

Social Accounting and Audit Pilot Initiative: A partnership between Co-operative Development Scotland (CDS) and the Social Audit Network (SAN) Summary Paper

Co-operative Development Scotland (CDS) and the **Social Audit Network (SAN)** worked in partnership to implement a pilot initiative which introduced social accounting and audit to six co-operative enterprises in Scotland.

Co-operative Development Scotland (CDS) promotes the development of successful co-operative enterprises across Scotland. They work closely with key partners and aim to demonstrate the personal, social and economic advantages of co-operatives. It also directly supports the growing co-operative sector by raising the profile of co-operatives, helping the development of new co-operatives and carrying out research.

The **Social Audit Network (SAN)** is a company operating throughout the UK. It promotes and supports social accounting as the preferred means whereby enterprises report on their social, environmental and economic performance and impact. In Scotland, SAN operates through one of its founder members, CBS Network.

The participating co-operative enterprises ranged in size, sectoral activity and location. They were: **West Whitlawburn Housing Co-operative**, **Highland Home Carers**, **Loch Fyne Oysters**, **Highland Wholefoods**, **Scotwest Credit Union** and the **WISE Group**.

The pilot initiative involved a series of tailored **workshops** and regular **visits** to the organisations with specified deadlines for the completion of practical work carried out by the co-operatives. The pilot initiative lasted 18 months and started, after preparatory visits to all participating organisations, with an initial workshop in September 2007 and finished with a final event in March 2009.

Social Accounting and Audit allows a co-operative or social enterprise to build on its existing monitoring, documentation and reporting systems to develop a process whereby it can account fully for its social, environmental and economic impacts, report on its performance and draw up an action plan to improve on that performance. Through the social accounting and audit process an organisation can understand its impact on the surrounding community and on its beneficiaries and build accountability by engaging with its key stakeholders. In this way it can prove its value and improve its performance. Basically, social accounting involves clarifying what a co-operative or social enterprise does, what it is trying to achieve and who it is working with. Then, on the basis of this, it collects quantitative and qualitative information and data which relates to its overall objectives and underlying values. This usually lasts one year and runs concurrent with the financial year. At the end of the social accounting year the organisation brings all the information together in the form of social accounts that are independently audited and after revisions the social accounts form a Social Report.

All six of the participating co-operatives have followed the social accounting process and written social accounts. Four of the six co-operatives have been fully audited. A final evaluation **report** reflecting on the pilot initiative has been written reflecting consultations with the co-operatives and interviews with four key people working in the co-operative sector in Scotland. *A copy of this full report can be obtained on request from CDS and includes the main findings and a recommendation.*

The overall benefits of social accounting for the co-operative sector were reported being:

- *“massive potential benefits...for organisations that seek to deliver mainstream services in a competitive environment whilst delivering social value” as social accounting allows a “clear demonstration of the value added”.*
- *all organisations should keep social accounts “as it has value in seeing what is being achieved and accounting for what they do”.*
- *the sector “could definitely benefit in getting involved with this – they need to start telling a wider audience about the good work that they are doing over and above reporting on those measures that the regulators demand of them”.*

- a general feeling amongst the participants that social accounting and audit is of benefit and should be practised more widely as it distinguishes co-operatives from traditional companies and makes “one think about the values and principles”.

More specifically....

Benefits to the co-operatives	Dis-benefits to the co-operatives
<ul style="list-style-type: none"> • Valuable tool for communicating benefits of co-operatives and promotion • Brings rigour to performance and impact measurement • A way of differentiating the co-operative from competitors • Provides more concrete evidence of what is being achieved • Helps to improve management systems and reporting mechanisms and identified issues that needed addressed • Identifies “gaps” in data being collected and what is really relevant • Provides a framework for checking on and reviewing performance and impact and also “brings information together” • Improves communication with the workforce • Reduces time taken in preparing annual reports • Results in a better understanding of the co-operative as a whole 	<ul style="list-style-type: none"> • SAA is time and resource intensive – this was by far the most mentioned dis-benefit (but also mentioned was that much of the monitoring and reporting is required anyway and the first time round will take longer) • SAA can open up the co-operative to external scrutiny of details not usually made public • Causes difficulties in accessing information within the co-operative • Arguably have set “too high a standard for future social accounts”
Personal staff benefits	Problems carrying out social accounting
<ul style="list-style-type: none"> • “Excellent opportunity for staff development” and can provide a value staff perspective on the co-operative • Improves personal identity with the company and an increased sense of “belonging” to the co-operative • Better understanding of social; accounting and the area of performance and impact measurement • Learning a range of different skills • Became better at “listening” to stakeholders • Better communications between staff and management and the management of communications 	<ul style="list-style-type: none"> • Internal communication within the co-operative due to a lack of overall understanding of social accounting and audit • Getting information and data from other departments within the co-operative • Time pressures to complete the social accounts • Disagreements around some of the processes and how to achieve them – in particular around the scope

For some of the co-operatives there were a number of reported subsidiary or spin-off benefits from being part of this pilot initiative not necessarily directly related to social accounting. They are that the pilot programme...

- ...brought together quite different co-operatives, working in quite different sectors and structured in quite different ways in a shared experience which many found interesting and enjoyable;
- ...introduced different co-operatives to each other enabling them collaborate on possible future projects and sharing information not directly related to the pilot initiative; and
- ...encouraged the co-operatives to locate information that they already had but had not used before and include it in their social accounts.

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Case study: Highland Home Carers

Highland Home Carers is to produce annual 'social accounts' after the success of a project funded by Co-operative Development Scotland.

The Inverness-based homecare provider, which is owned by its 160 employees, is already working on its third annual social audit.

The process involves interviewing service users and their families, employees and funders to help measure the company's wider social, economic and environmental performance.

CDS introduced a number of co-operative businesses to social accounting in 2008 as part of an initiative with the Social Audit Network, which helps companies throughout the UK prepare social accounts and have them independently audited.

"The first benefit was that it has enabled us to have a much better independent perspective of our service and how we might improve things," explains Stephen Pennington, Managing Director of Highland Home Carers.

"In the first year, there was a fair amount of feedback that our communication systems weren't as good as they might be. We made some changes in our structures to try and tackle that, and it appears as if we're now getting it right. We're subject to regulation by the Care Commission, and in their most recent report, they have graded us at 'Level 6 Excellent' on our quality assurance systems and processes, which involve service users, carers, staff and stakeholders to assess the quality of service we provide. This is what we do in our social accounting."

Topics covered in the company's social accounts include quality of service provision, performance against corporate objectives and mission statement, staff training, treatment at work, communication and views of employee ownership. Interviews, focus groups and questionnaires were used to gather responses. For example, 97% of service users said they were comfortable and confident with Highland Home Carers' staff, while 68% of employees believed the company met its objective of being a fair or good employer either well or very well.

The Social Audit Network recommends producing social accounts at least every two years, but Highland Home Carers is committed to producing them every year because the information produced is so valuable.

"It has definitely given us an edge with customers who purchase our services," Stephen Pennington says. "If that helps us get an excellent rating from the Care Commission, it is bound to influence people."

Sarah Deas, CDS Chief Executive, said: "There is clear evidence to suggest that social accounting can help co-operative and employee-owned businesses build long-term relationships with customers and stakeholders by demonstrating their wider impact on society. We are delighted that this has been the experience of Highland Home Carers and we will continue to promote this approach where appropriate."

Case study: Loch Fyne Oysters

Loch Fyne Oysters is using 'social accounting' to demonstrate its environmental and ethical credentials to customers.

"The fact that these are audited accounts rather than just a narrative gives them much more weight," explains Anne Stewart, HR Manager at Loch Fyne Oysters.

"It has helped us in securing some contracts. Customers increasingly want proof that their suppliers are operating the policies that they say they are. We are now able to produce a set of audited accounts that show, for example, that we only use sustainable species."

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Sarah Deas, CDS Chief Executive, said: "There is clear evidence to suggest that social accounting can help co-operative and employee-owned businesses build long-term relationships with customers and stakeholders by demonstrating their wider impact on society. We are delighted that this has been Loch Fyne Oysters' experience and we will continue to promote this approach where appropriate."

Loch Fyne Oysters used questionnaires, interviews, site visits and financial reports to survey customers, staff, suppliers and partners on topics including customer satisfaction, environmental sustainability, partnership working and product quality.

For example, between 78% and 85% of customers sampled rated Loch Fyne's quality of service as excellent or good. The accounts also outline the company's 'no compromise' approach to sustainable sourcing, explaining that it will not source fish caught by methods deemed to be harmful to the marine ecosystem, such as deep-sea trawlers.

The data produced is then audited by a panel of experts including a qualified social accounting auditor.

A spin-off benefit of the social accounting process was increased awareness amongst staff of the different elements of Loch Fyne Oysters and how they work together. The business includes a successful oyster bar and shop, a smokehouse, a mail order and trade sales service and Scotland's largest oyster farm and mussel farm.

"Not all staff were aware of some of the things going on in other parts of the company, so it certainly helped interaction," Anne says. "It gave us a good overview of the whole business, rather than just seeing it in parts."

Loch Fyne Oysters is now committed to producing social accounts every two years. The company is owned by its 150 staff and has an annual turnover of £15m.