

Social Accounting for social enterprises

“Forty-two!” yelled Loonquawl, !Is that all you’ve got to show for seven and a half million years’ work?”

“I checked it very thoroughly,” said the computer, “and that quite definitely is the answer. I think the problem, to be quite honest with you, is that you’ve never actually known what the question is.” [1]

The social economy sector was early in the field of developing practical and workable methodology for social accounting and social audit. In Scotland, Strathclyde Community Business (SCB) recognised the need to understand, account for and report on the social benefits of the community businesses which were being established in the 1980s. SCB’s thinking and experimentation led to what became known as ‘the Scottish model’ which, blended with the experience of the New Economics Foundation working with Traidcraft has evolved into the Five Stage Social Accounting process described in *Social Audit and Accounting: Manual, Workbook and CDrom*, published in 2001 by CBS Network with Merseyside Social Enterprise Network).

In recent years the practice of social accounting and audit has begun to expand significantly throughout the social economy sector.

- The Scottish model was tested in the early 1990s with community enterprises in Lothian Region in Scotland and also with worker co-operatives in Nottinghamshire.
- The Beechwood model, originally devised by ICOM and developed into the Social Audit Toolkit, has been used by a numbers of social enterprises in the English Midlands, Bristol, Yorkshire, South Wales and elsewhere.
- In Northern Ireland the Social Economy Agency (SEA) promoted a training course in social accounting and auditing in 1996 which was accredited by the Open College Network. The model used draws both on the Scottish/NEF and the Beechwood models and the training programme continues to be delivered regularly.
- In the city of Liverpool a social audit initiative, sponsored by the City Council has been running since 1996. The model was developed into an accredited Open College Network course in 1999 for which the Social Audit Manual was written. The course is now being delivered by a local facilitation team through the Merseyside SEN and more than 50 local organisations have engaged with social accounting, one now into its sixth consecutive cycle. A new generation of the programme is now being extended to the whole of Merseyside and Halton, funded by the North West Regional Development Agency.

- In Scotland, Community Business Scotland Network (CBSN) has worked with clusters of organisations in Moray & Aberdeenshire, in Edinburgh, Glasgow and in Fife. The cluster approach gives the opportunity for peer support and mutual learning as well as being a more cost-effective way in which to deliver training and support. A continuing series of training workshops is organised around the country and the Moray & Aberdeenshire cluster, co-ordinated by REAP (see page xx), is now starting its third programme.
- In September 2000 at a symposium held in Edinburgh for social accounting and audit practitioners in the social economy it was agreed to establish a UK Social Audit Network (SAN). The Network sees its role to represent practitioners in the social economy, to develop agreed methods for the approval of competent social auditors and of training providers and to develop agreed common standards for the content of social accounts and for the verification process. Its register of SAN approved social auditors can be seen at www.cbs-network.org.uk click on Social Audit Network.
- Other clusters, notably in Devon and Cumbria and most recently in the North-east of England and Somerset, are being introduced to social accounting, while other community-based organisations such as, for example, the Black Country Housing and Community Services Group; Total Coverage (a workers co-operative in Southampton); the Shetland Community Enterprise Network, have developed their own styles of social accounting and audit.
- The GB Social Enterprise Partnership has included a component on measuring quality and impact and is examining current practice in the social economy, testing various models and developing new tools to be used within the social accounting process.
- In Europe, social accounting and audit has featured in a growing number of EU funded transnational programmes using both the Scottish/NEF and the Beechwood/SEP models, with increasing evidence of cross-over or 'convergence' between the two. CBSN has experimented with using the social accounting model to assess and report on the use and creation of social capital across eight social enterprises in five European nations. This opens up the possibility of using social accounting only to measure the performance of a social enterprise against its own objectives and values but also against those which may be set down by society more widely
- Further afield, COMMACT Aotearoa has run a social audit programme for social economy organisations in New Zealand since 1997 adapting the Scottish/NEF model to local needs. It has also established an organisation, Social Audit New Zealand, to promote the practice throughout the social economy and the corporate sectors. Government Departments in New Zealand have also shown a strong interest and

the Department of Foreign Affairs has invited Voluntary Service Abroad (VSA – equivalent to VSO in the UK) to report this year using the social accounting process. Two labour Members of Parliament have committed to adopting social accounting to report on the work of their constituency offices and one City Council is well advanced in exploring how a local authority might implement social accounting in its work.

- In India John Pearce of CBS Network has been working with Creative Handicrafts, a social enterprise based in one of the slums of Mumbai, to prepare their first set of social accounts which are expected to be ready for auditing by the summer. COMMACT India has also sponsored a series of social audit workshops throughout the regions of India and is hoping to establish a pilot programme for NGOs in 2004.
- In Queensland, Australia the Maleny Credit Union has prepared social accounts for the past three years – the first Australian community organisation to do so – and the Queensland Social and Environmental Accounting Network is now actively promoting the practice amongst both community and corporate organisations. A national body, Jobs Australia, has also started promoting the practice of social accounting amongst its members and it is hoped that the first sets of social accounts will be ready for audit later this year.

Developments in social accounting and audit are fast-moving within the social enterprise sector. No one can yet claim: 'This is how it should be done'. The experience becomes richer and more diverse all the time and the challenge for those involved is to ensure that lessons learned are lessons shared and to develop common standards that are relevant and appropriate.

The real surprise is that the interest in social accounting has so lately emerged. Social enterprises have been slow late to understand the importance of effectively measuring impact so that they can report on performance, account to stakeholders and make the case for continued investment in their work. Even more surprising has been the failure of the financiers of social enterprises to require real evidence of social impact and benefit. So often their concern is "are they succeeding as businesses?" without seeking information about how well the intended "social added-value" has been achieved. Changes are clearly underway and for social enterprises a further challenge is to take the lead in developing ways of reporting which are appropriate to social enterprises and which reflect their values.

Further information can be obtained by contacting the Social Audit Network at info@cbs-network.org.uk or j.pearce@cali.co.uk