily measured. This report considers the theory and practice behind this assertion – and, more importantly, how the two can be brought closer together.



# 1 The theory of measuring social value

## Defining social value

There is no single authoritative definition of ‘social value’. Nevertheless, several leading organisations in this field do provide similar explanations of it. These explanations are almost always within the context of measuring social value – a process which, as we explain below, has increasingly been carried out in the UK through a framework of Social Return on Investment (SROI). Many contemporary definitions of social value can be found in the work on SROI, as shown in the examples below.

New Economics Foundation (Nef):

*SROI is an analytic tool for measuring and accounting for a much broader concept of value. It incorporates social, environmental and economic costs and benefits into decision making, providing a fuller picture of how value is created or destroyed. SROI is able to assign a monetary figure to social and environmental value which is created. For example, Nef research on the value created by a training programme for ex-offenders revealed that for every £1 invested, £10.50 of social value was created.*

SROI Network:<sup>5</sup>

*SROI is an approach to understanding and managing the impacts of a project, organisation or policy. It is based on stakeholders and puts financial value on the important impacts identified by stakeholders that do not have market values. The aim is to include the values of people that are often excluded from markets in the same terms as used in markets, that is money, in order to give people a voice in resource allocation decisions.*

London Business School:<sup>6</sup>

*The SROI ratio shows the value of the social and environmental impact that has been created in financial terms. This makes it possible to weigh social benefit against the cost of investment. SROI also offers a framework for exploring how change is happening as a result of an intervention, showing ways in which this can be improved upon. Through the SROI process we learn how value is created by an organisation, and this is just as important as what the ratio tells us.*

From these definitions it is clear that ‘social value’ refers to wider non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment. These are typically described as ‘soft’ outcomes, mainly because they are difficult to quantify and measure. This in turn poses a problem for those seeking to measure the effectiveness of a particular intervention or activity with soft outcomes – be they the providers of that activity, the commissioners of that activity, funders, users, and so on. Outcomes that cannot be quantified cannot be counted, evaluated or compared. It is understandable, therefore, that the measurement of social value by ascribing quantifiable values to these soft outcomes preoccupies policy makers in this field.

### **Measuring social value**

There are a large number of diverse standards and frameworks that have been developed to measure social value. In 2005 Nef conducted a study which mapped some of the most commonly used tools, comparing their advantages and disadvantages, resource intensiveness, complexity, and so on. Its review included 22 separate models being developed or in use, including the Key Social and Co-operative Performance Indicators (KSCPIs), Global Reporting Initiative (GRI) guidelines and ‘Look Back Move Forward’.<sup>7</sup>

Some focus on a particular element of social value – for example environmental impact and sustainability – while others

were designed with a specific user in mind (eg small businesses, social enterprises or volunteers).

The Gates Foundation in the USA defined another eight separate approaches for estimating social value creation:

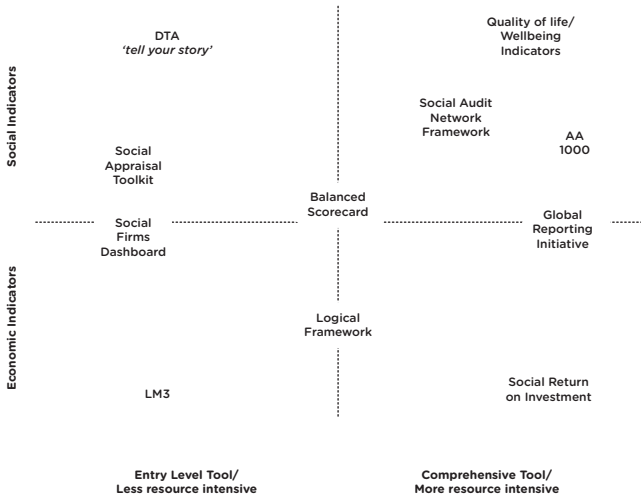
- cost-effectiveness analysis (CEA)
- cost-benefit analysis (CBA)
- REDF SROI
- Robin Hood Foundation benefit-cost ratio
- Acumen Fund (Acumen) best available charity option (BACO) ratio
- William and Flora Hewlett Foundation (Hewlett) expected return
- one from the Center for High Impact Philanthropy (CHIP)
- cost per impact foundation investment bubble chart

What is interesting here is that six of the eight are actually proprietary measures, and named after specific organisations that have created and developed them. This suggests that the USA, like the UK, has a fragmented, ‘bottom-up’ and somewhat ad-hoc approach to measuring social value. This initial impression was confirmed by experts we spoke to for this project, who made the point that there were so many tools available for measuring social value that it was a challenge for organisations to select the most appropriate one.

Angier Griffin mapped some of the variety of tools used in the UK as part of the programme Even More for Your Money (figure 1). The horizontal axis represents the level of complexity and resources required to use the tool, and the vertical axis represents how the reported results are interpreted – either in economic or social terms.<sup>8</sup>

In the UK, two approaches to measuring social value have been most prominent – social audit and accounting, and SROI. As can be seen from figure 1, SROI (in the bottom right corner) translates social value into ‘hard’ economic indicators, and is also one of the most complex and resource intensive in the selection represented here. These two factors are important, because in spite of its complexity, SROI has become the favoured tool of

Figure 1 Mapping of Quality & Impact Tools



Source: Angier Griffin; originally developed for Pentagon Partnership

government and a range of policy makers, thanks to its USP of being able not only to quantify social value, but also to ascribe monetary value to these outcomes. This feature distinguishes SROI from all other approaches, as cost-efficiency and returns on investment can be calculated in monetary terms for programmes claiming to deliver a range of 'soft' benefits. An SROI analysis typically leads to a 'SROI ratio' – a ratio of total benefits (a sum of all the outcomes) to total investments. For example, an organisation might have a ratio of £4 of social value created for every £1 spent on its activities. This is particularly attractive for commissioners and funders seeking to ensure their investments make the biggest impact and enables comparability between organisations, thereby guiding commissioning decisions.



Apart from ascribing financial proxies to social outcomes, SROI is in fact very similar to social audit and accounting.<sup>9</sup>

This is to be expected given that SROI was originally developed from social accounting and cost–benefit analysis. Using the guidance of the Office of the Third Sector (OTS), it is clear that all but one of the seven principles of SROI also apply to the social accounting framework. In this case, the third point on the following list is unique to SROI.

These are the principles of SROI:<sup>10</sup>

- 1 Involve stakeholders. Stakeholders should inform what gets measured and how this is measured and valued.
- 2 Understand what changes. Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
- 3 Value the things that matter. Use financial proxies in order that the value of the outcomes can be recognised.
- 4 Only include what is material. Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.
- 5 Do not over claim. Organisations should only claim the value that they are responsible for creating.
- 6 Be transparent. Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported to and discussed with stakeholders.
- 7 Verify the result. Ensure appropriate independent verification of the account.

Social auditing still remains a popular approach to measuring social value, driven by organisations such as the Social Audit Network. They help ‘organisations operating in the community, social economy and public sectors report on their social, environmental and economic performance’.<sup>11</sup>

Including these three fields of activity in an organisation’s audit of operations is also known as ‘triple bottom line’ accounting. This approach focuses very much on a) the impact

of an organisation's activities on stakeholders – staff, customers and the wider community; b) being able to verify these impacts objectively; and c) demonstrating and driving improvement in these areas.

Nevertheless, a number of recent developments and activities by leaders in this field – such as Nef and OTS – have given SROI the edge over this and other measurement approaches. Most importantly, OTS is currently working with HM Treasury to incorporate SROI methodology into the government's Green Book – the official guidance used to carry out economic assessments of spending and investment and the preparation of business cases for the public sector. SROI may therefore soon become an official government measurement tool.<sup>12</sup>

### The many models of SROI

Although SROI has become the dominant approach in measuring social value, there are in fact several SROI models in operation, differing in the precise methodology and data used. The following section outlines some of the SROI models created in recent years.

SROI was pioneered by REDF, a San Francisco-based venture philanthropy fund. During the 1990s REDF commissioned work to provide a method by which it could assess its grant-making activities. The SROI index produced reflected the overall value of a social enterprise, by adding together economic, social and environmental returns.

In 2003 a European networking organisation, ESROIN, was formed, with strong links to the US promoters of SROI. ESROIN seeks to promote and pilot SROI in different European countries. Practitioners in Europe and the USA worked on a global SROI framework, and the subsequent global SROI framework document<sup>13</sup> identified the following steps needed for SROI:

- information relating to the organisation, its mission and goals and discussion of its work and activities
- a financial analysis of the organisation

- a stakeholder map and analysis
- description of the SROI analysis process, in particular discussing the scope and restrictions, including a description of the impact value chain, the indicators selected, and related issues
- descriptions of tracking systems used to collect output data
- clarification of assumptions
- description of areas which have not been measured or monetized
- calculations of SROI and sensitivity
- statement that can be used to inform others seeking to use results for comparative purposes
- an analysis of the results<sup>14</sup>

ESROIN helped develop current SROI practice in a number of ways. First, it sought to promote the greater use of stakeholder outcomes to derive indicators of value than the original US model. This means SROI researchers will often now consult service users to find out what is important to them and use these factors as a measure of a service's impact. ESROIN also built in the 'materiality' concept – rather than evaluating the whole spectrum of benefit derived from an activity it focused on what was 'material' to proving social return. This helps to make the amount of data collation more manageable and less time consuming.

Since 2004 Nef has been pioneering the use of SROI as an impact-measurement tool for the third and public sectors – this approach is now a widely established method and will be considered in more depth in the following section. Figure 2 shows the way in which Nef describes the stages of its SROI model.

Nef's approach is distinctive in that it not only places great emphasis on stakeholder engagement and focuses on materiality (incorporating the learning from ESROIN), but it also pioneers 'impact mapping' to describe organisational change, and 'attribution' to take account of the extent to which an observed outcome is an effect of the intervention being evaluated rather than some other factor.<sup>15</sup>

Other organisations involved in SROI model development include Sheffield Hallam University, as part of the evaluation of

Figure 2 The stages of Nef's SROI model

Phase 1 – Boundary setting and impact mapping	<ul style="list-style-type: none"> <li>· Establish the parameters for the SROI</li> <li>· Identify, prioritise and engage stakeholders</li> <li>· Construct an impact map based on stakeholder consultation</li> </ul>
Phase 2 – Data collection	<ul style="list-style-type: none"> <li>· Select indicators for collecting outcomes</li> <li>· Identify financial values for the indicators, using proxies where necessary</li> <li>· Collect outcomes data</li> </ul>
Phase 3 – Modelling and calculating	<ul style="list-style-type: none"> <li>· Model the SROI, accounting for attribution, displacement and deadweight</li> <li>· Calculate the present value of benefits, value added, SROI ratio and payback period</li> <li>· Perform sensitivity analysis</li> </ul>
Phase 4 – Reporting and embedding	<ul style="list-style-type: none"> <li>· Prepare a detailed report of the SROI process, assumptions and findings</li> <li>· Ensure that the SROI process is embedded in management systems to enable ongoing <i>proving and improving</i></li> </ul>

the Futurebuilders programme,<sup>16</sup> and the organisation Selling Added Value, which has developed another alternative SROI approach to use as a marketing tool for social enterprises. It has recently been given funding to provide SROI training to educational institutions in the UK.<sup>17</sup> Finally, the Centre for Social Justice has recently announced it will be developing its own methodology for SROI in 2010, and has recommended that a SROI watchdog should be created, modelled on the National Audit Office but able to scrutinise a spending programme before it was implemented. Projects that fail to pass the social return on investment test would be vetoed.<sup>18</sup>

However, it is the interpretation of SROI by the government's OTS, drawing on Nef's earlier work, which is currently the pre-eminent approach. The OTS describes SROI as:

*... a framework to help understand the value of social change from the perspective of those changed. It tells a compelling story of change, which is a mix of narrative, qualitative and financial measures. It provides for a financial proxy value of this change, which can be understood alongside traditional financial costs. It is transparent and consistent and aims to create a more tangible currency in social value that everyone can understand. It can also help focus attention on particular activities and how well they are working to achieve social change.*

The OTS works closely with its counterpart in Scotland, the Third Sector Division, and the SROI Network, a network of SROI practitioners and interested parties launched in 2008, to develop SROI methodology, provide training, disseminate good practice, produce guides, and so on. This group of key stakeholders is now driving the latest developments in the social value agenda.

## Challenges with SROI

As explained above, there are several alternative methods of measuring social value, but there are also several different interpretations of SROI. This fragmentation has been identified as a contributing factor to poor understanding and awareness of SROI and other methods of measuring social value. A report commissioned by the OTS in 2007 commented:

*... this has become a busy area against a context of a relatively small number of organisations using these approaches. No wonder that there is potential for confusion, even though new ideas and new approaches may bring improvements. The growing number of labels and tools and the difficulties of auditing these can confuse customers and perhaps even reduce demand for these approaches.<sup>19</sup>*

A second, perhaps more significant, problem that may discourage the use of SROI is that SROI evaluations are relatively complex and resource intensive to carry out. Ascribing monetary values to soft intangible outcomes is a challenging process – as noted in Angier Griffin’s map of measuring approaches (figure 1), SROI is the most ‘economic’, and therefore the most comprehensive and resource intensive of the methods reviewed.

A typically complex SROI model is the one developed by Nef, with impact mapping and other technical processes. In 2008, Nef evaluated two rounds of SROI in which it worked with seven social enterprises to carry out a SROI analysis of its work. The subsequent report made a number of important findings: although organisations participating in the study found the process of SROI analysis a useful one, many found it challenging to collect all of the data they needed – often the data was outcome rather than output based, and monitoring and follow-up processes were simply not in place in most organisations to collect this sort of information.<sup>20</sup> Many organisations had to try to collect data retrospectively and found SROI time consuming and resource intensive, with few participants able to spare the staff to carry out the tasks required. Many also found the methodology and concepts hard to follow. As a result, there was a wide variation in the SROI ratios, as some organisations provided incomplete or incorrect data or did not follow the process properly. Nef concluded:

*If organisations do not have the time or resources to commit to the SROI process, there is a danger that the process will not be robust or will not be seen through to completion. Third-sector organisations must be provided with adequate funding by social investors to cover the staff and resource costs associated with SROI analysis.*

*An SROI analysis is only as good as the data that is put in. In addition to properly resourcing organisations to collect outcomes data, SROI analyses can be strengthened by shared research on outcomes, proxies, and indicators. New research should be supported in this area by funders seeking to strengthen the third sector.<sup>21</sup>*

The Scottish Executive displayed early interest in SROI as part of its wider strategy of revitalising Scotland's third sector. In 2007–08, its Third Sector Division funded pilots to test Nef's SROI model in a wide range of organisations in Scotland. The research team found that organisations encountered similar problems to those in the Nef pilots, including lack of time and resources, difficulty in finding and collating appropriate data, lack of 'SROI-literacy', confusion regarding responsibility for the tasks and a perception of a lack of user friendliness overall.<sup>22</sup>

Some of the experts we consulted as part of this project expressed similar concerns about the complexity of SROI (it was described as a 'complex box ticking exercise'). However, its methodological limitations were also discussed, including its heavy reliance on assumptions to calculate ratios and its inability to measure outcomes longitudinally and recognise innovation.

In the USA, the Gates Foundation came to similar conclusions. Its report, *Measuring and/or Estimating Social Value Creation*<sup>23</sup> found that the fragmentation of different competing approaches was holding the sector back and, overall, it was far behind its financial auditing and monitoring counterparts. It summed up:

- Many important benefits that accrue from effective social programmes are rarely, if ever, monetised.
- Shadow prices (the dollar values assigned to outcomes) in cost–benefit analyses of social programmes do not consistently capture the full range of societal benefits or costs.
- Even when there is well-established literature for valuing outcomes, shadow prices are not being consistently used across studies of social programmes.
- Some cost–benefit analyses use methods to project future outcomes based on early outcomes, but such approaches have yet to become routine and standardised.

The authors concluded:

*Until a tremendous amount of resources are invested in creating a comparable infrastructure for measuring and analyzing the results for the*

*social sector, integrated cost approaches to measuring and/or estimating social value will continue to be practiced more like an isolated art form than widespread science.*<sup>24</sup>

Given the highly crowded field of different approaches to measuring social value, combined with the challenges of using these models, it is hardly surprising that relatively few organisations attempt to quantify their social impacts in a rigorous way. This lack of take-up was noted by a study commissioned by OTS in 2007, which made the following recommendations to remedy the omission:

- further convergence in approaches to measuring social value
- innovation, in some areas, to provide ways of measuring some outcomes
- systematic approaches to bring down costs
- change public sector procurement
- the potential use of legislation to enforce social reporting (potentially within organisational reporting or audit regulations, and commissioning regulations)<sup>25</sup>

### **Improving SROI take up - convergence and simplification**

In response to concerns regarding complexity and lack of take-up, OTS launched the project Measuring Social Value in 2008. The project is led by the SROI Network, with New Philanthropy Capital, Nef, Charities Evaluation Services and the National Council of Voluntary Organisations as members.

The OTS project will be taken forward over 2008–2011 and aims to:

- standardise the approach to using SROI
- increase the accessibility of SROI for social investors and third sector organisations
- develop a network of practitioners who will raise awareness of SROI and social reporting
- increase the evidence base of the impact of the third sector



- enable social enterprises and other third sector organisations to prove the social value they create
- support social investors and commissioners of public services to make more intelligent investment or purchasing decisions

The project also aims to encourage wider use of SROI, through making it more accessible, more cost-effective for organisations and more attractive to investors, funders and commissioners.<sup>26</sup>

This process is being mirrored by the Scottish government's Third Sector Division, whose own SROI project is running between 2009 and 2011 and is seeking to develop a standard form of SROI across the social economy in Scotland. Again, making SROI more accessible and usable seems to be a key priority. The Division's stated aims are to:

- Develop widespread awareness and knowledge of SROI among third sector organisations, funders, commissioners and accounting bodies.
- Promote the increasing adoption, acceptance and use of SROI as a reporting method by third sector organisations.
- Support increasing numbers to have the ability and understanding to take forward SROI on their own behalf.
- Enable third sector organisations to demonstrate their impact clearly.
- Assist funders and commissioners to make more intelligent investment or purchasing decisions.
- Increase the accessibility of SROI for all parties.
- Ensure that the SROI methodology is robust, while taking on board the best of other impact measurement methodologies, such as social accounting.<sup>27</sup>

The project will include seminars, workshops and pilot studies as well as the production of an interactive website, indicator bank and training programme.

Recent policy work, therefore, is attempting to bring key SROI stakeholders under one roof to develop a more consistent approach, and develop the practical application of SROI for

non-expert audiences. Both Nef and the OTS have produced ‘DIY’ guides to SROI, with more accessible language and practice examples to walk a non-expert through the SROI stages.

### Summary of findings

On reviewing the theory of social value measurement, we have discovered the following:

- 1 There are several, diverse, methods for measuring social value which have been adopted by different organisations both in the UK and USA.
- 2 This fragmentation may be a factor in the poor penetration of social value reporting in the third, statutory and commercial sectors.
- 3 A recent growth in interest in social reporting has resulted in a concerted effort from government and leading organisations to encourage social reporting practices, particularly among those in the third sector.
- 4 The favoured approach is SROI, made more attractive than its competitors thanks to its USP of attaching financial values to social outcomes.
- 5 Nevertheless there are a number of SROI methods, which are all slightly different. More importantly, all SROI models are highly complex and resource intensive. This has led to limited early success in encouraging third sector organisations to attempt SROI.
- 6 The priority for the OTS in England and its Scottish counterpart is to develop a single, more consistent model of SROI, and to render it more accessible to non-experts. This means developing more practical and user-friendly tools and guidance.

However, it is important to bear in mind that much of the activity considered thus far is from a top-down perspective. The increasing interest in social value measures is driven by the trend towards greater outsourcing of the delivery of public services, particularly to the third sector, as well as an increased focus from commissioners to ensure they achieve real value for money.

The question remains, however, whether this need resonates with third sector organisations themselves. It is clear that it is in the interests of charities that rely on large service delivery contracts to measure and communicate value in a way that appeals to commissioners. But what about those organisations that rely on grants from large commercial organisations, or small and local charities that rely on individual donations? Would these charities see any need to quantify and measure their impact to such precise levels as demanded by SROI?



## 2 Practice – a snapshot of the third sector

This section seeks to answer these questions by providing a snapshot of the sector, looking at how organisations currently measure and communicate social value, and establishing how far this practice is from the ‘theory’ of measuring social value as outlined in the previous section.

Our snapshot is made up of 30 third sector organisations, which were randomly selected and evaluated on how they each measured and reported their social value. Although they were randomly selected, an attempt was made to ensure a mixture of organisations working in different fields, eg health and social care, environment and conservation, arts and culture, and of different sizes. Charitable organisations and not-for-profit social enterprises were included.

Each organisation’s annual report and/or impact report was reviewed. Where this was not available, the organisation’s website was scrutinised for the relevant information regarding impact and value.

We found that only one of the organisations selected had attempted a formal SROI analysis, and only two had produced audited social accounts. Therefore we were unable to group organisations according to the formal social reporting models outlined above, and we could not assess them according to the seven principles of SROI, for example. Instead, each organisation’s reporting was assessed according to whether the fundamental elements of social reporting were included:

- 1 Outputs – these are the direct ‘deliverables’ of the organisation. Does the organisation report these? Are these measured qualitatively or quantitatively? An example of a quantitative output might be: ‘The organisation delivered 200 hours of training to 500 people.’

- 2 Outcomes – these are the results or impacts of the organisation’s outputs. Does the organisation report these? If so, are these measured qualitatively or quantitatively? An example of a quantitative outcome might be: ‘Twenty people were able to find employment after receiving this training.’
- 3 Wider impacts – these are the indirect impacts of an organisation, both social and environmental, which are in addition to their stated aims and activities. Are these considered? Are they measured qualitatively or quantitatively? An example of a quantitative wider impact might be: ‘The organisation’s offices reduced their CO<sub>2</sub> emissions by 5 per cent.’
- 4 Stakeholder participation – have the outcomes been reported and measured by surveying or consulting the organisation’s stakeholders (staff, clients and wider community?). A quantifiable example of this might be: ‘70 per cent of our course participants reported improved mental health.’ This could then be verified with a quantifiable outcome – an objective mental health assessment using for example the SDQ scale.
- 5 Measuring distance travelled – have outcomes been used to set quantifiable goals, against which an organisation’s progress can be measured year on year? For example: Goal: increase the number of people finding employment as a result of our training by 10 per cent next year. Result: we exceeded our goal by achieving a 12 per cent increase since last year.
- 6 Financial values – have the organisation’s outputs or outcomes been given financial values, true to the SROI model? An example of a financial value might be: ‘This increase in employment has created £20k in reduced welfare benefits.’

Using these six variables, the organisations reviewed were placed on a broad scale – from those that achieved the minimum (say, describing their outputs without any evidence or data), through to those that fulfil all six elements (which would be a full SROI evaluation).

## Overview

The full findings of this study, which consider each of the organisation's methods in turn, can be found in the appendix. Overall, no single group of third sector organisations proved particularly adept in measuring and communicating social value. Some very large organisations make no attempt at this, while some very small charities made a valiant attempt in spite of their resource constraints. Social enterprises, although often more acutely aware of the importance of their wider social and environmental impacts, do not all monitor and record these effectively. In spite of this mixed picture, a number of clear themes emerge.

First, it is clear that many organisations seem to conflate outputs and outcomes. In many cases outputs are cited to demonstrate impact or value, whereas often they actually demonstrate the scale or reach of an organisation – two very different things. The number of organisations relying on outputs far outnumbered the organisations successfully measuring outcomes. This was a concern raised by a number of the experts we spoke to through the course of this project – they pointed out that for many organisations another raft of activity, including follow-up work, would be needed to reach a stage where outcomes were measured. The concept of outcome measurement is a fairly new development, and it was recognised that some organisations were only now understanding what it meant and recognising the importance of it. But its importance cannot be overstated. An organisation may deliver 2,000 hours of training, but if it has no impact (eg outcomes in the form of accreditation or employment, etc), then it does not matter how many hours are delivered. Only by evaluating these outcomes will an organisation know whether it is having any effect at all. Experts we consulted were at pains to emphasise that outcomes measurement, and setting organisational targets based on outcomes, was the only real way for charities to effect change. The two do not necessarily follow on from one another and, indeed, focusing just on outputs could well have an adverse effect on meeting some outcomes.

Second, those organisations that do attempt to measure value in a more sophisticated way tend to do this for a particular

programme or project, rather than across the organisation as a whole. When consulted on this finding, experts gave two possible explanations for it – some projects may have been given ring-fenced funding specifically for an evaluation; or the project's outcomes may have been more easily evaluated as a result of the type or scale of the service being delivered. For example, researchers on a specific project working with drug addicts could fairly easily carry out follow-up studies to assess the impact of their work on relapses or reoffending. However, the organisation might also campaign to change drug laws – the impact of which is much harder to assess. It may therefore only evaluate the former activity.

Third, organisations helping vulnerable groups (the homeless, NEETs, children at risk or in care, etc) seem to be better at recording the impact of their activities than campaigning or educating organisations. This may well be because the activities of the former group are far easier to quantify than those of the latter. Organisations that deliver services for vulnerable groups benefit not only from their work being a 'concrete' deliverable (as opposed to something more intangible like awareness raising), but also from there now being a considerable amount of public data available on how to measure outcomes among children and other vulnerable groups (including standardised scales to monitor softer outcomes like mental wellbeing and social skills), as well as studies which demonstrate links between preventative work, outcomes and cost-savings to the state.

Conversely, lobbying charities have perhaps the hardest task in quantifying their impact and outcomes – first because it is difficult to quantify the impact of a piece of legislation being passed or a new enquiry being launched. More importantly, there is an inherent causality and additionality problem – how can an organisation demonstrate its lobbying activities influenced government decisions? How can it prove the outcome would not have occurred without its particular contribution?

Experts consulted as part of this project supported our findings regarding delivery *vis à vis* lobbying organisations, but were also able to give us a wider perspective than our snapshot



afforded. For example, some experts identified a general split between very small organisations that were not often measuring their outcomes, and the rest (from small or medium through to very large) that were at various stages of measurement and evaluation. ‘Mid-sized’ organisations, perhaps one step down from the largest charities, were particularly likely to be motivated to engage with the social value agenda as a means of winning service delivery contracts from their larger competitors. This was linked to the wider recognition that organisations involved in delivering public service contracts were taking on social value measurements at a faster rate than others. This raises the question of the role of grant-making bodies and commissioners in incentivising good practice in social value measurement – an issue considered in more detail at the end of this paper.

Fourth, our snapshot indicated that very few organisations consider wider social and environmental impacts of their work. Even those with the most sophisticated studies of their service outcomes neglect to consider their own office’s recycling and energy usage, for example. Social enterprises tend to be more attuned to these issues given their specific remit, but few excel in measuring or evaluating them.

A final and perhaps the most important point is that this evaluation considered not just the content of organisations’ reports but their communication too. Organisations have only been judged on what has been made publicly available. Some communicate their entire social value in a single ‘impact report’; others rely on several documents – annual reports, impact reports and specific project evaluations – and some just have snippets of information on their websites. Some of those reviewed here may, therefore, have a highly sophisticated outcome evaluation framework, or a SROI system – but unless this has been made public, it has not been taken into account. Clearly the communication of social value to the right people – the public and potential commissioners and funders – is just as important as its measurement.

As described above, the organisations reviewed here were assessed according to six broad variables. Those organisations which included all features in their reporting, would, by and

large, have fulfilled the rigours of a SROI evaluation. If we take SROI to be the 'gold standard' (not simply because it is the model receiving considerable interest from many quarters, but because it is arguably the most demanding form of evaluation), then we can assess how close an organisation is to reaching SROI by the number of elements it has achieved. With this in mind, we were able loosely to group together organisations at different stages of 'SROI readiness':

- the 'nearly theres'
- the 'social accounters'
- the 'distance travelled'
- the output group
- the 'long way to gos'
- the 'at the beginnings'

Table 1 is ordered according to these six groups to give a general overview of the progress of the sector towards SROI. As we can see, performance is extremely mixed, with a large minority at the lower end of the spectrum.

Overall, it is clear that only a few organisations among those we reviewed were approaching SROI readiness. The majority were struggling to come to terms with identifying, measuring and evaluating outcomes, and relying instead on outputs, which is a poor and inaccurate substitute. With this in mind, the rest of this report considers how the theory and practice of social value measurement might be brought closer together.

Table 1 'SROI Readiness' – organisations' performance against six key features of social value reporting

✓ Achieved ○ Partially achieved ✗ Not achieved

Organisation		Variable										
Nearly there	BCTV	✓	✓	✓	✓	○	○	○	○	✓	✓	✓
	Citizen Advice	✓	✓	✓	○	✓	✗	✓	✗	✗	✗	✓
	CSV	✓	✓	✓	○	✗	✗	✗	✗	○	○	✗
	Catch 22	✓	✓	✗	✗	✗	✗	✗	✗	✗	○	✓
SAs	Independent Age	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✓
	COSMIC	✓	○	✓	○	✗	✗	✗	✗	✗	✓	○
	CEU	✓	✓	✗	✗	✓	✓	✗	✗	✗	✓	✗
	Eden Trust	✓	✓	○	✗	✓	✓	○	○	✗	○	✗
Distance travelled	RNID	✓	✓	✓	○	✓	✗	✓	✗	✗	✗	✓
	Guide Dogs for the Blind	✓	✓	✓	✗	✗	✗	✗	✗	✗	○	✓
	Age Concern	✓	✓	✗	✗	✗	✗	✗	✗	✗	○	✓
	Action for Children	✓	○	✓	○	✗	✗	✗	✗	✗	✗	✓
Output group	Homeless Link	✓	✓	✗	✗	✗	✗	✗	✗	✗	○	✓
	YWCA	✓	✓	✓	○	✗	✗	✗	✗	✗	✗	✗
	Diabetes UK	✓	✓	✓	✗	✗	✗	✗	✗	✗	○	✗
	Salvation Army	✓	✓	✓	○	✗	✗	✗	✗	✗	✗	✗
Long way	Princess Royal Trust for Carers	✓	✓	○	✗	✗	✗	✗	✗	✗	✗	✗
	Southbank Centre	✓	○	✗	✗	✗	✗	✗	✗	✗	✗	✗
	Social Enterprise London	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗

Qualitative service outputs

Quantitative service outputs

Qualitative service outcomes

Quantitative service outcomes

Environmental qualitative wider impacts

Social qualitative wider impacts

Environmental quantitative wider impacts

Social quantitative wider impacts

Financial value attributed to quantitative outcomes

Stakeholder feedback e.g. satisfaction surveys

Quantitative goals set?

## Practice - a snapshot of the third sector

Organisation	Variable										
RIBA Trust	X	O	X	X	X	X	X	X	X	X	X
SELDOC	X	X	X	X	X	X	X	X	X	X	X
Comic Relief	X	✓	X	X	X	X	X	X	X	X	X
Keep Britain Tidy	✓	X	O	X	X	X	X	X	X	X	X
Second Byte	X	X	X	X	X	X	X	X	X	X	X
Pack-It	X	X	X	X	✓	✓	X	X	X	X	X
Catch 22 Academy	O	X	X	X	X	X	X	X	X	X	X
The Art Fund	O	X	X	X	X	X	X	X	X	X	X
Women's Aid	O	X	X	X	X	X	X	X	X	X	X
<b>At the beginnings</b>	Qualitative service outputs	Quantitative service outputs	Qualitative service outcomes	Quantitative service outcomes	Environmental qualitative wider impacts	Social qualitative wider impacts	Environmental quantitative wider impacts	Social quantitative wider impacts	Financial value attributed to quantitative outcomes	Stakeholder feedback e.g. satisfaction surveys	Quantitative goals set?

### 3 Learning from other sectors

Although the focus of this report is the third sector, we ought to bear in mind that private and statutory organisations *also* seek to quantify their wider social and environmental impact, and in many cases have extremely sophisticated frameworks for doing so. It is possible that practical lessons could be learnt from how these other organisations approach social value over and above the theoretical guidelines already available, to see whether we might learn how to bring the ‘practice’ of the third sector closer to the theory. The following section looks at a small number of organisations in the statutory and commercial sectors that have interesting approaches from which we might learn.

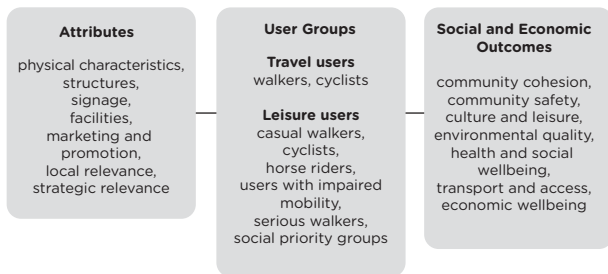
#### **The Department for Environment, Food and Rural Affairs (Defra)**

Intuitively, public rights of way (PROW), such as footpaths, provide important social and economic benefits to communities. However, as these benefits are hard to quantify, local authorities have found it hard to justify how much to invest in their creation and upkeep.

In light of this, Defra sponsored a project in 2006 to develop a ‘decisions support tool’ to help authorities manage their expenditure on PROW by matching it to the achievement of social and economic outcomes (figure 3).<sup>28</sup>

The tool was developed to link characteristics of PROW (eg surface quality and signage) with usage by different groups. Changes in use were then linked to social and economic outcomes at community level (eg community cohesion, culture and leisure, health and economic development). By comparing beneficial outcomes with costs of changes to PROW, the tool estimates the cost-effectiveness of different investment options.

Figure 3 **PROW Tool linking attributes of paths, to specific user groups, to wider outcomes**



The tool derives an overall score for a given PROW network, indicating its relative contribution to social and economic outcomes. This score can then be reworked as the result of changes to predefined variables (such as surface quality). The tool allows the calculation of the incremental improvement in social and economic outcomes with the increment in costs.

By drawing on a large range of existing literature, Defra was able to estimate the cost–benefits of several potential PROW outcomes (increased physical activity, social inclusion, tourism, etc). It also used ‘willingness to pay’ surveys in the local communities to establish how much the public ‘valued’ their PROW. These enabled the tool to generate a SROI ratio of sorts – linking £X investment in PROW with £Y in social benefits.

Having piloted this tool, Defra recognises several limitations – for example, the narrow range of predefined options for changing attributes of paths and the pre-setting of weighting given to each user group means the tool cannot be fully adapted to different local circumstances. Nonetheless, this tool is still a significant improvement on previous ad hoc attempts to estimate how much should be spent on PROW by local authorities. Table 2 shows the benefits and costs associated with PROW and some possible methods of assessing them.

Table 2 **Benefits and costs associated with PROW and potential estimation methods**

Benefit Type	Indicator	Estimation Methods
<b>Social benefits</b>		
Access to the countryside	Frequency of use, Best Value performance Indicator (BVPI) 178	Observation survey, BVPI methodology, user interview survey
Mobility and transport	Frequency of use (BVPI) 178	Observation survey, BVPI methodology, user interview surveys
Social inclusion	Proximity, access and participation for vulnerable groups	User participation, distribution of provision and spend according to community characteristics
Healthy living	Participation in informal exercise on PROW, reduces disease incidence, morbidity and death	Qualitative methodologies, dose response relationship
Social wellbeing	Provision of green spaces, monetary expenditure on green spaces, satisfaction indicators	Monitoring provision and spends, satisfaction survey
<b>Social costs</b>		
Crime, fear of crime	Nuisance and crime rates in areas near PROW, urban and rural	Focus groups, stakeholder surveys, crime and complaints records, cost of policing/surveillance
Tipping, dumping, Litter	Incidence of litter, dumping	Costs of clean up
<b>Economic benefits</b>		
Contribution to local economy, business development	Monetary value of visitor spend, number of visitors, development of tourism/recreation sector	Visitor counts, expenditure surveys, multiplier effects
Direct user welfare benefit	Participation rates, monetary values of PROW user benefit	Travel cost method, contingent valuation method, choice modelling

Table 2 **Benefits and costs associated with PROW and potential estimation methods *continued***

Benefit Type	Indicator	Estimation Methods
<b>Economic benefits continued</b>		
Avoided costs	Savings in health and medication, costs and lost earnings	Estimates of health impacts and related cost savings
Non-use value of PROW existence	Monetary value	Contingent valuation method, Social preference assessment
Sustainable transport	Numbers of bike users and walkers, number of (reduced) car journeys	Observation and user surveys, focus groups, stakeholder consultations
Substitute replacement goods	Equivalent provision of 'services'	Cost of alternative provision e.g. gymnasias, organised exercise
<b>Economic costs</b>		
Negative impact on property values, barriers to development	Property values, costs of replacement/modification	Hedonic pricing, cost accounting
Capital, operating and maintenance costs	Budgets	Budgets and accounts

Given the wide variation of third sector approaches to measuring the social value of organisations, and the diversity of the sector in terms of capacity and resources to carry out such evaluations, a standardised tool of some kind could be a hugely valuable labour saving device. Clearly this would be more complex a task than the tool created above, and no single tool could ever be created, but nevertheless, there could be an opportunity to create tools like the one above for common third sector areas of activity– net employability, substance misuse, mental health, etc. Charities could incorporate these into their evaluations and adjust them as required, reducing the evaluation burden for some charities by automating certain elements.



The ‘willingness to pay’ approach could also be valuable. Although it is already used by some third sector organisations, it is not as widespread as it could be, given that it has the potential to attribute financial worth to services provided free of charge by some charities.

### **The Department for Children, Schools and Families (DCSF)**

DCSF’s predecessor, DfES, invested in the development of a tool entitled the Cost Calculator for Children’s Services (CCFCS). The calculator is a computer software application and costing methodology designed to calculate the costs to the public purse of providing services to children in care. It:

- facilitates comparisons between the relative value of different care types
- presents results for any child, group of children or type of placement by any time period
- analyses costs by outcomes
- includes support as well as expenditure in the unit costs it uses
- offers a longitudinal perspective and the facility to perform ‘what if’ analysis

The cost calculator aggregates costs from actual placements and all the associated costs of each child in a local authority. It then uses data which local authorities already collect on all the placements of looked after children. By analysing the dates of placement changes, children’s age milestones, reviews and key services, the CCFCS can identify all the services actually required and delivered for each child as they pass through the various processes involved in being looked after by the local authority. This enables the cost calculator to be used to examine any time period, either for the individual child, for groups of children or for types of placement, etc (figure 4).

Unlike Defra’s PROW tool, the CCFCS is not a social value measurement tool per se. Nevertheless, the cost–outcome element of this tool could be extremely useful for charities

Figure 4 Calculation parameters of the CCFCS

**Set Calculation Parameters**

Start Date:

End Date:

Cost Sheet:  ▼

Inflation:  ▼

Do not calculate Process 8 Transition to Leaving Care costs for:

UASC

Children with disabilities

Version of Microsoft Office (default is Office 2003)

Using Office 2007

Choose the cost table to be used by clicking the drop down arrow

Use this box to set the time period for your calculation

working in this particular field, as it would enable these charities to attribute some of the activities they carry out to specific outcomes, as well as to calculate the associated cost savings of doing so by running different ‘what if’ scenarios.

Even if resources were not available to develop multiple social value calculators, this basic approach, which links costs to outcomes, could be extremely useful if it were developed in other similar fields (eg homelessness, substance abuse, etc). Automated calculators, such as the CCFCS, could substantially reduce the burden on charities to carry out data collection and evaluation from scratch and, if used widely enough, could be a driver for standardisation and comparability so important in social value measurement approaches.

## The NHS

The NHS Social Value Project, being piloted in 2009–10 in eight primary care trusts (PCTs), has two objectives:

- to develop a framework within which the social value of the current commissioning and procurement activity can be captured and articulated – this will allow the NHS to show its ‘true’ value across the public sector
- to embed the use of social value concepts in commissioning and procurement activities – this will allow commissioners to ‘manage’ social value across a whole system and to work more effectively with their partners to deliver social value outcomes

This means going beyond the traditional productivity measures used in the NHS such as the quality-adjusted life year (QUALY) measures, and consider wider health and wellbeing taking account of social situations. For Primary Care Trust (PCT) commissioners who have become accustomed to the statistically rigorous QUALY process and monitoring of ‘hard’ clinical outcomes, this new approach will represent something of a change. The pilot PCTs now have to consider a diverse range of ‘soft’ outcomes, such as:

- public engagement and participation (social advocacy and consumer sovereignty)
- understanding and managing people’s competing social value orientations
- framing of ethics
- patient advocacy
- provider autonomy
- improved medical technologies in medical innovation
- reducing health inequalities
- fair access
- quality of care
- respect for patients (eg the patient journey)
- improved efficiency in the delivery of wellbeing but without defeating the ability to ‘act boldly’ (social entrepreneurialism)

These considerations are designed to affect commissioning decisions – for example, employing people with a history of mental health problems to help deliver a mental health service in order to give this group employment and decreased social

isolation, and purchasing stop smoking campaign leaflets from a local supplier in order to stimulate the local economy.

This approach is what the draft NHS constitution describes as using ‘resources for the benefit of the whole community’ – ensuring that as an organisation spends money, it does so in a way that achieves as many of its objectives as possible. Although not a rigorous social value measurement attempt, the broad ‘whole community’ approach – ensuring that every pound spent serves a purpose beyond direct service provision (eg with the employment of hard to reach groups and to stimulate the local economy) – is certainly something which more third sector organisations might adopt to strengthen their wider social and environmental impacts.

## ING Direct

The commercial sector also measures its social value in a number of ways. One of the most common tools is the Global Reporting Initiative (GRI), used by the likes of Shell and Marks & Spencer.<sup>29</sup> The cornerstone of this framework is the sustainability reporting guidelines, which include:

- principles to define report *content*: materiality, stakeholder inclusiveness, sustainability context and completeness
- principles to define report *quality*: balance, comparability, accuracy, timeliness, reliability and clarity
- guidance on how to set the report *boundary*

Other components of the framework include sector supplements (unique indicators for industry sectors) and national annexes (unique country-level information).

The financial services company ING uses the GRI. It has literally hundreds of quantifiable indicators, covering a very wide range of variables: diversity and human rights in workplace, training and development, employee engagement, community impact (charitable contributions), financial education, and so on.

An excerpt of the environmental impact section is reproduced below to demonstrate how detailed this reporting is:

### **Indicators**

*EN 15 Greenhouse gas emissions.*

*EN 17 Other relevant greenhouse gas emissions.*

*EN 19 Use and emissions of ozone-depleting substances*

*EN 20 Air emissions*

*EN 21 Significant water discharges*

*EN 22 Total amount of waste, Paper usage.*

*EN 23 Significant spills.*

On top of this, ING also completes the ‘financial services sector supplement’ of the GRI framework, which has a range of additional measures specific to that type of company:

*FS 2 Environmental and social risks procedures.*

*FS 3 Processes for monitoring clients’ implementation of and compliance with environmental and social requirements.*

*FS 4 Processes for improving staff competency implement the environmental and social policies and procedures.*

*FS 5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.*

*FS 6 Percentage of the portfolio for Business Lines by specific region, size and by sector.*

*FS 7 Monetary value of products and services designed to deliver a specific social benefit.*

*FS 8 Monetary value of products and services designed to deliver a specific environmental benefit.*

*FS 9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.*

*FS 10 Companies held in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues.*

*FS 11 Percentage of assets subject to positive and negative environmental or social screening.*

*FS 12 Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.*

The GRI is clearly a highly detailed and quantitative measurement approach; however, the tool does seem to focus on

processes and ‘hard’ outputs, and how much money was spent on them, as a proxy for outcomes. Although this would create a thorough and complete quantifiable picture of all the organisation’s activities and degree of commitment (in commercial terms) to social and environmental goals, it may not provide a real insight into the impact or value of the organisation’s activities in terms of human benefits, unless the organisation chose to complement its GRI evaluation with an additional evaluation of the outcomes of, say, providing financial advice to socially excluded groups. There is also no room within this framework for qualitative information, such as case studies or stakeholder feedback – though one would assume a commercial organisation would do this on top of the GRI analysis.

It is highly unlikely that many third sector organisations would have the capacity or ability to carry out such a detailed measurement exercise, and it is questionable whether this would be appropriate in any case – many commercial organisations may equate their social value with levels of investment simply because their day to day activity does not relate to social or environmental issues in any other way. Most third sector organisations, on the other hand, deliver services to or represent groups that are disadvantaged in some way, or work towards improving social or environmental issues.

That said, GRI’s process orientation could be useful to the third sector in helping it measure more systematically how daily operations support their organisations’ goals, for example in contracting suppliers, recruiting staff, and so on. Another interesting element is the sector specific ‘add ons’. Although SROI and others already provide some guidance for organisations in specific sectors, it might be a useful addition to a standard SROI measure to have an ‘add on’ framework to guide lobbying and influencing charities.

### **British Telecom**

BT uses the Connected Reporting Framework, specifically designed to provide a more holistic and integrated measure of social and environmental impacts than other commonly used

measurement tools in the commercial sector. Although BT also uses GRI's reporting guidelines and sector supplement, as well as the UN Global Compact Principles, it adds to this with several other measures outlined as part of its own business principles and specific 'materiality' survey.

The 'materiality' measure, as identified in SROI and social accounting good practice, helps to identify the wider outcomes that are most important to BT. Variables to assess materiality include:

- BT's policy position on the issue
- the financial impact of the issue on BT
- the degree of stakeholder interest in the issue – BT asks customers, employees and suppliers what they consider the most important social and environmental issues a company like BT should take action on
- the degree of wider societal interest in the issue

BT then sets out several key performance indicators (KPIs) based on the social and environmental issues identified as most 'material' to the company to measure performance. These are divided specifically into financial and non-financial KPIs. The latter includes stakeholder feedback measures to assess the relationships BT has with employees, customers and suppliers. These KPIs can then be used to set quantifiable targets year on year.

BT's reporting is particularly wide ranging and thorough, mixing a 'distance travelled' approach with elements of social accounting and more commercial models such as GRI. It may not be possible for many charities to replicate this approach with resources available to them; nonetheless, the idea of KPIs based on materiality (via stakeholder consultation) could be useful for charities that need guidance on what they should measure and how. Materiality is already included in SROI and social accounting models; however, it was not a commonly used tool in the third sector organisations reviewed for the purposes of this paper. BT's approach ensures an efficient monitoring system, in that elements of its business are identified as priorities and

instrumental to the organisation's wider aims, and then measured accordingly. By isolating things that 'matter' and measuring them, charities that have limited time and manpower will ensure that they do not waste scarce resources on irrelevant data collection.



## 4 Conclusion

This paper has considered the way in which the third sector measures social value from a theoretical and practical basis, and has sought to answer the questions posed in the introduction.

### **What are the tools available for measuring social value?**

There is a highly diverse range of tools, catering to organisations of different sizes, with different sectors and organisational remits. The variety of frameworks available may well cause confusion. However the Social Return on Investment (SROI) model seems to have become the approach favoured by government departments and some key policy organisations in this field.

### **How does the third sector currently measure and communicate its social value?**

Approaches to measurement are diverse and seem to be organisation-specific. Very few used predefined models (such as social accounting). Organisations delivering public services to vulnerable groups seem ahead of smaller organisations and those that lobby and raise awareness. But overall many organisations still struggle to identify and quantify outcomes, relying instead on outputs to demonstrate impact.

### **Is the sector ready to adopt the SROI model currently the focus of government and other work?**

The rigours of SROI, which requires not only the quantitative measurement of outcomes but also the attribution of financial

values to them, is a long way from the capacity of the majority of organisations reviewed for this report. Organisations have to have mastered sound outcomes evaluation before they can consider SROI, and the ambitious SROI agenda risks organisations attempting to run before they can walk.

The wider question that ought to be posed is whether all organisations should adopt SROI as standard. Several of the experts consulted as part of this project expressed concerns that SROI would not be appropriate for all organisations, particularly smaller organisations, for which SROI seemed disproportionate. The resources required to carry out the evaluation of a service could well outstrip some organisations' budgets for delivering the service itself.

### **What alternative approaches to measuring social value might be usefully applied to improve the overall standards of social reporting in the sector, particularly for organisations for which SROI is unattainable and/or inappropriate?**

Even if the SROI model is not appropriate for all organisations, because of their size or nature of their activities, the principles behind SROI are sound. Many of the experts we spoke to felt that the real value of SROI was not in the generation of a 'SROI ratio', but in the process of identifying and measuring outcomes that supported the organisation's mission. Many organisations seeking to carry out an SROI analysis have yet to gather the correct outcomes or benchmarking data to enable additionality. Therefore, it is a good discipline for all organisations to embed the principles of SROI in the way they set their goals and review their activities, within the context of outcomes.

### **An interim step**

Helping all organisations identify, measure and evaluate their organisational outcomes would be hugely valuable for the sector as a whole. We propose that a benchmark of sound outcomes evaluation should be developed, as an interim step on the road

towards SROI, and that stakeholders on all sides should direct their efforts and resources to help the entire third sector meet this target.

This means that policy makers should provide more training for the third sector in outcomes evaluation, and encourage commissioners and funders to achieve outcomes as the fundamental principle behind funding decisions. Funders and commissioners have a vital role to play in incentivising good outcomes measurement – funders need to incorporate evaluation data into subsequent rounds of grant giving in order for organisations to see a return for their efforts, and commissioners need to put money aside in contracts specifically for the evaluation of projects.

Of course, many of these steps are already being taken – commissioning guidelines, seminars and training packs are all part of the OTS and Scottish government’s strategy for promoting SROI. Many local authorities have outcomes-based contracting.

But we believe there needs to be a change in not *what* is being done, but *how* it is done. Isolated instances of good practice, which reach the best performing third sector organisations or those in particular delivery areas, need to become the basic standard across the board.

Helping the *entire* sector reach a decent but realistic standard of evaluation practice is both more viable for charities and more useful for funders than an ambitious SROI agenda, by enabling more charities to compete better for funding, and giving commissioners more choice over whom they invite to deliver services. Attempting to roll out SROI as the gold standard before an initial benchmark of good outcomes evaluation is met by all risks creating an ever more fragmented sector: where charities ahead of the pack on SROI evaluation monopolise public service contracts, and the rest are left further and further behind – seeing no financial or other reward, and having no assistance, in improving their outcomes evaluation even in the most basic ways.

Once this more realistic benchmark is set, many may well already be performing above this standard and strive for SROI

## Conclusion

evaluation. But many will still need to work to reach it. Creating a universal level of good practice should be the first priority.

Based on the research carried out for this report, we have concluded that wherever this universal benchmark is set, it must be underpinned by three principles: proportionality, comparability and standardisation.

### Proportionality

This means ensuring that the resources expended on evaluating an outcome are proportionate to the resources spent on achieving that outcome. In other words, very small organisations applying for very small grants should only be required to provide ‘light touch’ evaluations of the impact of their work. Given the diversity of the third sector, proportionate measurement may well imply several tools being used appropriate to the capacity and nature of the organisation in question.

### Comparability

If several frameworks are used to measure social value, on the basis that there will never be a ‘one size fits all’ model for the third sector, these must be able to generate comparable outputs and be led by the same basic principles of good practice in outcomes measurement. This would enable commissioners and funders to compare organisations that may potentially use different tools, help organisations compare themselves to their counterparts, and perhaps, in the longer term, render the wider use of SROI a more realistic vision.

### Standardisation

This is a basic requirement for comparability, but standardisation also means reducing the burden of evaluation for organisations. Automated tools like those used by Defra and accessible evidence bases, which help link outputs to outcomes and outcomes to cost-savings in different sectors, would spare organisations from evaluating their impact from scratch but

instead build on existing materials relevant to their remits and activities. The Scottish government's SROI project is currently developing an indicator bank, which may well meet some of these needs, but details as to whether this will be a repository of information, or an interactive tool, remain unclear.

A benchmark based on these principles will substantially lighten the burden of evaluation, and with the support of policy makers, commissioners and funders it will make solid outcomes measurement an accessible and realisable goal for even the smallest local charity. In lifting the entire sector to a universal, achievable standard of measuring social value, these proposals do not represent the limiting of the SROI ambition – simply a more equitable advancement towards it.



# Appendix A snapshot of third sector organisations

The way in which 30 third sector organisations measured and communicated<sup>30</sup> their social value was reviewed according to six variables:

- whether they measured their outputs, and if this was done quantitatively or qualitatively
- whether they measured their outcomes, and if this was done quantitatively or qualitatively
- whether they considered and measured wider social and environmental impact (eg carbon emissions from their offices)
- whether they used stakeholder participation to help set and assess outcomes
- whether they used outcomes to set quantifiable goals against which progress could be measured
- whether they attributed financial values to their outcomes

The following section groups the organisations reviewed into six loose categories, according to how many of the elements outlined above the organisation achieved, and summarises the findings for each organisation in turn.

## 1 The 'nearly theres'

These organisations have included almost all of the six elements in their reporting – they all have an excellent grasp of what their outcomes are and how they should be measured, and some have already begun attributing financial values in an SROI analysis.

## BTCV

BTCV, formerly British Trust for Conservation Volunteers, is a large charity which encourages environmental volunteering. It has the most thorough measurement and reporting of social value of all the organisations reviewed here. In particular, it has commissioned an SROI evaluation to quantify and attribute financial values to its social impact.<sup>31</sup> It is the only organisation we encountered in this snapshot review to have done so. Its SROI findings are as follows:

*£1 invested in volunteering with BTCV can give a social return of £4 in terms of reduced crime, improved leisure and increased employment opportunities.*

*Last year, nearly 8,000 people received training through our Employment Programme, and almost 2,000 of these went into full-time work. This resulted in:*

- *increased earnings = £20m*
- *reduced benefits = £5m*

In addition to these data, BTCV also quantifies the financial contribution of its volunteers based on their man hours and sets quantitative targets and measures performance towards those targets with quantitative and qualitative outputs and outcomes. Stakeholder feedback from volunteer surveys is also used to quantify some outcomes, and case studies are used to describe BTCV's social value qualitatively.

The organisation also reports on its wider environmental impact by setting quantitative targets to reduce its office carbon footprint, as well as its social impact by monitoring how many volunteers come from under-represented groups.

The only drawback to BTCV's thorough approach is that the data is communicated in several separate documents – for example, position papers on diversity and climate change include important information about the organisation's wider impact, which might have been better communicated in the charity's annual review. BTCV could also improve its reporting on the organisation's wider environmental impact, perhaps expanding its monitoring and target setting to include the use of



local suppliers, for example. However, these are fairly minor issues and BTCV remains the most comprehensive reporter of social value in this review.

### Citizens Advice

Citizens Advice uses several reports to demonstrate its impact and wider social value – including its annual report, statistical review, impact report and social policy impact report. These reports combined provide a very comprehensive picture of the organisation's activities, impact and achievements.

The organisation provides a range of statistical data on its activities – the number of clients, locations, staff, problems dealt with (broken down by type) and so on – all of which are quantified. Client feedback is also used to demonstrate impact; for example, 86 per cent of clients said they were satisfied with Citizens Advice, and 46 per cent reported less stress, anxiety and fewer health problems following help from Citizens Advice advisers. This self-reported, but nonetheless quantifiable, data helps demonstrate the social value of Citizens Advice in terms of wider impacts on people's wellbeing.

Citizens Advice has also completed more in-depth evaluations to illustrate this point. A study of Citizens Advice in Wales found both self-reported and objectively quantifiable non-financial benefits to its clients, such as improvements to clients' health and wellbeing. Clients reported feeling less anxious and less isolated, and said they had learnt to be more assertive, understood their rights better, and so on. In addition to this anecdotal evidence, the evaluation also used objective and statistical measurements of social functioning, mental health and anxiety using the Short Form 36 health questionnaire (SF-36) and the Hospital Anxiety and Depression Scale (HADS) to show how Citizens Advice's services had improved people's lives. This sophisticated measurement of outcomes would provide a strong basis for a subsequent SROI analysis.

Another study looking at housing advice found the most commonly achieved outcome for clients was 'homelessness prevented'. The potential social value of such an outcome, in

monetary terms, would be very large indeed. In a follow-up survey, 78 per cent of clients reported improvements to their peace of mind, 77 per cent felt better able to help themselves and 57 per cent attributed improvements in their health to the advice they had received. Again, although this is self-reported rather than objectively verifiable data, it does provide a clear picture of the wider social benefits that Citizens Advice delivers.

Other Citizens Advice evaluations demonstrate the *direct* financial value of its services. For example, Citizens Advice's debt advice project with ex-servicemen secured £3.9 million worth of financial gains for 1,370 clients through benefits and grants, and negotiated the write off of £3.9 million of debt. In these cases, a fairly straightforward demonstration of SROI could be presented, showing the cost of case work compared with the gains to individuals in terms of increased benefits and reduced debts.

Citizens Advice has placed a financial value on the hours volunteers contribute, and estimates that the additional £10 million funding provided by government to extend bureau opening hours and train more volunteers would help 335,000 more clients than it could have otherwise. This data could demonstrate to funders the additional reach and volume of advice that could be 'bought' for a particular level of investment.

Citizens Advice also considers its wider social impact, with a diversity policy and awards for workplace equality and disability rights. Although the organisation does not provide data on the demographic breakdown of its staff, it does record that 19 per cent of volunteers are BME and 17 per cent are under 25. It also records numbers of staff and volunteers trained, and reports that 27 per cent of volunteers left for employment and 8 per cent left to undertake further or higher education. Although a direct link between the training and experiences of volunteers and their job prospects is not established, feedback from former volunteers suggests there is a correlation between them.

### **Lobbying**

Part of Citizens Advice's organisational remit is to campaign and lobby for change, based on the evidence of unfair or flawed legislation and practices that come to light in the course of

helping and advising people with problems. It has become clear in this report that it is harder to quantify the impact of activities related to influencing and lobbying than the impact of those related to direct service delivery, and Citizens Advice acknowledges this:

*Although we can quantify the people we help by giving advice, it is harder to assess how many people we help through policy work. We estimate that during 2008/09 we helped nine million people through our policy work and also helped millions more through significant work with partners.*

In its 2009 Social Policy Impact Report, Citizens Advice provides several examples of its campaigning activities and attempts to demonstrate a direct causal link between its activities and change in legislation or other successes. This is not always successful – for example, the organisation states: ‘Bureaux engaged in initial consultations *may* have helped shape Post Office Ltd’s decisions about which local branches to close’ [emphasis added]. This shows that Citizens Advice is careful not to overstate causality or additionality; as the government’s SROI guidelines state, organisations must be clear that their efforts directly led to a particular outcome, and warns organisations not to over claim. However, it is very hard for an organisation to declare with certainty that its lobbying efforts and research reports led to the passing or changing of legislation which they were seeking, and Citizens Advice is no exception to this. Some of its claims are not fully substantiated: ‘Ministry of Justice research commissioned *in response to our lobbying* revealed that in fact a massive 39 per cent of all awards go unpaid.’

However, most cases do provide evidence of a direct link – for example instances where Citizens Advice policy recommendations have been directly used in government legislation; where Citizens Advice directors have been asked to sit on task forces and advisory groups on subjects they have lobbied on; and where Citizens Advice evidence has been used in OFT enquiries. Citizens Advice also uses case studies of individual bureaux, which have campaigned on behalf of individuals in their local areas.

There are still some areas for improvement in Citizens Advice's reporting, however. First, the most valuable data (in terms of quantified social value and outcomes) tends to be generated from individual project evaluations – Citizens Advice has yet to achieve an organisation-wide evaluation in this respect. Second, achievements are still based on quantifying output (eg decreases in waiting times), and future targets are not quantified and left rather vague. Third, Citizens Advice's environmental impact is not as well monitored as its social impact.

### Community Service Volunteers

Community Service Volunteers (CSV) is a volunteering and training charity. Its annual report demonstrates its value by quantifying how many people it has reached through its services – the number of people trained and the number of people volunteering in each of its projects. It also sets quantitative targets in this vein, clearly seeking to expand its reach to train more people and engage more people in their communities.

Nevertheless, demonstrating the scale of an organisation is not the same as demonstrating its value. CSV relies on case studies, in this case in the form of letters written to CSV from volunteers, organisations it works with, and so on, to highlight individual cases of where CSV has achieved positive outcomes for an individual. However, there is no systematic qualitative or quantitative evidence in its annual report that demonstrates the overall value and impact of these activities.

CSV *has* carried out evaluations which demonstrate the value of volunteering – just not for the purposes of its annual impact report. The CSV report *Capital Volunteering* uses surveys to demonstrate self-perceived benefits of volunteering as well as objective measures (eg via the use of mental health scoring). Findings include:

*84% [of volunteers interviewed] said they had gained from taking part: meeting people and making friends (28%), increasing their self-confidence (24%), helping others or making a contribution (14%) and training or learning new skills (12%).*

*There was evidence of greater social inclusion in the results of the social capital measure.*

*Statistically significant improvements in access to social resources were found on the scale overall and on two sub-scales measuring access to people who could help with personal and domestic resources.*

The report also shows the potential financial returns of this project – noting a reduced number of hospital stays among volunteers and the reduced cost of hospital stays.

Another CSV evaluation report, of the Nottinghamshire Healthcare NHS Trust volunteering project, actually undertakes an SROI-style assessment by comparing the money spent on supporting volunteers with the value of their contribution. The subsequent ‘SROI ratio’ is that for every £1 CSV spent supporting volunteers, £3.38 of value is created. Using volunteer surveys, CSV also illustrates self-perceived benefits of volunteering, such as the fact that 58 per cent of volunteers reported that their mental health had improved thanks to the programme.

Both of these evaluations come very close to full SROI analysis, and it would have been highly effective and illustrative of CSV’s social value if these findings had been included in CSV’s annual report rather than in documents published under ‘CSV research’. CSV’s real weakness is therefore one of communicating, rather than one of measuring. Like Citizens Advice, its best data is reserved for individual programme evaluations rather than across the entire organisation.

### **Catch 22**

Catch 22, a national charity that works with vulnerable young people, has as one of its organisational aims to ‘demonstrate our impact on young people and communities’, and it makes a significant attempt to quantify the impact it has on young people by looking at both outputs and outcomes. It also uses stakeholder surveys to help measure its success. For example, it describes the impact of its R Life Service thus:

- *97% of the young people involved reported their situations had improved.*
- *3,697 young people became involved.*
- *34,000 hours of volunteering were delivered.*
- *A 78% reduction in police involvement was achieved.*
- *746 accredited awards were granted to young people.*
- *539 young people went on to education, training, a job or volunteering.*
- *Progression rate for young people moving into education and training was 58%, against a national average of 45%.*

The organisation also uses several case studies to describe qualitatively the impact it has on the young people it works with. It also seeks to quantify its wider impact by measuring its staff – comparing staff turnover and sickness rates to sectoral benchmarks as an indicator of staff morale, and carrying out staff surveys to pick up on concerns and suggestions.

Nevertheless, these results were not reproduced in the annual review, and could have been reported to illustrate how well the staff felt they were treated by the organisation. But again, like CSV, this is more a matter of reporting than of measuring per se.

However, although Catch 22 has stated aims against which it reports its progress, these aims are not complemented with quantifiable targets which enable a ‘distance travelled’ type analysis of performance. It also does not attempt to report its wider environmental impact (its carbon footprint, recycling rates, etc) systematically. Nevertheless, it could feasibly adopt a SROI model fairly easily given the progress it has made in identifying, quantifying and communicating the longer term impacts of its work.

### **Independent Age**

Independent Age is a charitable organisation that offers practical support and financial help to older people to help them stay independent for longer, as well as operating three care homes.

Its impact report uses a combination of quantitative outputs (eg ‘we gave over 200 beneficiaries help with spectacles’)

Figure 5 **The quantity of services and scale of benefit that Independent Age can provide for different amounts of money**

- 91p** of every pound donated to independent Age goes directly towards helping our beneficiaries. Every donation made can make a huge difference to our beneficiaries' lives and is very much appreciated.
- £250** funds 35 round the neck magnifiers, to aid those with poor vision to negotiate the world around them, inside and outside the home.
- £500** funds six Rollator wheeled walkers restoring the ability to make trips outside, and to travel further they have a padded seat and basket incorporated into the walker.
- £1,000** funds 10 beneficiaries' membership to a teleconferencing book club for a year, giving them the opportunity to socialise and interact with others on regular basis.

and qualitative outcomes in the form of case studies to demonstrate its value.

Independent Age also demonstrates how effectively it spends its funding, by describing the quantity of services and scale of benefit that can be bought for different amounts of money (figure 5).

This could help potential commissioners and funders understand in monetary terms how much 'output' can be bought for a particular level of investment. Nevertheless, this does not demonstrate the level of *outcomes* that can be bought: Independent Age does not quantify its outcomes (eg the impact of its services on the wellbeing of older people) using an objective scale or even systematic stakeholder surveys, or attribute financial values to them.

However, Independent Age does describe the impact of specific outputs in a way which makes their value self evident – for example:

*We gave a £5,000 grant to one gentleman, whose boiler was so old that it was no longer serviceable, as no parts existed to fix it, and it did not meet modern regulations. He was then able to replace the entire heating system and keep warm.*

*Another lady, who was partially sighted, lived in a house with dangerous faulty wiring. We gave her a grant of £2,168 to get her house properly rewired.*

Although these outcomes are not quantified, Independent Age is fortunate in that it delivers services for which the implied benefits are clearly demonstrable (as opposed to say an influencing or educating organisation). Therefore it is able to communicate effectively the value and beneficial results of its grants, even without using quantifiable measures.

Although not included in its impact report, Independent Age sets out organisational aims and objectives in its annual report, and provides evidence where these have been met. It also sets out targets for next year, many of which are quantified. Nevertheless, and like many organisations in this review, it does not consider its wider environmental or social impact in either document.

## 2 The 'social accounters'

Some of the organisations reviewed here have adopted social audit and accounting methods to measure and communicate their social value. Social accounts usually require a three-step process:<sup>52</sup>

### *Step 1: Planning*

- Agree the organisational objectives that will form the framework for the social report
- Identify the key stakeholders
- Agree the indicators for performance and impact, and collect and collate report
- Identify an appropriate verification process

### *Step 2: Consultation*

- Plan and conduct consultation with stakeholders, including Board members and staff, passengers, service providers (local



operators and volunteer drivers), community groups and local agencies

### **Step 3: Report and verification**

- Prepare a social report
- Undertake the agreed verification process (if appropriate appoint a social auditor and panel members)
- Share (widely) the findings of the verified social report

Social accounting relies heavily on stakeholder feedback (from staff, clients, service users, etc) to measure an organisation's impact, so organisations that employ social accounting tend to have fewer quantitative measurements for outputs and outcomes, and instead quantify survey and questionnaire returns. Although this is important in demonstrating the value and impact of an organisation to those people who matter most, using this approach in isolation from other measures may undermine an organisation's value from a more *objective* perspective.

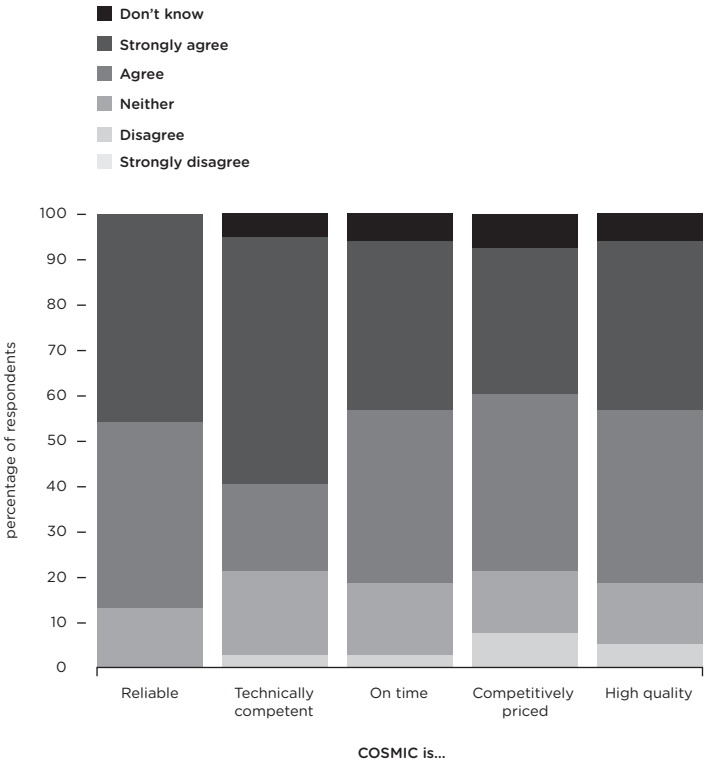
### **COSMIC**

COSMIC is a company that provides website design, consultancy and IT training. In order to demonstrate its social value, it produces social accounts.

It has clearly followed the established social accounting route, setting out four organisational aims, broken down into measurable objectives. The first two relate to the company's operation and services, while the second two relate to whether the organisation supports staff and is a good local employer, and the development of ethical working practices. Producing social accounts is one of the objectives falling under this last aim, and the organisation clearly considers its wider social and environmental impact in addition to the impact of its services, which not many organisations covered in this review do.

The organisation then assesses itself against each impact using:

Figure 6 Example of quantitative recording of survey responses by COSMIC



- Qualitative evidence (descriptions, examples and case studies of projects, stakeholder feedback in the form of quotes and case studies)
- Quantitative evidence in the form of stakeholder survey responses

An example of its quantitative recording of survey responses is shown in figure 6.

Although this data certainly provides COSMIC with a clear view of how the company is perceived by its clients and staff, and no doubt helps staff to identify areas that need improving, this is a relatively subjective approach. COSMIC does not complement these findings with very much more objectively verifiable evidence. For example, although the staff are asked about their views on the usefulness and quality of their training, the number of training courses attended, or professional qualifications achieved by staff during the year were not given.

Only a very few outputs were quantified, including the number of websites designed, and a few outcomes – for example COSMIC reports on the number of participants achieving different levels of qualifications in a NEET training project. However, longer term impacts – such as how many NEETs then went on to further education or employment – are not recorded.

COSMIC's accounts have other limitations. First, COSMIC was not able to meet its objective to provide full social accounts, as it could not report on its social and environmental impact. It produced an environmental policy with a few quantifiable targets, but these have not been reported on. Therefore, although the organisation certainly considers these wider impacts, it cannot demonstrate or communicate them effectively. Perhaps more importantly, there have been no accounts produced since 2006, suggesting that the organisation has not been able to commit the resources to reproduce the same level of stakeholder feedback since that time.

### **Community Enterprise Unit**

The Community Enterprise Unit (CEU), a social enterprise and workers' cooperative providing training and advice to social enterprises, has used a social audit to demonstrate its value. In line with social accounting practice, it relies a lot on stakeholder feedback to quantify how well it has achieved according to its organisational aims. Like COSMIC, these aims cover the direct 'output' of the organisation (the quality of the services it provides) and how well it supports its staff, as well as its commitment to social accounting.

Figure 7 **Survey questions asking staff their opinions of being an employee of CEU**

The following questions all follow the same format and ask you to rate how strongly you agree or disagree with a series of statements concerning aspects of being an employee of CEU

General:

Answer options	Always	Mostly	Sometimes	Never	Don't know	Response count
I enjoy the work I do	2	4	0	0	1	7
My job is interesting	3	2	1	0	1	7
I have a clear sense of my responsibilities	2	3	1	0	1	7
My health and well-being at work are taken seriously	4	1	1	0	1	7
Please add any explanatory comments				4		
Answered questions						7
Skipped question						0

CEU used anonymous online questionnaires and satisfaction surveys among its clients, course participants and staff to assess how well it met its objectives. However, it admitted serious resource and capacity issues in carrying out the social audit, so only assessed its performance against two of its four aims – the quality of its delivery and to support its staff. Each

aim has a number of objectives against which CEU can be measured.

An example of a question posed to staff to measure whether CEU achieves its aim of supporting its staff is shown in figure 7.

CEU also uses qualitative feedback, in the form of quotes from clients and staff, to create a clearer picture of where it adds value from the perspective of its stakeholders. In order to supplement this stakeholder-centred approach, CEU provides qualitative data (eg number of training courses delivered, participants trained) to demonstrate its outputs, and in other cases to show how the enterprise has achieved its aims.

Nevertheless, CEU has not fully considered the impact of its work in terms of outcomes – for example, has the training it provided led to positive outcomes such as unemployment or improved productivity? CEU itself identifies this as something it should do, and recommended: ‘for our next social accounts we should consider [how] to find out what difference does CEU make, ie impact’.

It is clear that CEU’s approach, and others using stakeholder-based social accounting models, ‘quantify’ their outcomes by consulting stakeholders on the impact of services through a survey, and then quantifying how many clients had reported particular positive outcomes. This obviously has limitations – it is not objectively robust, and does not cover a full range of potential outcomes.

Like other social enterprises, CEU considers its environmental and social impact, including how many local suppliers have been used, its fairtrade policies, its recycling strategy and so on. However, although many activities are described, the majority have not been quantified.

### 3 The ‘distance travelled’

This group of organisations seeks to demonstrate their value by focusing specifically on achievements. Their reporting sets distinct and mostly quantifiable objectives, measures progress according to these objectives, and sets new (again, mostly quantifiable) targets for the following year. For the best

performing organisations in this group, objectives, progress and targets cover both outputs *and* outcomes.

### The Eden Trust

The Eden Trust, an environmental education charity and social enterprise set up by the Eden Project in Cornwall with the aim of educating people about nature and the environment, demonstrates its impact by establishing its aims and measuring performance against those aims by quantifying key outputs, using visitor satisfaction surveys to develop a clearer picture of the quality of the outputs it provides, and describing the qualitative outcomes these have achieved.

The Eden Trust lists its key impacts as follows:

- 1.16 million visitors (1.16 million 2006/7)
- 90% (88% 2006/7) of visitors “very” or “quite” satisfied, and 96% (96% 2006/7) said they would recommend Eden to friends and family
- 622 school visits (545 2007/7) involving some 33,408 (28,940 2007/7) children
- Approximately 25,000 school children in 400 schools in 3 continents working together as part of the Gardens for Life activity
- 10,978 visits from formal tertiary institutional education centres (8,776 2006/7)
- A further 36,014 visits from students in Further and Higher Education visiting in an independent capacity (37,559 2006/7)
- 13 (11 2006/7) new titles published under Eden Project’s banner

During its Great Day Out the Trust reached

*significant numbers of hard to reach offenders, people at risk, homeless and excluded children from across Devon and Cornwall... having a marked and lasting impact on their wellbeing, their hopes and aspirations, resulting in some tremendously powerful stories of recovery and change.*

Unfortunately, these ‘powerful stories’ are not provided in the Trust’s annual impact report, and more importantly remain unquantified and unmeasured. However, the Eden Trust has also

attempted to demonstrate the outcomes of its activities more systematically, by commissioning evaluations of some of its projects to show how they have improved lives.

Unfortunately, the Eden Trust does not make these findings available online so, again, it is difficult to establish whether these findings were objectively measured and quantified in some way.

Like most of the social enterprises included in this review, the Eden Trust also has a clear understanding and consideration of its wider social and environmental impact beyond its direct service delivery. The Trust is a particularly good example of an organisation which quantifies and measures social *and* environmental impacts and sets targets year on year to improve its performance. For example, it has clear measurements of its waste production and gas emissions, the percentage of visitors it gets from vulnerable groups, and the number of local suppliers used. Interestingly, it claims to have created ‘£102m of incremental economic value for Cornwall from visitors specifically coming to see Eden which manifested itself as additional income for a wider range of local businesses’.

This is a clear demonstration of an organisation’s wider impact, expressed in financial terms as required for a SROI model. However, how this figure was generated or where it comes from has not been made clear, so it lacks independent verification.

The Trust clearly makes a good attempt to demonstrate its social value through outputs, outcomes and wider social and environmental impacts, but is let down slightly in the communication and the provision of evidence of some of them.

### **The Royal National Institute for Deaf People**

This charity groups its activities according to four main aims: enriching lives, challenging stigma, valuing hearing and working together. Each is broken down into a number of specific objectives. RNID’s impact report details its objectives for the year, what it has achieved against those objectives, and its aims for the following year.

In most cases, however, the organisation relies on outputs rather than outcomes. For example the achievements in meeting the objective ‘to deliver high-quality communication support for people who are deaf’ are described as follows:

*In the past year, we co-ordinated the delivery of 19,544 communication assignments: 17,676 BSL/English interpreting assignments and 1,868 other communication support assignments for people whose first language is English. This enables people who are deaf to participate in work meetings, to attend doctor or hospital appointments, and to be able to communicate on an equal basis in many other vital or every day services. Our aim was to deliver 21,000 assignments, but the shortfall was partly due to the ongoing shortage of communication professionals available to deliver the support needed. We now have 549 registered from across the UK who have signed up to work with us.*

Clearly, outcomes are implied – eg enabling deaf people to attend GP appointments and participate at work, but not measured in a systematic or quantitative way, rather described qualitatively with case studies.

RNID’s reporting enables a distance travelled approach to be taken so that the achievements of the organisation can be measured and monitored over time; however, the impact of its activities could perhaps be given a more quantifiable basis.

Regarding wider impacts, RNID does set annual quantifiable targets to improve its environmental performance (eg reduction of waste), but other impacts – eg impact on local employment or suppliers, have not been considered.

### **Guide Dogs for the Blind**

Guide Dogs for the Blind mainly quantifies its outputs (often in terms of services delivered), monitoring improvements over time and setting new quantitative targets for the following year. Thus the organisation records improvements in its reach and scale, rather than improvements in its impact and outcomes.

Although the organisation also carries out post-training client satisfaction surveys in order to measure how well staff are



delivering these services, its outcomes are implied, rather than proven and measured:

*We were also able to carry out over 11,300 home visits to clients during 2008, which contribute to the effective maintenance of a happy partnership [implied outcome demonstrating social value].*

Furthermore, although Guide Dogs for the Blind has a diversity policy for recruitment, it does not measure or communicate its wider environmental or social impacts (eg carbon footprint, staff morale and degree of local recruitment).

### **Age Concern (Now part of Age UK)**

Age Concern takes the ‘distance travelled’ approach by setting out the organisation’s main aims, establishing measurable objectives to meet them, and then reviewing progress against meeting these objectives. New targets for the following year are then established in the impact report. Age Concern’s aims are to influence policy and practice; empower older people, support local Age Concern offices and other organisations; and influence markets.

Targets are quantitative and qualitative, though mostly the latter. Similarly, achievement in meeting objectives is measured by *some* quantifiable outputs (eg number of training seminars delivered), but mostly qualitative information (such as description of key achievements, legislation passed, and so on). It is clear that Age Concern’s campaigning and influencing achievements have proved difficult to quantify or substantiate.

Overall, Age Concern quantifies only a few of its outputs to demonstrate its achievements, and only uses stakeholder feedback in one instance in a quantifiable way. For example it states:

*Over the course of 2007–08 ACE has provided some 1,938,400 articles of information or answers to enquiries to older people and those who care for them... feedback reflects the quality of our service:*

- 84% of customers said that ACE information compares either much better (68%) with other providers of information or a little better (16%).
- 90% reported that the overall quality of the information provided was either excellent (39%) or very good (51%).
- Two out of three customers found it easy to understand the information provided.
- 83% said that the information fully (61%) or mainly (22%) met their needs.
- 83% said that the information enabled them to either take direct action for the better (66%) or that it would eventually enable them to take action (17%).
- 88% rated the overall quality of service as either excellent (39%) or very good (49%).

Furthermore, few true outcomes of the organisation's activities are described qualitatively or quantitatively, for example in terms of quality of life for older people, subsequent employment and wellbeing, and so on. Also, Age Concern's reporting does not consider the wider environmental or social impacts of the organisation, although it does provide a financial proxy value of the contribution of its volunteers (£3.7 million).

### Action for Children

Action for Children outlines key objectives for the year and then describes achievements towards these objectives. However, many of these achievements are expressed as outputs, and described qualitatively rather than quantified. Some achievements have been described with qualitative outcomes, such as case studies of the children and families helped. A small number of outcomes have also been quantified – for example, the number of young adults given employment training is cited, as well as the subsequent number that found sustainable employment as a result.

Given this general level of performance, it is surprising that Action for Children has in fact attempted a SROI-type approach for a particular project it runs. Its report *Backing the Future* makes the economic and social case for investing in preventative services for children and young people based on later life

savings. This report concludes that a preventative approach to social problems would see a return of £486 billion over 20 years.<sup>34</sup> However, this data was not reproduced for the annual report and *Backing the Future* remains a ‘one off’ study rather than demonstrating an embedded approach by Action for Children across all of its activities.

### Homeless Link

Homeless Link is the national umbrella organisation for frontline homelessness agencies. The organisation’s main aim is to represent the sector in influencing homelessness and housing policy. It does not deliver services per se. As explained in the main report, it is more challenging to quantify and demonstrate the impact of activities such as lobbying, campaigning and raising awareness than those of direct service delivery. The majority of the organisations reviewed here have both service delivery and influencing as part of their remit, but often only attempt to quantify the former. Homeless Link, on the other hand, only has an influencing remit, and so faces significant challenges in demonstrating its value.

It attempts to do this in a version of the ‘distance travelled’ approach used by other charities – outlining its objective, how it went about achieving it, and then what it achieved. It is very much ‘action and results’ orientated. For example:

*We produced a guide to good practice called ‘Sharing solutions: working with A8 nationals.’ This was designed to provide frontline agencies with clear information and examples of successful projects in order that they could deal with the issue more effectively.*

*Since the publication of our research the following developments have taken place:*

- *The CLG has provided additional funding to local authorities to tackle the problem.*
- *The issue has been raised in the national media.*
- *The issue has been the subject of an adjournment debate in the House of Commons.*

- *Housing Minister, Yvette Cooper, highlighted the importance of our research.*
- *Homeless Link's best practice guide has been used by over 100 service providers across London.*
- *The CLG and the Home Office asked us to work on co-ordinating a solution.*

Each of the examples of action and result demonstrates a clear causal link between the actions taken by Homeless Link and the resulting policy or other change. The organisation has taken care not to overstate its influence or to invent causality – a point made by SROI good practice guidance.

In addition to citing examples of change in policy and practice, Homeless Link draws on stakeholder feedback to demonstrate its influencing impact in a quantifiable way.

For example:

*... our North West regional manager organised a 'Places of Change' event at an excellent YMCA facility in Crewe. Following the event, we surveyed the service providers who attended:*

- *More than 80% said they would 'buy-in' to the 'Places of Change' agenda as a result of the event.*
- *91% said they had changed their expectations about the role of hostels and the opportunities that should be available within them.*
- *82% said they would change their working practices to reflect elements of the 'Places of Change' programme.*
- *91% said they had changed their expectations about the role of hostels and the opportunities that should be available within them.*
- *82% said they would change their working practices to reflect elements of the 'Places of Change' programme.*

It is clear, therefore, that although the outcomes of influencing and campaigning activities are difficult to demonstrate and quantify, it is not impossible, and Homeless Link makes a very good attempt at this. It is still questionable, however, whether even the most effective outcome evaluation carried out by a lobbying organisation such as Homeless Link or

Citizens Advice would be able to take the ‘next step’ in SROI methodology and attribute financial values to these outcomes.

#### **4 The output group**

Several organisations do not have a particular approach to measuring social value, like the ‘distance travelled’ or ‘social accountants’, and instead tend to rely on their outputs to demonstrate their value. However, in many cases, this only really serves to demonstrate the size, scale or reach of an organisation, rather than the actual impact or added value the organisation might have achieved. This is a significant weakness in the sector overall.

Often these organisations only show their actual impact in the form of case studies or selected quotes from stakeholders, a source which cannot be measured, quantified or used to demonstrate value objectively.

#### **Diabetes UK**

Diabetes UK demonstrates its social value through quantifying a wide range of outputs – including the amount of funding given to research students; number of hits on the website; number of media articles; hours contributed by volunteers; and so on.

However, the subsequent outcomes and impact of these activities are only described qualitatively in the form of ‘impact stories’ from those using and affected by the organisation’s services. Stakeholder feedback, for example from children going on supported holidays, is also used to gain an idea of the impact and quality of the services, but again this is qualitative data rather than used to generate quantitative data.

Some of the organisation’s goals for the following year are quantified, including the level of volunteering and staff training to be achieved, but again these are focused on organisational outputs rather than the impact or outcome on those people with diabetes, for example. Their reporting also does not include an estimation of their wider environmental or social impacts.

### Salvation Army

The Salvation Army demonstrates its social value by quantifying its activities in terms of outputs (eg attendees to training and events, drop-in centre visitors, website hits), as well as some outcomes – for example, it reports on its Employment Plus UK programme and accounts for how many of those participating went on to further training or employment.

The organisation states: ‘For us “success” comes in a myriad of different forms and is often not simple to quantify.’ Nevertheless, there are several instances where the successful outcomes of its activities could have been demonstrated, for example, it states: ‘Salvation Army churches run drop-in centres providing practical support and advice for homeless or vulnerable people in their communities.’ The results of these drop-in sessions might have been recorded to demonstrate successful outcomes (eg through feedback questionnaires and follow-up to see how many had subsequently used the advice and support vulnerable people received to move into accommodation, seek medical help, and so on).

### YWCA

YWCA, a charity working with disadvantaged young women, quantifies some of its outputs in terms of services (eg hours of training delivered in the employment programme) and some outcomes (eg number of trainees gaining qualifications). However, the longer term outcomes sought (eg the number of qualified trainees going on to find employment) have not been monitored, and the organisation’s reporting of social value relies mainly on case studies and qualitative descriptions of the impact they have had. Their wider environmental and social impacts are also not considered.

## 5 The ‘long way to gos’

### Princess Royal Trust for Carers

The Princess Royal Trust for Carers demonstrates its social value by quantifying its service outputs, like the vast majority of organisations reviewed here, including the number of carers given respite holidays, the amount of funding raised, number of website hits, and so on.

However, the organisation does not set any targets to monitor progress or achievements year on year, and although it uses case studies to highlight the impact of its activities on some specific individuals, it does not systematically review its impact on carers either qualitatively or quantitatively, or consider, for example, how the support services it offers might improve carers’ quality of life. The organisation’s wider environmental and social impacts are also not considered.

The organisation uses the PQASSO<sup>35</sup> system to improve the quality of its services, but this does not include the monitoring, measurement or reporting of these services’ impacts and achievements.

### The Southbank Centre

The Southbank Centre clearly considers its wider social impact as a music and cultural venue, in that it considers its accessibility for disabled and sensory impaired audiences. It also describes a number of projects to target hard to reach and vulnerable groups, young people and the local community and schools to improve access to arts and music and performance spaces.

It is surprising, then, that the Centre has not attempted to express the value of such activities better. Some projects are described thus:

*The Street Genius strand has been a notable success with 54 local young people placed in 20 cultural organisations as curators and producers of their own work and is being replicated in other cultural quarters in London.*

However, the scale of the project actually has little to do with its success, which would be better expressed by measuring

its impact or wider value to those participating. Several other successes are asserted, but not proven *either* qualitatively *or* quantitatively – with no case studies, stakeholder feedback, pen portraits or any other descriptive methods used to describe how these activities have succeeded. Statements like this are not substantiated or demonstrated in any way:

*Southbank Centre is committed to playing an active part in its community and ensuring mutual support that is of benefit to local people. These partnerships have successfully engaged a range of young people with Southbank Centre's music programme.*

Although visitor numbers are monitored, no quantifiable targets are set to improve these figures or to assess the Centre's level of accessibility to hard to reach groups. There is also no consideration of the Centre's wider environmental impact.

### **Social Enterprise London**

Social Enterprise London (SEL) is a social enterprise that promotes and supports social enterprises based in London.

SEL demonstrates its value mainly through descriptions, case studies and quotes from clients and stakeholders, which illustrate how the services it provides are valued by those who receive them. Nevertheless, there are very few outputs measured – SEL's annual report states, 'SEL runs a packed programme of training events throughout the year', but does not say how many were delivered, or how many people were reached. The only quantified measure of the scale of its activity is the number of hits on the website. SEL is currently developing a tool to evaluate systematically the outcomes and impact of the social enterprises in the SEL network that assist homeless people into employment, but has not applied these principles to its own work yet.



## 6 The ‘at the beginnings’

### RIBA Trust

The Royal Institute of British Architects (RIBA) is the UK body for architecture and the architectural profession. The RIBA Trust manages RIBA’s cultural assets and activities and organises exhibitions, educational events, awards and talks. Its annual review provides very limited detail on its performance apart from its financial statements – it details visitor numbers to its exhibitions, but nothing else – it provides no description or evidence of the scale, impact or value of its activities, or its environmental or social impact. It states that it has a ‘Sustainable Futures Group’ to look at how buildings are meeting government targets to reduce carbon emissions, but there are no details regarding this group’s activities or the impact they have had.

### SELDOC

The South East London Doctor’s Cooperative (SELDOC) is a cooperative of local GPs who provide out of hours and on-call GP services free of charge. The organisation states it has:

*... accumulated little in the way of assets and in keeping with the ethics of being not for profit, any surplus is put back within the co-operative to support new co-operative businesses... the co-operative approach to ‘on call’ services enables better care for patients and includes communication with your own GP when surgery re-opens. It also means that NHS resources for local people can be used more effectively.*

However, these claims have not been substantiated with any evidence that might demonstrate the added value of a cooperative approach to health care delivery. These might have included a range of basic output and outcome measures including numbers of patients seen out of hours, range of clinical conditions treated, clinical outcomes, patient satisfaction surveys, and so on.

### **Comic Relief, Women's Aid, The Art Fund and Keep Britain Tidy**

None of these four organisations provides any information regarding its impact in an annual report or review. Instead, some relevant information can be found in different parts of their websites, but they provide very limited information indeed on their social value and do not communicate this in an effective or systematic way.

Comic Relief's website describes the charity's activities, but does not provide any quantifiable data on the scale of its work or reach. It is surprising, given that it provides grants for a range of social and environmental projects, that it does not demonstrate any impact of these grants. It is very possible that Comic Relief does, in fact, carry out such analyses in order to identify how best to target its resources, but it has not made them publicly available.

Women's Aid, a domestic violence charity, has a website that mentions how many hits there have been on the site, and how many women the charity has helped. However, there is no further information on the impact of its activities, no measurement of targets or performance, and no identification of key achievements.

The Art Fund, a charity dedicated to saving works of art, numbers how many pieces of art it has saved and prevented from being exported, and lists the types of campaigning it carries out. However, it provides no additional information on the social value of doing this, or other community or environmental aspects of its work.

Keep Britain Tidy similarly provides no information about the impact or value of its campaigning. It mentions the amount of rubbish collected in one particular project, but provides no further information on the value of its activities on local communities or the environment.

### **Catch 22 Academy**

The Catch 22 Academy is a youth media social enterprise that provides training and acts as an agency to promote young journalists. Although it has testimonials and blogs on its website, it does not provide any social accounts or impact statements to

describe the value of its activities (eg helping people into employment, enabling young people to obtain qualifications as a result of training), and provides no quantifiable measures of the reach of its services or their outcomes. The Academy also makes no assessment of its wider social and environmental impact.

### **Pack-It Group**

The Pack-It Group is a social enterprise specialising in storage and distribution. It has a 'triple bottom line' approach to its operations, with a clear diversity policy to recruitment and proactive staff support, and policies of recycling a variety of consumables, reducing paper use, and actively supporting community groups by providing work experience and sponsorship.

Pack-It has won numerous awards for these activities, including the European Social Firm of the Year in 2005. However, although it informs the public of its policies via its website, it does not make publicly available an impact report or annual report which describes them quantitatively (eg how many tons were recycled?, how many work placements were facilitated last year?) and does not describe the impact, outcomes or value of these activities (eg by describing staff questionnaires to establish morale and perceptions of the company, or case studies of young people given work experience; or by measuring quantitative outcomes such as carbon footprint reduction thanks to recycling). Therefore, although the company's activities may have considerable social value, their measurement, monitoring and communication remain significantly under-developed.

### **Second Byte**

Second Byte, a not for profit social enterprise specialising in the collection of redundant electrical waste, has like the majority of social enterprises reviewed here a clear set of environmental and social objectives and policies to support its objectives. Second Byte aims to maximise recycling and provide affordable IT equipment to charities and community groups. It also considers

its wider social impact by providing work experience and training for disadvantaged groups in the local community, and donating equipment to good causes.

Nevertheless, like Pack-It, Second Byte has not described the scale and impact of these activities in terms of outputs (eg how many tons has it recycled?) or the value of this work through subsequent beneficial outcomes (eg carbon footprint reduction as a result of recycling, or qualifications or employment gained as a result of training delivered) qualitatively or quantitatively. Like Pack-It, although Second Byte's activities may well have considerable social value, this has not been substantiated and communicated by the company.

# Notes

- 1 'Social value', speech to the CPRE, May 2008.
- 2 See [www.centreforsocialjustice.org.uk/default.asp?pageRef=436](http://www.centreforsocialjustice.org.uk/default.asp?pageRef=436).
- 3 See [www.stiglitz-sen-fitoussi.fr/en/index.htm](http://www.stiglitz-sen-fitoussi.fr/en/index.htm).
- 4 Experts consulted for this paper were Claire Michelet, OTS; Tris Lumley, NPC; Jean Ellis, CES; Eilis Lawlor, Nef; Liz Atkins, NCVO; and Ralph Mitchell, ACEVO.
- 5 See [www.sroi-uk.org/content/view/31/66/](http://www.sroi-uk.org/content/view/31/66/).
- 6 See <http://sroi.london.edu/Measuring-Social-Impact.pdf>.
- 7 See [www.proveandimprove.org](http://www.proveandimprove.org).
- 8 See [www.angier-griffin.com/downloads/2009/feb/measuring-social-value-an-overview.pdf](http://www.angier-griffin.com/downloads/2009/feb/measuring-social-value-an-overview.pdf).
- 9 See [http://thirdsectormagazine.com.au/news/how\\_to\\_measure\\_social\\_impact/008061/](http://thirdsectormagazine.com.au/news/how_to_measure_social_impact/008061/).
- 10 See [www.sroi-uk.org/component/option,com\\_docman/task,doc\\_view/gid,75/Itemid,38/](http://www.sroi-uk.org/component/option,com_docman/task,doc_view/gid,75/Itemid,38/).
- 11 See [www.socialauditnetwork.org.uk/index.php?option=com\\_content&view=article&id=47&Itemid=27](http://www.socialauditnetwork.org.uk/index.php?option=com_content&view=article&id=47&Itemid=27).
- 12 See [www.cabinetoffice.gov.uk/third\\_sector/research\\_and\\_statistics/measuring\\_social\\_value/green\\_book.aspx](http://www.cabinetoffice.gov.uk/third_sector/research_and_statistics/measuring_social_value/green_book.aspx).

- 13 Scholten et al, *Social Return on Investment: A guide to SROI analysis*.
- 14 Social Investment Scotland, *Investing in Impact: Developing social return on Investment Equal and social economy*.
- 15 Nef, *Investing for Social Value: Measuring social return on investment for the Adventure Capital Fund*.
- 16 See [www.shu.ac.uk/research/cresr/future-builders.html](http://www.shu.ac.uk/research/cresr/future-builders.html).
- 17 See [www.sellingaddedvalue.co.uk/what-is-selling-added-value/social-return-on-investment-SROI/](http://www.sellingaddedvalue.co.uk/what-is-selling-added-value/social-return-on-investment-SROI/).
- 18 See [www.centreforsocialjustice.org.uk/default.asp?pageRef=436](http://www.centreforsocialjustice.org.uk/default.asp?pageRef=436).
- 19 Nicholls, *Why Measuring and Communicating Social Value Can Help Social Enterprise Become More Competitive*.
- 20 Ibid.
- 21 Nef, *Investing for Social Value*.
- 22 Social Investment Scotland, *Investing in Impact*.
- 23 See [www.gatesfoundation.org/learning/Documents/WWL-report-measuring-estimating-social-value-creation.pdf](http://www.gatesfoundation.org/learning/Documents/WWL-report-measuring-estimating-social-value-creation.pdf).
- 24 Ibid.
- 25 Nicholls, *Why Measuring and Communicating Social Value Can Help Social Enterprise Become More Competitive*. The report recognised this was a contentious idea, stating: ‘The advantage is that it would increase the number of organisations reporting on value, resulting in levels of information that can move markets. However, there is already considerable legislation around many social and environmental issues.’

- 26 See [www.cabinetoffice.gov.uk/third\\_sector/research\\_and\\_statistics/measuring\\_social\\_value.aspx](http://www.cabinetoffice.gov.uk/third_sector/research_and_statistics/measuring_social_value.aspx).
- 27 See [www.scotland.gov.uk/Topics/People/15300/SROI](http://www.scotland.gov.uk/Topics/People/15300/SROI).
- 28 See [www.defra.gov.uk/rural/documents/countryside/prow/prow-final-report.pdf](http://www.defra.gov.uk/rural/documents/countryside/prow/prow-final-report.pdf).
- 29 See [www.globalreporting.org/Home](http://www.globalreporting.org/Home).
- 30 It is important to bear in mind that the communication of social value was also taken into account. It is very possible that some organisations listed here as not carrying out effective social value measurement actually undertake extremely sophisticated evaluations, but simply do not make them public or incorporate them in their annual reports or impact reports.
- 31 BTCV, Inspiring People, Improving Places.
- 32 [www.socialauditnetwork.org.uk/](http://www.socialauditnetwork.org.uk/).
- 33 See [www.rnid.org.uk/about/impact/](http://www.rnid.org.uk/about/impact/).
- 34 See [www.actionforchildren.org.uk/content.aspx?CategoryID=561&ArticleID=616](http://www.actionforchildren.org.uk/content.aspx?CategoryID=561&ArticleID=616).
- 35 See [www.ces-vol.org.uk/index.cfm?pg=42](http://www.ces-vol.org.uk/index.cfm?pg=42).





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Ensuring value for money in public service delivery is now a more pressing policy concern than ever before. Measures of social value, which take into account wider 'value added' impacts and softer outcomes, are increasingly replacing narrow financial returns as funders and commissioners seek ever more 'bang for their buck'. This is particularly the case for the third sector, where often unquantified social returns can be far greater than in the commercial world, and whose role in delivering public services has grown apace in the last few years, and sets to continue.

This report provides a snapshot of the third sector's ability to measure and communicate the social value of the services it provides. It also investigates the range of frameworks available for measuring social value and assesses progress made towards using these frameworks, particularly the Social Return on Investment (SROI) model currently being promoted by Government.

Based on a review of 30 charities and social enterprises of different sizes and working in different sectors, *Measuring Social Value* reveals a gap between the aspirations of policy makers for quantifiable measures of social value, and the ability of third sector organisations to measure and capture basic social outcomes. It argues that the sector as a whole must achieve a basic and universal standard of outcome measurement before attempting to implement more complex and rigorous models such as SROI; and that such a universal standard would be both more viable and equitable for charities and useful to funders.

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