

Measuring and reporting on social value

Draft discussion paper, July 2015

John Maddocks, CIPFA

Why social value?

There is a noticeable increase in interest in 'social value'; by organisations seeking to communicate the benefit they provide as well as by funders and commissioners wishing to identify and increase the value provided by services. At the same time, the number of commissioning frameworks and guidelines incorporating social value has grown as have the number of tools and methods for measuring and reporting on social value.

One reason for the recent growth in interest in social value is the Public Services (Social Value) Act 2012 (the Act). The Act requires certain public authorities at the pre-procurement phase of procuring services to consider:

- how what is being procured might improve the economic, social and environmental wellbeing of an area; and
- how the authority might secure that improvement in the procurement process itself.

The Act extends to England and Wales, although its application to Wales is limited as authorities which exercise functions that are wholly or mainly devolved in Wales are excluded.

The Act does not include a precise definition of 'social value'. The closest the Act gets to doing that is in setting out the duty for commissioners to consider '*... what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area*'.

The Act, and the flexibility it offers in regard to interpreting social value, has led to a variety of approaches to delivering, measuring and reporting on social value. Some organisations are linking social value with outcome and results based approaches to public service delivery and accountability. Outcomes approaches are increasingly being used in commissioning and procurement, and are also being deployed within organisations as part of their own performance management and evaluation systems.

Following on from this, being able to measure social value, impact and outcomes is increasingly desirable. Capturing a more rounded picture of the value of a particular service or programme, offers the possibility of improving decision making and a better allocation of limited resources.

But reporting on social value and social impact is not without its challenges. Issues identified include: variations in the scope and quality of data, difficulties in attributing outcomes and quantifying the resulting benefits, the relatively high cost of this type of reporting, a lack of balanced reporting and a lack of comparability.

Approaches to measuring social value

Social value measurement and reporting covers a range of approaches and methodologies. Some methodologies and tools focus on the individual service user and/or organisation and are designed for service user and internal organisational use. Others focus on providing information to external stakeholders. Some are focused on assessing the outcomes and/or impact of one or more specific services rather than assessing all services provided and the organisation's activities as a whole. Some concentrate on value added in terms of extra services or benefits provided in addition to the service contracted for. Some emphasise aspects of corporate social responsibility. The table below lists just a few of the many methodologies and tools available.

Fig 1: Measuring social value – some approaches

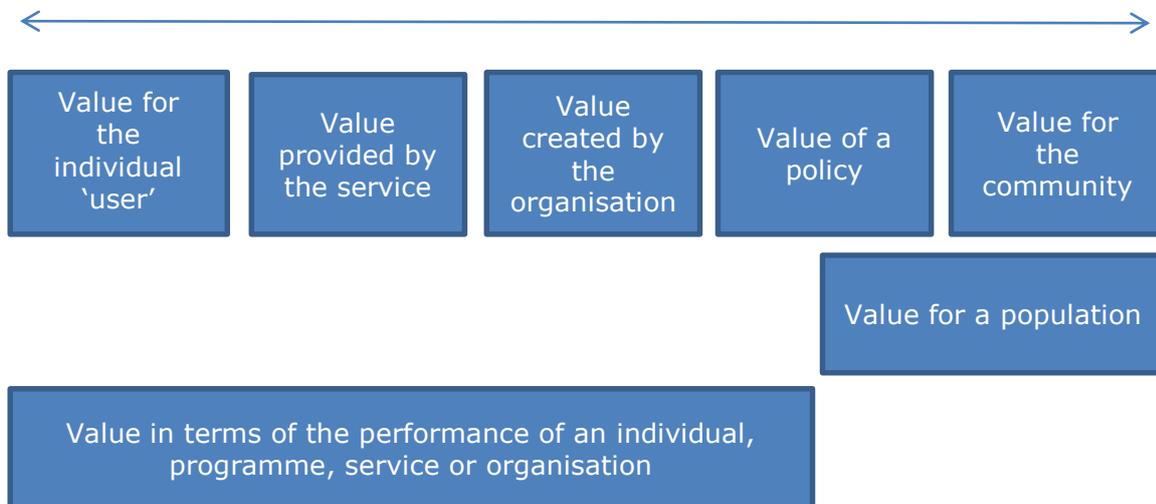
Measure	Description
Outcomes star	Outcomes designed in partnership with client and designed to meet their needs
Big society capital outcomes matrix	A set of pre-defined outcomes and measures for nine areas of activity and fifteen beneficiary groups
Adult social care outcomes toolkit	A set of measures designed to capture information about an individual's social care related quality of life
HACT social value bank and value calculator	A large bank of outcomes and the social value (in monetary terms) of them. It uses large data sets from national surveys to generate a value for a particular outcome.
New economy - Cost benefit analysis model	A Cost Benefit Analysis (CBA) model that can identify the fiscal, economic, and social value of project outcomes, and specify which public agency sees this benefit.
Social accounting	A flexible framework underpinned by key principles and focused on evidencing and reporting on the 'difference' an organisation makes. The organisation develops its own indicators and builds on existing documentation and reporting systems.
Social return on investment	Seeks to capture social, environmental and economic value and to quantify that value in monetary terms.
Value added statement	A measure of wealth created by an organisation and how it is distributed among its stakeholders. The value added is based on the financial information provided by the organisation.
ISO 26000 Social responsibility	Guidance on how businesses and organizations can operate in a socially responsible way.
Sustainability reporting	Sustainability reporting brings in additional content on an organisation's activity which are equally critical to the success and sustainability of the organisation, but which are typically missing from the financial information.
Integrated reporting	Integrated reporting seeks to bring together diverse but currently disconnected strands of reporting into a coherent integrated whole.
GECES report	A report setting out approaches to social impact measurement and which identifies five stages in the process along with key terms and adjustments needed when evaluating outcomes.

As the above examples indicate, there are a variety of ways in which to capture various aspects of 'social value'. Whether it is framed within impact reporting, cost benefit analysis or the broader concept of integrated thinking, each approach captures some elements of social value but does not capture all of them. Furthermore, as they are currently applied, they frequently do not provide a balanced picture, often failing to

report on the negative as well the positive outcomes and impacts of an organisation and/or its services.

At the risk of oversimplification these approaches can be seen as offering spectrum of measurement and reporting approaches (see fig 2 below).

Fig 2: A range of 'values' to measure and report on



The variety of approaches and differing activities and outcome goals do make it challenging to produce a standard set of measurements of social value that allow for comparability between organisations and services while still providing useful information.

GECES – Proposed approaches to social impact measurement

The GECES ("Groupe d'Experts de la Commission sur l'Entrepreneuriat Social") sub-group on Social Impact Measurement was set up by the European Commission in October 2012 to agree upon a European methodology which could be applied across the European social economy. The focus of the GECES sub groups work was on developing a methodology for measuring the social impact of social enterprises. While the resulting framework is designed with that sector in mind it does have the potential for wider application.

A report setting out approaches to social impact measurement was published in June 2014 (*Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI*). The report recognises that measurement tools will vary depending on the complexity of the activities and the organisation as well as the resources available. It also highlights the need for transparency regarding the basis for the claims made in a social impact report.

Five stages are identified in the process of social impact measurement:

- I. **Identify objectives of impact measurement** - for the various parties involved and the service being measured.
- II. **Identify stakeholders** - who benefits and who resources it?
- III. **Set relevant measurement** – clarify the planned intervention, and how it achieves the desired outcomes and impacts (the organisation's theory of change), and establish relevant measurement required to evidence the results.
- IV. **Measure, validate and value** - assessing outcomes and their recognition by and value to the stakeholder/s they are intended to benefit.
- V. **Report, learn and improve** – report the effectiveness of the service and the related measures, regularly and meaningfully to internal and external audiences.

The report also usefully identifies and defines five key terms:

- **Inputs:** what resources are used in delivery of the intervention
- **Activity:** what is being done with those resources by the social enterprise (the intervention)
- **Output:** how that activity touches the intended beneficiaries
- **Outcome:** the change arising in the lives of beneficiaries and others
- **Impact:** the extent to which that change arises from the intervention

Note that the above makes a clear distinction between outcome and impact. Not all would agree with this distinction. Some use the two terms (outcome and impact) interchangeably while others distinguish between the two but in different ways.

In addition to the five key terms above the GECES report identifies three adjustments to be taken account of when evaluating impact based outcomes. These are:

- **deadweight:** what changes would have happened anyway, regardless of the intervention
- **alternative attribution:** deducting the effect achieved by the contribution and activity of others
- **drop-off:** allowing for the decreasing effect of an intervention over time

An important conclusion made in the report is that ‘... one could not devise a rigid set of indicators in a top-down and “one-size-fits-all” fashion to measure social impact in all cases’ (*GECES report, 2014*). The reasons given include: the difficulty of comprehensively capturing the variety of social impacts, limitations of quantitative data which needs balancing with qualitative information, ensuring measurement processes are proportionate to size and scope of activities of an organisation, difficulty of ensuring both comparability between organisations and useful information for decision making, and the continuing development of impact measurement and service delivery.

Looking forward - Do we need a social value reporting framework?

While there are a number of guides and methodologies for measuring and reporting on certain aspects of social value there isn’t one universally accepted framework and set of standards. Whether we need a new framework is open to debate, although anecdotal evidence from CIPFA’s own discussions with stakeholders on this topic in recent years suggests that there is a desire for a more standardised approach to reporting on social value.

Indications are that a ‘one size fits all’ approach may not be appropriate. However, some characteristics are shared across different organisational types and lend themselves to a standardised approach while others require flexibility.

It is also important to recognise that different sizes of organisation have differing levels of resources available to devote to this. Reporting on social value should not become another barrier to participation in delivering services.

The benefits of a standard but flexible framework could include, for example: agreed definitions for social value, outcomes and impact, a common reporting language, and a common approach to the reporting boundary, materiality, measurement, evidence, validation, report formats, policies and disclosures. The challenges include ensuring the end result is a clear and concise form of reporting that is relevant, comparable, and which enables better decision making.