

# Making the Case

## Social Added Value Guide



The information in this guide is available on request on tape and in Braille, large print and community languages.  
For details contact Janette Campbell on 0131 479 5162 or email: [janette.campbell@communitiesscotland.gsi.gov.uk](mailto:janette.campbell@communitiesscotland.gsi.gov.uk)

# Making the Case

## Social Added Value Guide

<b>Ministerial foreword</b>	1
<b>Section 1 Introduction</b>	2
■ What is social added value?	2
■ Why measure your social added value?	2
■ Who is the guide for?	2
■ How to use the guide	3
■ Who commissioned the guide?	4
<b>Section 2 Setting the scene</b>	5
■ Introduction	5
■ Social investment	5
■ Public service delivery	8
■ Sustainable development	11
■ Social enterprise development	13
■ Continuous improvement	15
■ Summary	17
<b>Section 3 Choosing the correct tool</b>	18
■ Step 1 – Why?	19
■ Step 2 – Who?	20
■ Step 3 – What?	21
■ Step 4 – Can?	22
■ Step 5 – Which?	23
■ Summary	24
<b>Section 4 The tools</b>	25
■ Achieving Better Community Development (ABCD)	26
■ Global Reporting Initiative (GRI) Sustainability Reporting Guidelines	30
■ Key Social and Co-operative Performance Indicators (KSCPI)	33
■ Local Multiplier 3 (LM3)	35
■ Sustainability – Integrated Guidelines for Management (SIGMA)	37
■ Social Accounting and Audit	40
■ Social Return on Investment (SROI)	43
■ Summary	47
<b>Section 5 Using external consultants</b>	48
<b>Section 6 Support available</b>	49
■ Help, support and guidance available	49
<b>Section 7 Terminology</b>	56
■ Glossary	56
<b>Section 8 Acknowledgements and disclaimer</b>	62



# Ministerial foreword

*The Social Economy Review, published in 2003, recognised the advantages of developing and strengthening the social economy in Scotland. It also affirmed the Scottish Executive's commitment to developing the social economy sector as a service provider. Since then we have supported the sector in a number of ways, and we will continue to help ensure it reaches its potential. This document is designed to add to that process.*



Through our new regeneration policy statement 'People and Place: Regeneration Policy in Scotland' – published in March 2006 – we want to ensure that economic development, including development of the social economy, will deliver real benefits to deprived communities.

The social economy includes a wide range of social enterprises and voluntary organisations. It includes large social businesses with multi million pound turnovers operating nationally and small community-based organisations delivering much needed local initiatives. The sector covers a wide range of issues central to Scottish Executive priorities – training and employment, childcare, community care, recycling, transport and many others. The common denominator is that they deliver services that help people improve their lives and access new opportunities. Often these people are the most marginalised and disadvantaged in our society.

This guide, 'Making the Case', will help organisations working in the social economy to demonstrate the 'social added value' that is intrinsic to the services they deliver. Some of these benefits include involvement of service users in service planning and delivery and operating in niche markets between the public and private sectors. By enabling organisations to measure the positive benefits of their activities it will help to prove this value when they are seeking investment in their activities.

This guide complements the direct investment we have made available through the Futurebuilders Scotland funds, and is one of a series of documents that will help increase understanding of the role of the social economy, and the innovative and effective working methods it often adopts.

I hope you find it useful.

A handwritten signature in black ink that reads "Malcolm Chisholm". The signature is written in a cursive, flowing style.

**Malcolm Chisholm MSP**  
*Minister for Communities*  
June 2006

# 1 Introduction

## What is social added value?

Social added value describes the **benefits** a business or organisation provides in terms of its social or environmental impact.

Proving your social added value is becoming increasingly important for the social economy.

The social economy is made up of social enterprises and voluntary organisations that use a business-like approach to delivering goods or services.

***Within the guide the term ‘social added value’ is used. However, it should be noted that this term refers to both social and environmental added value.***

## Why measure social added value?

The business environment in which social enterprises and voluntary organisations operate is changing.

Anecdotal evidence of impact is no longer sufficient to convince investors, funders and commissioners that your organisation provides social added value. It is becoming the case that you will have to **prove** your social added value. This will mean measuring the impact that you have. In addition, regulatory changes related to areas such as Statement of Recommended Practice (SORP) or the Community Interest Company (CIC) are placing an increased emphasis on organisations operating for community benefit to report on the impact they make.

Although social added value is a relatively new term, various tools exist to measure impact or social added value. Some have been in existence longer than others and are more advanced while others are at the early stages of development, application and evaluation.

## Who is the guide for?

The guide has been developed to assist social enterprises and voluntary organisations within Scotland to **understand** and **identify** social added value tools that would best suit them in securing investment or proving their impact from delivering public services.

It provides an introduction to the various social added value tools that exist.

The guide can also be used as a reference document for investors, business advisors and intermediaries that provide support to organisations within the social economy.

Impact measurement within the social economy and by investors, funders and commissioners is at an early stage, but it is expected to be more important in the future. The guide should help your organisation to make sense of the range of tools available and assist you in deciding which tool is appropriate for your needs.

## How to use the guide

The guide has eight sections. It has not been designed to be read in one sitting but to allow you to dip in and out of the sections. It is there as a reference for you. The purpose of the guide is to:

- Help you choose the right tool to measure your social added value.
- Introduce you to the various tools.
- Signpost you to sources of advice and support available.

The tools outlined within the guide can be used to prove your impact to potential investors, funders or commissioners. The tools are also effective management tools that can be used for continuous development within your organisation. The guide outlines the advantages and disadvantages of each of the tools. The guide is **not** a step-by-step manual for the application of these tools but an introduction to what is available.

- **Section 2 Setting the scene**, summarises changes in the external environment.
- **Section 3 Choosing the correct tool**, outlines the steps that you should go through to help you choose the right tool to measure your social added value.
- **Section 4 The tools**, briefly introduces the main social added value tools that exist, summarising the advantages and disadvantages of each.
- **Section 5 Using consultants**, briefly outlines the advantages and disadvantages of using consultants to help you measure your social added value.
- **Section 6 Support available**, signposts you to sources of advice and support.
- **Section 7 Making sense of the terminology**, provides a ‘jargon buster’ to the range of terms that you come across in the guide.

Along with *Tendering for public sector contracts: a practical guide for social economy organisations in Scotland* and *Buying from Scotland’s growing social economy* this guide will lead to increased understanding of the role of social enterprises and voluntary organisations in service delivery and highlight innovative working methods.

Throughout the guide you will come across different symbols. These are as follows:



**Signpost** – used to signpost to advice and support



**Tips for success** – used to indicate good practice or key points

Case studies are included to illustrate good practice, identify pitfalls and encourage you to take the first steps in measuring your social added value.

## Who commissioned the guide?

Communities Scotland's Social Economy Unit has commissioned the guide. Communities Scotland is the Scottish Executive's housing and regeneration agency. The EQUAL *Strengthening the Social Economy* Mainstreaming Partnership and the EQUAL *Social Economy Scotland* Development Partnership have provided match funding. The guide has been commissioned to encourage social enterprises and voluntary organisations to demonstrate the social added value they produce.

# Setting the scene

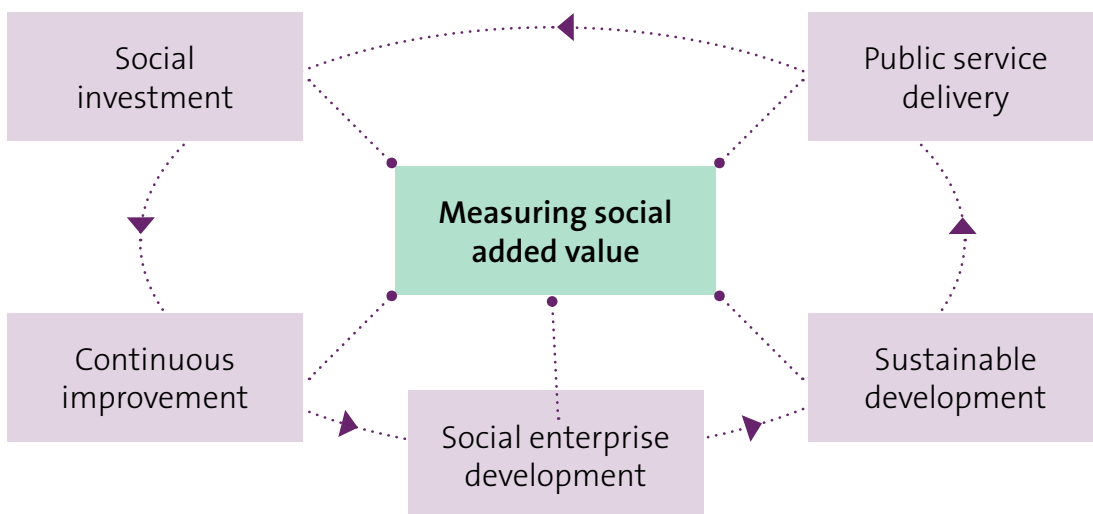


## Introduction

The environment in which social enterprises and voluntary organisations operate is slowly changing. There is a shift in the relationship between the public sector and the social economy from a grant aid culture towards a contract culture. Investors and funders are beginning to fund outcomes rather than just outputs. Good practice is slowly emerging as part of this culture change. One effect of this change is increased pressure on social enterprises and voluntary organisations to prove the added value they produce if they wish to secure contracts or acquire investment.

This section looks at the forces driving change in the business environment. It 'makes the case' that there is an increased focus on the social added value that social enterprises and voluntary organisations produce. This, in turn, leads to a necessity to measure and prove those impacts.

### *Forces driving change*



## Social investment

The funding environment for the social economy is changing. Competition for investment or grant funding is increasing. A larger number of social enterprises and voluntary organisations are chasing resources. Funders are moving towards investing in outcomes rather than outputs. As a result, investors and funders have become more sophisticated in their decision-making and they are beginning to look to organisations to prove the social and environmental impact of any investment. Key changes are:

- **Full cost recovery** – Moving towards ‘full cost recovery’ as the basis for funding service delivery.
- **Grant funders** – Grant funders are looking at how they should invest in the sector. This may mean a shift towards investment into effective organisations.
- **Loan finance** – There is growing interest in loan finance as a way of building sustainable social enterprises and voluntary organisations that operate in a business-like way.
- **New approaches to investment** – There is growing interest in developing new forms of finance like patient capital and debt or equity investment that allow the social economy time and space to develop and grow. Both social return and financial return may be sought from this type of investment.

✔ ***Measuring your social return on investment will become increasingly relevant for your social enterprise or voluntary organisation as it seeks to attract finance.***

*“We firmly believe that funding providers will see themselves increasingly as investors rather than philanthropists. This, in turn, will add impetus to efforts to develop mechanisms for measuring social return on investment that can be applied consistently and which are ‘low-impact’ on the organisation whose outcomes are being measured.”* Scott Anderson, Chief Executive, Social Investment Scotland

## CASE STUDY

The **Rural Environment Action Project** (REAP), based in Keith, works to raise awareness of sustainable development. It has a range of funders and naturally, all of these funders expect REAP to account for how their money is spent.

Initially, this was done through the traditional external evaluation model. The process was not particularly empowering, either in terms of the process or the outcomes and this led to us considering other ways of measuring our social, environmental and economic impact.

We approached CBS Network about developing a social accounting 'cluster' where we would recruit local groups interested in social accounting and CBS would provide training and mentoring support.

Our experience was that there were advantages and disadvantages to using the tool. A main advantage is that social accounting is an internally generated process but one which is given validity through an external auditing process.

The process facilitates organisational cultural change, it is democratic in that all stakeholders are included in the process, it acts as a catalyst for organisational improvement, it examines 'how' as much as 'what' was achieved and can be used for benchmarking against similar organisations.

The main disadvantage is that it can be fairly intensive in terms of time and resources and this needs to be properly factored in before the process begins. We believe that social accounting is best done over a two-year cycle rather than annually.

We found that social accounting can help to make the case that grant funding for projects or initiatives that meet social needs is an investment and not a subsidy. The breadth of evidence that can be generated through social accounting can help to dispel the myth of the 'subsidised sector'.

**Kevin McDermott**, *Manager, REAP*

## Public service delivery


Resources available to the public sector are significant but there is pressure on the public sector to bring about long-term cost savings to the public purse. Efficient government is a central component of the Scottish Executive's reform agenda and has an aim to attack waste, bureaucracy and duplication in Scotland's public sector. It is about making sure resources are appropriately targeted to deliver effective and efficient front line services within public sector procurement legislation.

Social enterprises and voluntary organisations are extremely well-placed to deliver good public services as they are able to provide quality services to often marginalised groups and can be more innovative in terms of service delivery due to a closer relationship with their communities.

This is leading to changes in the relationship between the public sector and the social economy. The result of this is a greater willingness on the part of the public sector to engage social enterprises and voluntary organisations as partners in delivering public services.

The key factors driving this change are:

- **Closing the opportunity gap** – The Scottish Executive is committed to 'closing the opportunity gap' for those people who are disadvantaged or excluded. It is recognised that social enterprises and voluntary organisations have a key role to play in supporting this objective.
- **Impact measurement** – Best Value is leading public sector commissioners to consider the longer-term impact they wish to achieve through the goods or services they obtain.
- **Partnership purchasing** – Within the public sector there is increasing recognition that single agency approaches cannot solve inter-related and complex social problems. Partnership working across mainstream agencies is required. This is leading to moves towards 'partnership purchasing' or 'joint commissioning' to develop service delivery packages.

 **'Tendering for Public Sector Contracts' is a practical guide for social enterprises and voluntary organisations seeking to access contract opportunities. It can be ordered or is downloadable as a PDF document from [www.socialeconomyscotland.info](http://www.socialeconomyscotland.info)**

*We must demonstrate the impact of Scottish social enterprises as efficient, commercially viable enterprises, delivering services to some of the country's largest companies and smallest communities, reinvesting the income to provide meaningful jobs for people who may never before have been given the chance to earn a wage or who are rebuilding their lives. Ian Welsh, Chief Executive, Momentum Scotland*

### Public sector procurement

Procurement legislation applies to all public bodies including the Scottish Executive, local authorities, the National Health Service, universities, police and fire services and housing associations.

All public procurement activity must be conducted in accordance with fundamental EU Treaty principles which include non-discrimination on grounds of nationality (or location), equal treatment, transparency and proportionality.

Public sector contracts are awarded either on the basis of lowest price or Most Economically Advantageous Tender (MEAT) which will include various criteria relating to the contract: for example, quality, technical merit, aesthetic and functional characteristics and environmental characteristics.

In the context of procurement processes and decisions, social added value and/or local economic multipliers are not generally permissible considerations.

In certain circumstances, however, social requirements (e.g. employment and training of the long term unemployed) may be written into the contract specification and/or contract conditions.

Information on this approach and on other issues relating to social considerations in procurement is available in a guidance note regarding social issues in procurement published by the Office of Government Commerce (OGC): [http://www.ogc.gov.uk/embedded\\_object.asp?docid=1004638](http://www.ogc.gov.uk/embedded_object.asp?docid=1004638)

The Scottish Executive is also preparing guidance on this subject which will be published later this year on the Scottish Executive's procurement website: <http://www.scotland.gov/spd>

## CASE STUDY

**Social Return on Investment**, or SROI, is a way of reporting on social and environmental value. The methodology was developed in the USA, and uses accounting methods for calculating the return from an investment and is, therefore, familiar to funders, investors and financial institutions. Some pilot work on SROI has already been carried out in Scotland, and more is planned.

**Recycle Fife** was one of the initial case studies. They recycle aluminium and steel cans and paper through a community collection scheme, promote recycling through education and awareness raising and provide employment and volunteering opportunities. Their SROI analysis examined both the environmental benefits arising from their work (for example, savings in electricity costs for aluminium processing) and the social impact, through estimating increases in earnings potential, reduction in benefit costs and the personal development of employees and volunteers. Their analysis indicated that for every £1 invested in the start up of Recycle Fife, they returned £5.20 in social and environmental value.

Another case study involved **Subliminal Directions** in Fife. The study focused on their multimedia programme, aimed at diverting young people at risk of entering the criminal justice system. Since costs in the criminal justice system are so high, the outcomes from the programme indicated there had been a substantial saving from the investment in their programme. Their analysis showed that for every £1 invested in the start up of Subliminal Directions, £12.81 of social value was created.

Both these social enterprises are relatively small as yet, and were just setting up while the study was going on, but both have benefited from their SROI analysis. They have used the findings as a promotional tool with local funders, community contacts and their Boards, to show the value of the work they are doing, and in order to find further investment. Subliminal Directions have used their analysis in negotiating further youth justice programmes with funders, and in expanding the range of activities they can deliver.

Further work in Scotland will focus on valuing the wider role activities of housing associations, and will include more social enterprises.

**Sheila Durie**, *Haldane Associates*

## Sustainable development

Poverty, unemployment, poor health, poor housing, poor transport, a lack of skills and environmental degradation are still major issues that need to be tackled in many communities. This is leading to a focus on sustainable development as the basis for community regeneration.

- **Regeneration spend** – While traditionally public sector procurement and regeneration outcomes have been achieved separately, there is a growing understanding of the mutual benefit the public sector can achieve by channelling ‘procurement spend’ into deprived communities. The use of procurement to encourage regeneration must be carried out within EU and Best Value frameworks.
- **Ethical purchasing** – Sustainable development, community benefit and corporate social responsibility are leading purchasers in the public, private and third sectors to consider ethical issues involved in buying decisions, particularly relating to environmental concerns.
- **Social-to-social procurement** – Social enterprises and voluntary organisations are looking at their own procurement practice. Inter-trading between social enterprises will help to develop the sustainability of the social economy.

✓ ***During any tendering process purchasers need to justify why they are buying from a business or organisation. Your organisation needs to prove that you have the ability and expertise to deliver. Public purchasers need to justify procurement decisions on the basis of Best Value (or ‘value for money’). For that reason pre-qualification processes are focused on your ability to provide best value.***

📖 ***‘More for your money’ is a guide to procuring from social enterprises. It explains why the public sector should consider buying goods and services from social enterprises. It is available from the Social Enterprise Coalition at [www.socialenterprise.org.uk/procurement](http://www.socialenterprise.org.uk/procurement).***

*“SENScot believes that the development of an ‘internal market’ is a key component in the sustainability of the social enterprise sector. The importance of such a market is especially important to emerging social enterprises not only as they move towards a level of trading maturity but also in terms of the social impact within their respective communities.” Aidan Pia, Executive Director, SENScot*

## CASE STUDY

**Rolls on Wheels** (ROW), a roll delivery and outside catering business, is one of five social firms managed by Forth Sector. The social firm employs eight permanent staff and offers up to 28 training places to people with severe mental health problems.

Forth Sector was approached by the New Economics Foundation (NEF) to undertake a Local Multiplier 3 (LM3) analysis on one of our social firms. Rolls on Wheels was chosen. It has a contract with the Primary Care Trust to deliver lunches to the day hospitals in Edinburgh. The LM3 analysis was carried out on this contract.

Of all the social added value tools and techniques available, LM3 is probably the most straightforward and the least time-consuming. The NEF handbook offers an easy to follow, step-by-step guide to the process. There is some flexibility within the process depending on particular circumstances. The main benefit, however, is that after about six weeks' work we were able to indicate that for every £10 of income earned from sales/contracts then £19.90 was re-spent within the local economy.

LM3 does have its limitations in that it should only be used as an indicator because the figures are based on a sample of staff and suppliers. Also, whilst there are definite benefits of producing a clear numeric statement, this can detract from other benefits of the business. For example, stating that ROW has an LM3 of 1.99 ignores the benefits of the supported employment on individuals with mental health problems.

Although the use of the LM3 approach has proven the social added value, the reason Rolls on Wheels secured and retains the contract is because of reliability and price. The Primary Care Trust does not measure social added value in terms of its procurement decisions.

One lesson learned was that the Business Manager needs to be more involved in the process of carrying out the LM3 alongside any consultant as they have the knowledge about suppliers and can quickly access information.

**Kate McDonald**, *Development Co-ordinator, Forth Sector*

## Social enterprise development

Social enterprise is a new way of doing business. They use their 'enterprise orientation' to tackle some of the most pressing social, economic and environmental issues facing society today. Social enterprises can deliver public services. They claim to be able to make social as well as financial returns for investors while co-operative models of social enterprise aim to engage members as stakeholders in running the business.

Because of these claims, social enterprise is attractive to a large number of voluntary organisations seeking a pathway towards potential long term sustainability. Social enterprise has also gained a foothold in communities looking for sustainable avenues to regenerate themselves that reduce reliance on the state. At the other end of the spectrum social enterprise can also attract entrepreneurs who have a social conscience.

- **Proving your value** – Social enterprises, by the nature of the claims they make about their social and environmental impact, **have** to prove their added value. In particular, the *enterprise orientation* makes it incumbent on social enterprises to prove they add value where private enterprises do not. They have to prove the impact of this to both the communities they serve and their stakeholders.
- **Community Interest Companies (CICs)** – The Community Interest Company is a new type of company, designed for social enterprises that want to use their profits and assets for the public good. CICs will report to an independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities ([www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)). Becoming a CIC will be a logical step for many social enterprises looking to move into the public service delivery market ([www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)).

- ✓ ***The independent CIC regulator requires annual reporting on community benefit and stakeholder consultation.***
- ✓ ***It is essential that social enterprises operate as professional businesses and measure their impact so they can demonstrate their added value to stakeholders.***

*“Social enterprises, operating for the common good, owe it to themselves – and to all their stakeholders – to examine regularly just how well they are living up to their values and achieving their social and environmental objectives, and to assess just what impact they are having and how far it meets the needs and aspirations of their different stakeholders. Social accounting, and other quality and impact tools assist social enterprises to prove their worth, improve performance and account both to their stakeholders and to the wider society.”* John Pearce, CBS Network & Social Audit Network

#### **CASE STUDY**

**Scottish Midland Co-operative Society Ltd**, Scotland’s largest independent co-operative, was formed in 1982 from the merger of St Cuthbert’s and Dalziel Co-ops. We currently trade in 250 shops including Scotmid Food, Co-op, Morning, Noon and Night food, and Semi-Chem. In addition we have a large property division, a funeral department and wholesale trade through M & S toiletries. We employ 4,500 staff across Scotland and Northern Ireland.

We are members of Co-operatives<sup>UK</sup> and through this our President, Hollis Smallman, sits on the Key Social and Co-operative Performance Indicator Working Group. As part of this we are piloting some of the indicators prior to them being universally introduced. This has been a useful exercise, initially allowing us to measure our own progress against the 10 key indicators but in time allowing us to compare Scotmid’s performance against that of its peers within the UK Co-operative movement.

We were pleased to discover that much of the data needed was already available within the organisation though some work was required to establish methods for looking into membership and customer services. For example, many co-ops across the UK have loyalty schemes, which allow them to collect and analyse information against indicators to do with trade and customer satisfaction. Scotmid does not have this kind of scheme and the information had to be captured through exit polls at the stores, which was more time-consuming.

This is only the first full year of measuring against all 10 indicators so it is too early to be confident about all the advantages and disadvantages of this process. However, it does give us the opportunity to explore some topical areas such as waste recycling and CO<sup>2</sup> emissions.

**Audrey Middleton**, *Scottish Midland Co-operative Society Ltd*

## Continuous improvement

Although not their central role, social added value tools also have an important role to play within your social enterprise or voluntary organisation as a management tool. As quality and social added value are relatively new concepts within the social economy there has been little achieved in the way of benchmarking against industry norms. However, your organisation could use these tools to chart internal continuous improvement.

The starting point for many of the tools is for you to re-examine the mission, values, aims and objectives of your organisation. This allows you to be clearer about where your organisation is headed and what you want to achieve. Using an impact measurement tool will produce results that give you the basis for seeking to improve the service you deliver.

■ **Service modernisation** – There is an ongoing emphasis on ‘continuous improvement’ in public sector delivery. The engagement of ‘service users’ is crucial to this process. Social enterprises and voluntary organisations often have the advantage of being closer to their service users or customers. This comes from being based in the communities they serve. This allows them to be more innovative and responsive in terms of service development and delivery.

- ✓ ***When developing new services it might be advantageous to consider proving your impact in terms of service user involvement.***
- ✓ ***While benchmarking against other organisations is very much in its infancy, carrying out the same exercise at regular periods will allow you to identify areas for improvement internally.***
- ✓ ***A requirement of the Statement of Recommended Practice (SORP) will be for organisations to detail the impact that they are having on the communities they serve. Use of an impact measurement tool will support this reporting process.***

*All organisations are much smarter now about recording the hours and the outputs of their service but it's even more important to ask the questions: 'What difference does any of it make to the end user? Has it improved the quality of their life? Has it given them more control or independence?' Measuring social value is about making long lasting changes to people and to communities – we need to gather evidence on impact and to include those who use services in that exercise. Netta McIver, Chief Executive, Turning Point*

### CASE STUDY

The **Scottish Social Enterprise Coalition** (SSEC) is a membership-led collective voice for the social enterprise sector. We lobby for and promote social enterprise to policy makers and other stakeholders.

We used social accounting to evaluate the impact of our first year's operation as a full-time organisation. The social accounts produced at the end of the process have provided us with a robust and rigorous critique of our work and have helped us develop our future plans.

Social accounting probably did not tell us anything we did not already know but it did provide us with strong evidence to back up our instincts and, more importantly, meant that all of our stakeholders, including our members who use our services, had the chance to give their perspective on our work. Going through the process of social accounting helped provide clear, consistent evidence from a number of sources to ground our instincts in reality. The accounts gave us a multifaceted analysis of our strengths and weaknesses and set out clear priorities for future action.

Social accounting is not difficult to carry out – it simply gathers existing knowledge and experience but does it in a systematic way. It goes beyond straightforward external evaluation and builds in proper engagement between the organisation and its stakeholders. It is a simple but effective tool for analysis and should prove useful for any organisation seeking to better understand its social impact. Because it is basically a framework underpinned by certain key principles, it is also flexible – our organisation is small (two staff members and a turnover of around £60,000) and we found it easy to adapt social accounting to fit our needs and level of resources.

**Emma Hutton**, *Former Development Manager, Scottish Social Enterprise Coalition*

## Summary

The environment in which social enterprises and voluntary organisations operate is changing.

Public sector accountability and more sophisticated decision-making by investors are all having an impact on the social economy. Anecdotal evidence of the social and environmental impacts your organisation makes is no longer enough in a competitive procurement, investment or funding environment. Funders, investors and commissioners will have an increasing interest in outcomes. This may lead them to look at whether you are measuring your social added value.

Adopting any social added value tool could give your organisation a competitive advantage in securing contracts, investment or funding. It could help funders, investors or commissioners to justify their decisions. You can also use social added value tools to continuously improve your organisation.

The next section of the guide outlines the steps your organisation should take to identify the right tool for you depending on what type of investment or contract you are seeking.

# 3 Choosing the correct tool

*Doing something for the first time can be fraught with difficulty, anxiety and uncertainty. Thinking about ‘measuring your impact’ or ‘proving your social added value’ might be like this for you. Whether your social enterprise or voluntary organisation is established or relatively new, you may not know how to proceed.*

The previous chapter outlined some of the factors that might have influenced your decision to start to prove your social added value. However, you should also ask yourself the following:

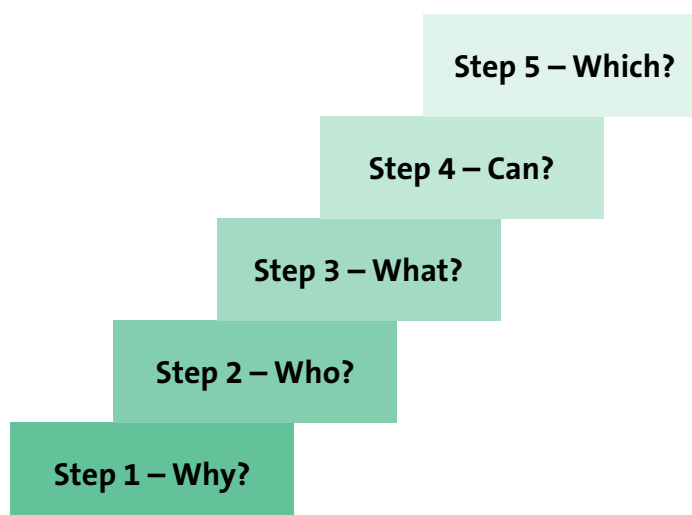
- How do we know which of the various impact measurement tools is the best one for us?
- How do we choose the right tool given the range of options available?

This is not a decision to be rushed in to. If you choose the wrong tool you may end up wasting time, measuring the wrong thing, or expending valuable resources inappropriately.

✓ ***There is no one correct tool. Different tools measure different impacts and you need to identify what impacts you want to measure and prove.***

What we aim to do here is help you choose the tool that best suits your organisation’s needs.

We have developed a five-step process for achieving this.



## Step 1 – Why?

Before you rush out and get the first tool you find on the shelf, it is useful to stop and ask yourself the question ‘**why?**’

You need to think about the point of impact measurement. Is it to secure contracts, or to access funding, or to influence policy, or to improve your organisation? Or is it all of the above?

*It is good practice to engage a wide range of stakeholders in this process. You could engage staff, directors or trustees, service users and funders who will be directly affected by the decisions that you make. By involving stakeholders you will also get ‘buy-in’ to the impact measurement process.*

You need to check your motivation by asking yourself some questions about what you hope to achieve.

*This is not an exhaustive list of questions. These are only examples of the type of questions your organisation should be asking itself.*

### Step 1 Questions

**WHY** do we want to do this?



**WHAT** do we want to achieve by doing it?



**WHAT** do we want to measure?



**WHAT** impact do we want to achieve through our activities?



**WHO** is our target audience for the information we will produce?



**HOW** do we want it to help us to achieve our social objectives?



**HOW** do we want it to help us to improve our performance?







*Being clear about your motivation for measuring your social added value will provide you with an anchor for taking decisions about the tool(s) you should use.*

## Step 2 – Who?

Most of the tools start by getting your organisation to re-examine its mission, aims and objectives. This is a worthwhile exercise which should be done on a fairly regular basis to ensure that all stakeholders understand your vision, values and what your organisation hopes to achieve.

### Step 2 Questions



- 
***Asking these types of questions will help you to be clearer about your vision and values. This is a useful foundation for choosing the correct tool for measuring your impact.***
- 
***You may need to revisit the first step to check that the answers gained at this stage correlate with your motivation. It is useful at each stage to review how the new information you have gathered affects your previous decisions.***
- 
***You may need external facilitation to support you through this process.***
- 
***The ‘SENScot Exchange’ provides details of support organisations and consultants who have experience of working in the social economy and will be able to provide a service in this area.***

## Step 3 – What?

In order to choose the correct tool for your purposes you need to look at what the funders, investors or commissioners want in terms of impact/outcome measurement. This may mean discussing with them what tools they would prefer you to use.

For example, if a funder you are interested in applying to has started using 'social return on investment' to measure impact then there is no point in using another tool that they do not recognise or understand.

### Step 3 Questions

**WHAT** impact measurement information are our funders, commissioners or investors looking for?



**HOW** do funding streams, investment opportunities or contract opportunities match up with our social aims?



**WHAT** potential new funding streams, investment opportunities or contract opportunities are opening up to our organisation?



**CAN** we identify any social added value tools that are gaining pre-eminence amongst commissioners, funders or investors?

- ✓ *You will find that funders, commissioners or investors will usually be interested in talking to your organisation about how you can prove your impact. This will help them think about impact measurement.*

As indicated, there is **no** 'correct' tool. It is also the case that, at present, there is not a 'favoured' tool by funders, investors or commissioners, but this may not always be the case. As good practice emerges in terms of impact measurement then it may be that one tool begins to take pre-eminence.

- ✓ *You will need to keep an eye on the business environment to see if this is happening with the funders, commissioners or investors that you deal with.*
- ✓ *Many of the tools ask you to put in place systems to record impact and these will be helpful for any type of impact measurement.*

## Step 4 – Can?

Using a social added value tool will have a cost implication for your organisation. Some tools are more costly to use than others in terms of the human resources required for collating the information.

### Step 4 Questions

**DO** we have the time and human resources to undertake this exercise?



**HOW** much time do we have?



**WHAT** are the deadlines we have to meet?



**DO** we have the financial resources available to undertake this exercise?



**DO** we have the skills to take this forward?



**WHO** will take the lead within our organisation?



**CAN** we afford to develop this?



*You should carry out a brief cost-benefit analysis of using a tool to measure your social added value. You should consider both 'can you afford to' use this tool and 'can you afford not to' use this tool?*

## Step 5 – Which?

The final step is to identify which is the right tool for your organisation at this stage. By now you should have the basis of information on which to make this decision. There is a range of tools available to demonstrate social and environmental impact. Some are more complex than others, some are more refined, some are less developed and some have a higher time and financial cost than others.

Having gone through the previous four steps you should know what you want to achieve and how much time and resources you have at your disposal to do it. You will need to spend some time researching the various tools that are available.

By taking that information and answering the following questions you should be able to identify which tool will best serve your needs.

### Step 5 Questions

**WHAT** will this tool help us measure?



**IS** this the impact that we want to measure or prove?



**HOW** complex is the process?



**WHAT** external support is available?



**HOW** much will it cost us?



**WHAT** are the benefits and limitations of this tool?



**IS** the process verified externally?



**DO** we require external verification?



**WHICH** tool will provide us with the information we require?



**WHAT** is the cost of using this tool and, given our resources, can we afford to use this tool?



**GIVEN** the pressures in the external environment, can we afford not to use this tool?



***Ask colleagues within the social economy or your funders, commissioners, investors about their experiences of using the tools. This will help you decide.***

## Summary

If you follow these steps you should get an understanding of why you want to measure your impact.

The next section introduces you to the main impact measurement tools that are currently available to help you prove your social added value. The guide also signposts you to sources of advice, information and support about each of the tools. This will help you to make your decision.

# The tools

# 4

## *Impact measurement is still in its infancy.*

Many of the tools listed in this section are still evolving and developing. They have not been widely tried and tested. In the longer term it may be that some of the tools or approaches are merged or disappear altogether as better approaches emerge. It should be remembered that financial auditing, particularly for charities, is still evolving after decades of established practice. 'Impact measurement' will be the same. In particular, there is still a huge amount of work to be done on benchmarking regarding the various tools that exist.

This section of the guide introduces you to the tools. It will:

- Provide an overview of the range of tools available.
- List the potential benefits and limitations of each tool.
- Detail the process involved in using each tool.
- Signpost you to sources of advice, information and support on each tool.

The aim is to provide you with base information from which to carry out a quick assessment to decide which tools are worth further investigation.

- ✓ ***Remember that you can also ask colleagues within the social economy who have used the tools about their experience. This will help you decide.***

## Achieving Better Community Development (ABCD)

### **What is it?**

Achieving Better Community Development (ABCD) is a framework for planning for and learning from community development initiatives. It prompts stakeholders to clarify what they are aiming to achieve, how they should go about it and how they can change things in light of previous experience. The framework can be applied at strategic, policy and operational levels and can be adapted to reflect activity at different times and places and with different people.

The approach highlights the importance of involving communities in community development work and provides a tool for communities to be able to set an agenda for change within their own communities and to hold partners accountable. ABCD is based on the principle that community development confronts disadvantage, poverty and exclusion, and promotes active citizenship, learning and community participation.

The approach originally began in Northern Ireland where health, social welfare and regeneration policies are underpinned by the principles of community development. In 1996 The Scottish Community Development Centre (SCDC) produced reports that set out the approach to community development which now forms the basis of ABCD. SCDC runs a training and support programme to help community development staff to use the approach in a wide variety of settings.

## What are the advantages and disadvantages?

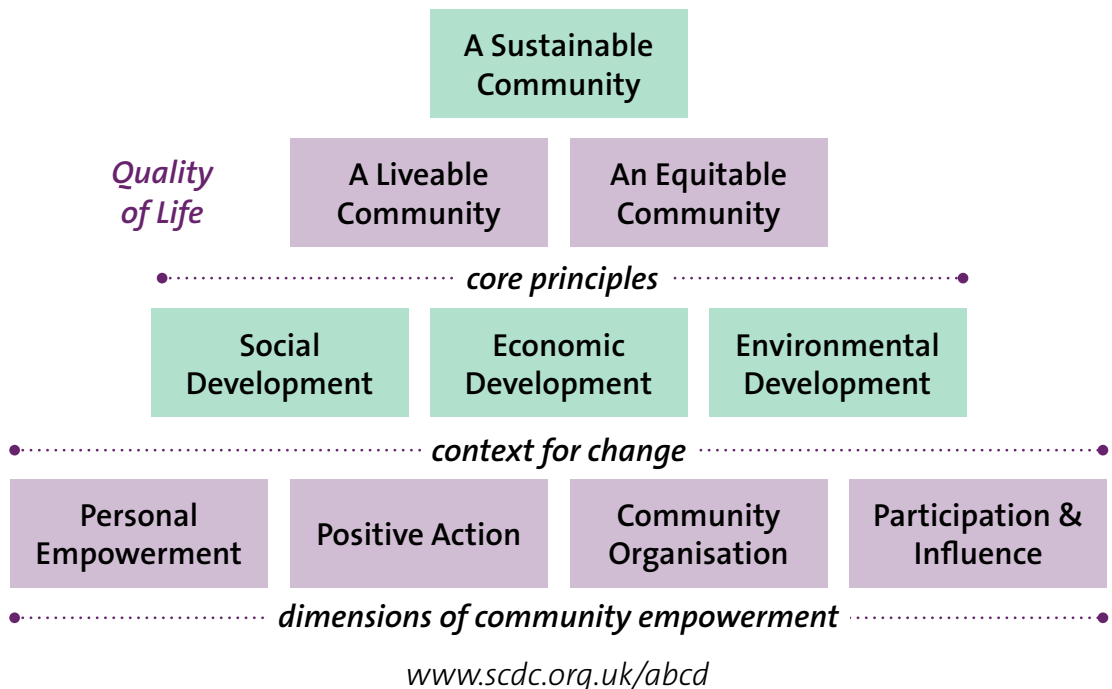
Benefits	Limitations
ABCD ensures that all stakeholders within the community are at the heart of the community development process	ABCD is not externally evaluated or certified
It influences change and holds partners accountable	Due to flexibility of the framework, it may not be as applicable as a more structured measurement approach
It can be used as an effective tool to monitor achievements against outcomes on a regular basis	It may not be suitable for social enterprises or voluntary organisations that are not involved in community development
The model can be used in one day to examine a particular element of the community development process or can be used over a longer period to examine the whole process	
ABCD is relatively easy to undertake	
Financial cost is relatively low and the process is not time intensive	

## What is the process?

ABCD reinforces the belief that all stakeholders should and need to be involved in planning change, evaluating progress and deciding appropriate changes. ABCD has three key ideas:

- The cycle of change.
- The pyramid of outcomes.
- The steps to implementation.

The model is attached below.



The bottom row of the model shows the four dimensions of community empowerment which must form part of any community development activity:

- Personal empowerment relates to individual learning, knowledge, confidence and skill.
- Positive action refers to the identification and involvement of groups excluded by poverty, health, race, gender, disability, for example.
- Community organisation refers to the range, quality and effectiveness of community groups and organisations and the range, quality and effectiveness of their relationships with each other and the wider world.
- Participation and influence is the mechanism through which changes in community life are achieved.

The centre of the diagram highlights the contexts within which change takes place. The public, private and parts of the voluntary sector are responsible for policy, management and service delivery in the social, economic and environmental areas. The model ensures that sustainable, liveable and equitable communities exist if all partners engage with and work collaboratively with the community.

The model provides a framework for all stakeholders in the community development process to locate themselves and identify which relationships need to be established or developed in order to bring about change. When using the tool, each of the boxes can be opened up to provide a more detailed understanding of its contents.

The model can then be used to develop a planning and evaluation framework through which stakeholders can decide what specific community development interventions mean to them and where they fit in to the process. The key stages of planning and evaluating are left to each individual organisation but should include the following:

- **Identifying key stakeholders:** who are they, what can they contribute and what do they want to get out of it?
- **Involving stakeholders in setting the vision:** what are your aims and what do you want to achieve?
- **Translating the vision into outcomes** by breaking the vision down into definable outcomes.
- **Identifying indicators** against which progress can be measured.
- **Identifying who is going to collect the information** and how.
- **Setting the baseline:** collecting information about where things stand on significant elements and indicators.

### **What resources and support are available?**

- The ABCD handbook entitled: *A framework for evaluating community development* by Alan Barr and Stuart Hashagen is available for £9.95 through the Community Development Foundation website [www.cdf.org.uk](http://www.cdf.org.uk).
- *The ABCD Trainers' Resource Pack* is also available from CDF for £27 through the CDF website [www.cdf.org.uk](http://www.cdf.org.uk).
- The CDF run 2 day training courses. Information about consultancy and trainers can be found on the Scottish Community Development Centre's website [www.scdc.org.uk](http://www.scdc.org.uk).

## Global Reporting Initiative (GRI) Sustainability Reporting Guidelines

### What is it?

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines is a globally applicable framework for organisations to:

- Communicate the actions it has taken to improve its economic, environmental and social performance.
- Communicate the outcome of those actions.
- Identify actions required for improvement.

The guidelines are for voluntary use by organisations and they are applicable to organisations of all sizes and types. While the most recent guidelines have been developed with the private sector in mind, other types of organisations can apply them.

The guidelines have been developed by the GRI which is an independent institution whose mission is to develop and disseminate a globally applicable framework for reporting on economic, environmental and social performance.

### What are the advantages and disadvantages?

Benefits	Limitations
The GRI guidelines allow organisations to report and evidence their 'triple bottom line'	The framework was developed for the private sector and has had limited application within the social enterprise sector
They are used worldwide and can be used for comparability across sectors and industries	The guidelines are fairly complex
They are an effective management tool for internal benchmarking and continuous improvement	Adopting the guidelines is relatively expensive in terms of time and human resource input
Verification is available although optional	GRI itself does not offer verification and it does not certify or recommend verification among those organisations that offer it
The guidelines are flexible enough to be used on a small scale and then developed over time	Formally recognised training is not yet available

## What is the process?

The following is based on the 2002 guidelines and it is anticipated that new guidelines, called G3, will be issued in 2006. The guidelines:

- Provide reporting principles and specific content to guide the production of sustainability reports.
- Help organisations to present a balanced and reasonable picture of their 'triple bottom line'.
- Support benchmarking.
- Encourage stakeholder engagement.

Within the 2002 guidelines there are two categories of performance indicators entitled 'core' and 'additional'.

- **Core** indicators are defined as being relevant to most organisations and of interest to most stakeholders.
- **Additional** indicators are those which have one or more of the following characteristics – they represent leading practice in 'triple bottom line' measurement although may be used by few reporting organisations, provide information of interest to those stakeholders who are important to the reporting organisation, and could be considered for future testing as core indicators.

The GRI family of documents comprises two parts. These are the reporting framework (numbers 1, 2 and 3 below) and supporting documents (number 4 below) which include:

1. **The guidelines** – the document on which all GRI documents are based. It represents the most broadly relevant reporting content for both reporting organisations and report readers. It is the 'core' of the family of documents and other sector supplements can be added to the guidelines. Organisations are expected to blend the guidelines and the supplements into a comprehensive reporting framework.
2. **Sector supplements** – GRI is aware of the importance of capturing the unique issues faced by different sectors and is developing sector supplements. The supplements were at an early stage of development in 2002 but will grow in number and rigour over time through a multi-stakeholder process.
3. **Issue guidance documents** – GRI expects to develop issue-specific guidance documents which cover issues such as 'diversity' and 'productivity'.
4. **Technical protocols** – GRI is developing its first technical protocols on indicator measurement. Each protocol addresses a specific indicator by providing detailed definitions, procedures, formulae and references to ensure consistency across reports.

All organisations preparing a report should start with the sustainability reporting guidelines along with sector supplements if they are available. If there is no sector supplement, organisations are encouraged to include whatever information is specific to their sector and essential to ensuring a balanced and reasonable representation of their 'triple bottom line'. Organisations should apply technical protocols whenever available.

The framework allows flexibility in how organisations use the guidelines, which range from adherence to a set of conditions for preparing a report 'in accordance' with the guidelines to a more informal approach. The conditions for reporting in accordance with the guidelines aim to balance comparability and flexibility. Comparability has been part of GRI's mission from the outset and is tied to its goal of producing a framework similar to financial reporting. However, GRI accepts that developing a globally accepted framework is a long-term goal as financial reporting is well over half a century old and still evolving. While GRI aims to allow comparability between reports it is also committed to flexibility in reporting as it accepts that legitimate differences exist between different organisations and different sectors.

### **What resources and support are available?**

- A free download of *Sustainability Reporting Guidelines* is available from [www.globalreporting.org/eshop/products](http://www.globalreporting.org/eshop/products). A hardcopy is also available for 20€.
- In response to demands for a 'beginner's guide' the '*High 5!*' *GRI Reporting Handbook for small to medium enterprises* was launched in November 2004. It is available in hardcopy for 50€ and can be downloaded immediately after purchase for 20€ from the above website.
- The GRI presentation tool is also available for download immediately after purchase for 20€.

At present, GRI does not offer training programmes and has not entered into partnership with any training delivery organisation, however, a number of other organisations provide training. GRI does not formally endorse any specific training organisation and does not provide any sort of training certification. It is anticipated that a full training and certification programme will be developed by 2006.

## Key Social and Co-operative Performance Indicators (KSCPI)

### What is it?

The Key Social and Co-operative Performance Indicators (KSCPI) are a group of indicators that allow members of Co-operatives<sup>UK</sup> to measure their co-operative, social and environmental performance.

The aim is that co-operatives will adopt them gradually and use them to report to stakeholders on performance. This will provide foundations for the co-operative sector of the social enterprise movement which will allow them to compare themselves and benchmark performance.

### What are the advantages and disadvantages?

Benefits	Limitations
The KSCPIs are comprehensive and holistic covering a wide range of economic and social indicators	The indicators have been developed for the co-operative sector. There is uncertainty over their applicability for the wider social enterprise or voluntary sector
The KSCPIs provide the basis for benchmarking within the co-operative sector	The KSCPIs are relatively new and need time to bed down. They may be reviewed and revised as the process develops
The indicators have been developed by the sector rather than for the sector	
Having a group of indicators allows co-operatives to select appropriately and incorporate gradually	
There is a good rationale for each indicator, which makes it clear why measurement is beneficial	
The KSCPIs build on information that a co-operative should have	

## What is the process?

Co-operatives<sup>UK</sup> has worked with the co-operative sector to identify the key indicators. These are:

1. Member economic development.
2. Member democratic participation.
3. Participation of employees and members in training and education.
4. Staff injury and absentee rates.
5. Staff profile – gender and ethnicity.
6. Customer satisfaction.
7. Consideration of ethical issues in procurement and investment decisions.
8. Investment in community and co-operative initiatives.
9. Net carbon dioxide emissions arising from operations.
10. Proportion of waste recycled/reused.

The KSCPIs are a new process in terms of measuring impact. As a result, the process of implementing them is still developing. Guidelines have been developed by Co-operatives<sup>UK</sup> for the indicators:

- Each indicator gives a good rationale for measurement.
- The definition and scope of the indicator is outlined.
- Information on collecting the data for the indicator is outlined, with examples.
- The link between the results and the co-operative principles are made which forms the basis for reporting. Guidance on targets and interpretation is briefly given. It is recognised that good practice in this area will emerge as the indicators are used.
- Reports are in the form of a case study that gives qualitative and quantitative information.

## What resources and support are available?

- Co-operatives<sup>UK</sup> run training events which are mainly aimed at members but non-members can also attend.
- Support is available to individuals who have been tasked with leading the work within each co-operative to work in 'clusters' to help each other through the process and to develop in-house expertise. Telephone 0161 246 2900 for further details.
- Co-operatives<sup>UK</sup> are promoting the indicators through the website [www.cooperatives-uk.coop](http://www.cooperatives-uk.coop). These are available to download free of charge. Case studies are currently (at time of writing) being produced which will also appear on the website.

## Local Multiplier (LM3)

### What is it?

Local Multiplier 3 (LM3) is a tool that enables an organisation to quantify the financial impact its activity makes within a local economy and helps to identify where changes need to be made to improve that impact.

LM3 takes its name from the economic multiplier that is used to measure how income entering an economy moves around and is usually applied at a regional or national level. The word 'local' is used to signify that the tool is for use within a local economy and '3' signifies the three rounds of spending.

The tool was developed by the New Economics Foundation (NEF) with support from the Countryside Agency to provide a quick and easy way for organisations to provide evidence for their economic impact within a local setting.

### What are the advantages and disadvantages?

Benefits	Limitations
While LM3 does not provide evidence of the social or environmental impact an organisation makes, it can be argued that an economic improvement within a given location will, undoubtedly, have a social impact on those local people who benefit from it	LM3 evidences only economic impact
The tool is easy to use and requires only a basic understanding of arithmetic	The tool only evidences the impact that is made locally (that is, regional and national impact is not included)
LM3 can be used to demonstrate the economic impact that can be made through contracting with local organisations	LM3 does not evidence the impact on poverty within a local community
It identifies areas for improvement in terms of local purchasing decisions	Cannot be used as part of the evaluation process for public sector procurement.

### **What is the process?**

LM3 works by identifying the level of income going into an organisation, examining where that money is spent when it leaves the organisation and then where it is re-spent within the local economy. The process involves:

- Identifying the local geographic area.
- Identifying the amount of turnover that the organisation has generated (level 1).
- Identifying the cash out-flows from the organisation to, for example, staff, local suppliers (level 2).
- Establishing where those people and businesses spend their income (level 3).
- Calculating the LM3 figure.

Calculating the LM3 figure works by adding together the amount of income at levels 1, 2 and 3 and then dividing that figure by the level 1 income.

As an example, if the total amount for all levels was £50,000 and the original income at level 1 was £36,000, the LM3 figure would be 1.38 (£50,000/£36,000).

This figure is an indicator of what is happening in the local economy rather than a fixed measure. A ratio of 1:1.38 suggests that for every £1 of income earned, £1.38 is re-spent within the local community.

### **What resources and support are available?**

- Free downloads of *Plugging the Leaks* and *The Money Trail* are available via [www.pluggingtheleaks.org](http://www.pluggingtheleaks.org). Hard copies of both can be purchased through the NEF website [www.neweconomics.org](http://www.neweconomics.org) or by telephoning Central Books on 0845 458 9910. Both handbooks cost £12 (excluding postage).
- Training and/or consultancy is not required to apply LM3 although the New Economics Foundation may be able to provide some limited consultancy support – [www.neweconomics.org](http://www.neweconomics.org)

## Sustainability – Integrated Guidelines for Management (SIGMA)

### What is it?

The SIGMA Guidelines have been developed to provide clear, practical advice to enable an organisation to manage its social, environmental and economic impact. The guidelines consist of three elements:

- A set of guiding principles.
- A management framework.
- A toolkit.

The guidelines assist organisations to set performance targets in line with their operating principles, measure their performance over time and report on that performance.

The SIGMA Project was launched in 1999 by the British Standards Institution (BSI), the Forum for the Future and AccountAbility with support from the Department of Trade and Industry (DTI).

### What are the advantages and disadvantages?

Benefits	Limitations
The framework is flexible enough that organisations can enter the four phase cycle wherever they want	The process may appear complex to small organisations
Organisations can use SIGMA in whole or in part	SIGMA can be demanding in terms of finance and time
SIGMA can be used by organisations from all sectors, however, there is limited evidence of its use outside the corporate sector	It is recommended by the developers that an implementation team is formed to manage the process
The guidelines can be used with other tools	The framework is not prescriptive and, therefore, benchmarking against other organisations may prove difficult

## What is the process?

The guiding principles assist an organisation to understand how it can contribute to sustainable development. They provide a framework to help organisations develop their own principles. The guiding principles consist of two core elements:

- The holistic management of five different types of capital that reflect overall impact and wealth (in the broadest sense).
- Accountability by being transparent and responsive to stakeholders and complying with relevant rules and standards.

The five types of capital are:

- **Natural capital** – the environment
- **Social capital** – social relationships and structures
- **Human capital** – people
- **Manufactured capital** – fixed assets
- **Financial capital** – for example, profit and loss, sales, shares.

All organisations will use the five types of capital to deliver its products or services. The Guidelines describe each of the capitals, explain how each capital is relevant and offer guidance on how they can be managed and enhanced. Individual organisations should then focus on the areas where they have the greatest impact. This will differ from organisation to organisation depending on their values, mission, aims and objectives.

The SIGMA Management Framework integrates the issues around sustainable development into the core processes and decision making of the organisation which allows it to develop, plan, deliver, monitor and report on its strategy and performance. The framework consists of a four-phase cycle, which organisations can enter at different points and work through at different speeds depending on their own circumstances, the availability of resources and level of maturity of existing systems. The four phases, which are broken down into sub-phases, are:

- **Leadership and vision** – define the vision for sustainability and ensure leadership support for it.
- **Planning** – decide what needs to be done to improve performance.
- **Delivery** – improve performance.
- **Review, feedback and report** – check that performance is improving and communicate the results.

The Management Framework breaks down the four phases in to sub-phases and includes tables for organisations to use to help them. The tables assist organisations by:

- Asking key questions.
- Providing tips to ensure alignment with principles.
- Suggesting who should have responsibility for each sub-phase.
- Identifying when the activity should be undertaken.
- Identifying the key issues relating to implementation.

The SIGMA Toolkit consists of a range of tools, guides and case studies that help organisations to implement the Guidelines and to address specific sustainability challenges. Some of the tools have been developed specifically for SIGMA and others have been taken from external sources (such as GRI) as they are thought to be the best approach currently available. Some of the tools available are:

- Business case tool.
- Performance review tool.
- Process for stakeholder engagement.
- Sustainability scorecard.

### **What resources and support are available?**

- The SIGMA Project offers one-day master classes and four-day practitioner's classes and BSI also offers regular training. See [www.projectsigma.com](http://www.projectsigma.com) and [www.bsi-global.com](http://www.bsi-global.com) respectively.
- The SIGMA Guidelines, management framework and toolkit can all be downloaded free of charge from the SIGMA Project website [www.projectsigma.com](http://www.projectsigma.com). The range of tools contained within the toolkit can also be downloaded free of charge from the website.

## Social Accounting and Audit

### What is it?

Social accounting provides a framework that enables an organisation to account for and report on its social, environmental and economic performance.

Following consultation with key stakeholders, draft social accounts are produced and are then audited by an independent panel, similar to financial accounting, to verify that the information within the accounts are based on properly gathered and interpreted information. When satisfied, the panel issues a social audit statement stating that the accounts are a fair and honest reflection of what has happened within the organisation during the accounting period. The framework also allows an organisation to plan future action to improve on its performance.

Social accounting has been developed by the New Economics Foundation (NEF) along with John Pearce of the Social Audit Network and Simon Zadek of AccountAbility.

### What are the advantages and disadvantages?

Benefits	Limitations
The process helps an organisation to reassess and reinforce its 'reason for being' and what it wants to achieve	The framework may appear complex to some organisations due to the amount of information that needs to be initially gathered
Stakeholder engagement is fundamental to the social accounting process	It can be time and labour intensive
The framework evidences what has been achieved and highlights areas for improvement	Social accounting has limited application in terms of external benchmarking
It is an effective management tool as it can be used to internally benchmark on a regular basis	
Social accounts are externally verified by an independent Social Audit Panel which helps when reporting to external organisations	
Much of the information required for social accounting will likely already be available	

## What is the process?

The social accounting process has been refined over time and, following extensive consultation with people who have used the framework, a new *Social Accounting and Audit Manual* was produced in 2005 which has altered the five stages to three steps. Each of the steps can be viewed as a distinct module that can provide benefits to an organisation. An organisation can choose whether or not to continue with the process after the completion of each step. Prior to the three steps, there is a stage called 'getting ready'.

- **Getting ready.** This step is about an organisation gaining an understanding of the framework, principles and history of social accounting. This stage also examines the implications for an organisation in terms of how the process will be managed and the resources required to undertake it.
- **Step 1 Planning.** The organisation identifies its stakeholders through the production of a stakeholder map and from that it identifies its key stakeholders, whom it must consult as part of the process. This step assists organisations to clarify its mission, values, objectives and activities.
- **Step 2 Accounting.** The organisation decides the 'scope' of its social accounting and then sets up the 'bookkeeping' systems it will require to gather the information. Often at this stage it becomes apparent that many of the systems required are already in place. The systems gather both qualitative and quantitative information from a variety of key stakeholders through the application of a variety of tools. The data are then analysed.
- **Step 3 Reporting and audit.** This step involves bringing all the information together and writing the 'social accounts'. The accounts are then verified by an independent Social Audit Panel whose role is to ensure that the information on which the social accounts are based has been properly gathered and interpreted. When the panel is satisfied that the report is a fair and honest reflection of what happened during the accounting period they issue a social audit statement. When approved, the accounts are made public.

### **What resources and support are available?**

- *The Social Accounting and Audit Manual and CD* is available from [www.info@cbs-network.org.uk](mailto:www.info@cbs-network.org.uk) for £40 (cheaper if buying in bulk).

The Social Audit Network (SAN) and its member organisations arrange various training courses during the course of a year. These range from taster sessions which give an introduction to social accounting and audit to master classes for people who wish to act as trainers or facilitators of the process or wish to become SAN-Approved Social Auditors. Much of the training is offered on a 'cluster basis' which involves bringing together a group of organisations that work through the process together and offer mentoring and support to each other.

- SAN's website [www.socialauditnetwork.org.uk](http://www.socialauditnetwork.org.uk) provides a list of organisations that have produced social accounts and have agreed to make their accounts available. The website also provides the names of SAN-Approved Social Auditors.

## Social Return on Investment (SROI)

### What is it?

SROI is a tool that enables an organisation to measure and monetise its social, environmental and economic value compared with the level of investment it has received. The tool is based on standard accounting principles and investment appraisal techniques. It allows organisations to put a monetary value on things that are traditionally hard to quantify such as increased employability, reduction of environmental pollution or benefits to the public purse as a result of increased taxation.

SROI is a useful tool for organisations that wish to evidence the impact they make and to highlight areas for improvement. It can also be used by investors or funders to improve their decision-making.

The tool was originally developed in the 1990s by the Roberts Enterprise Development Foundation (REDF), a venture philanthropy fund based in San Francisco. Interest in the tool has grown over the last few years and the New Economics Foundation (NEF) has carried out work within a UK setting. The European Social Return on Investment Network (ESROIN) works collaboratively with other organisations to develop common standards. Scotland UnLtd and Communities Scotland have commissioned research into the applicability of the tool within the social enterprise sector within Scotland.

### What are the advantages and disadvantages?

Benefits	Limitations
SROI allocates a financial value to the social, environmental and economic impact an organisation makes	The approach may appear complex to people not trained in accountancy
It examines the level of social return in relation to the level of investment	Someone with a good understanding of accountancy and investment principles would need to take the lead
SROI helps organisations to think about income in terms of it being an investment rather than a subsidy	The production of industry norms is in its infancy and therefore benchmarking against other organisations would be limited to similar organisations with similar aims
It can be used by funders/investors during the decision-making process to compare organisations but only when it is used to compare similar organisations with similar aims	
The findings can be used as an effective management tool to chart an organisation’s impact on a regular basis	

### What is the process?

There are in existence, various different approaches to SROI and different approaches are emerging from all around the world. ESROIN was established in 2003 to promote, disseminate and pilot SROI in different European countries and have been working with other organisations in other continents to work on a global framework to ensure harmonisation. The ESROIN approach consists of 10 activities contained within four stages.

## Stage 1 Construction

This stage defines the scope of the analysis that will be undertaken.

- **Activity 1 Understand the organisation.** This involves the collection of information relating to the organisation, such as, business and strategic plans detailing the organisation's mission, aims, objectives and values. The person conducting the SROI analysis will also want to meet key people within the organisation.
- **Activity 2 Identify your stakeholders.** This stage involves holding interviews with representatives of stakeholders and then developing a stakeholder map and analysis.
- **Activity 3 Determine the scope of the analysis.** This activity includes deciding if the analysis will be applied to the entire organisation or only a part of it. SROI analysis can be applied to the whole organisation but it may be necessary to limit the scope because of time, capacity, availability of data or because it is useful to analyse the impacts of just one area of activity.
- **Activity 4 Analyse income and cost.** Things to consider are: is it possible to identify and analyse the income and expenditure relating to the part of the organisation that you are looking at from the remainder of the organisation's income and expenditure? Are you able to identify and analyse the income and expenditure relating to the different impacts you make, that is, social, economic and environmental? This activity includes the collection of historical financial information on investment.
- **Activity 5 Map the impact value chain.** Can you understand the effects your organisation has made in terms of outputs and outcomes? This activity involves deciding the systems to use to collect data output, describing the indicators selected and detailing related issues.

## Stage 2 Content

Activities at this stage provide the content to be analysed.

- **Activity 6 Set indicators and record data.** Can you identify indicators for each of your outputs and outcomes? Can you estimate the extent to which the outcomes would have happened anyway without your organisation's input (deadweight)? Do you have the systems in place to collect information relevant to the indicators you have chosen? Can you apply a financial value to the data? You should also consider to what extent your outcomes are dependent on the inputs of other organisations.
- **Activity 7 Create projections.** What is the timeframe for your projected values? This activity involves using the monitoring information and financial indicators to calculate social value and financial indicators to calculate enterprise value.

### Stage 3 Certainty

The activities within this stage determine and communicate the credibility of the analysis.

- **Activity 8 Calculate the social return.** Calculate the net present value, SROI and payback period. What calculations have you used for the social return analysis? Have you undertaken a sensitivity analysis to test variables and assumptions? What is the rationale behind the discount rate you have used?
- **Activity 9 Reporting.** You should prepare a report that puts the numbers in context and states your assumptions.

### Stage 4 Continuity

This stage incorporates future SROI analyses into normal business operations.

- **Activity 10 Monitoring.** Identify future monitoring and evaluation. Who will be responsible for the collection and evaluation of future data? Compare analyses year on year to identify if the value has changed.

### What resources and support are available?

Within Scotland, Sheila Durie of Haldane Associates is leading on SROI work. A report entitled *Social Return on Investment. An appraisal of the use of SROI in measuring the value of social enterprise in Scotland using three case studies* will soon be available from Communities Scotland.

- Downloadable versions of *Getting out to work Merseyside: A social return on investment analysis* and *Social Return on Investment: Valuing what matters* are available free from NEF's website [www.neweconomics.org](http://www.neweconomics.org). While NEF offers materials free of charge, the SROI process can be time consuming and NEF can provide assistance through consultancy support.
- REDF's SROI Excel Model is available to download free of charge from [www.redf.org](http://www.redf.org). The site also has an SROI Methodology Paper and various SROI reports which are available to download free.
- Communities Scotland is funding development work around SROI as part of the EQUAL Social Economy Scotland Development Partnership. Results will be disseminated in due course. Information can be found on [www.socialeconomyscotland.info](http://www.socialeconomyscotland.info) during the life of the project.
- The Global Social Venture Competition [www.socialvc.net](http://www.socialvc.net) is an international business plan competition that promotes the creation of social ventures – businesses with both high financial and social returns on investment.

## Summary

As indicated, you have been briefly introduced to the main tools that exist for measuring your social added value.

Some of these tools have evolved or are more established than others. It is also the case that other tools are being developed. Additionally measurement processes such as *'prove it'* can be used alongside the existing tools to enhance their value.



***'Proving and improving' is a quality and impact toolkit that has been developed for social enterprises. It provides detailed information on a range of over 20 tools for proving impact or improving quality. It has been produced by the New Economics Foundation and is available from [www.neweconomics.org](http://www.neweconomics.org).***

# 5 Using external consultants

## Should you use external consultants?

There are a number of companies and social enterprise intermediaries that can offer you consultancy support to use social added value tools. Some of the tools have been developed by social enterprise intermediaries who have expertise in using the tools. Also, you may identify that the social added value tool that you wish to use is too time consuming and you wish to buy in external expertise to help your organisation get the best out of the process.

As with choosing the correct tool, there is no right answer to whether you should use consultants. This will depend on the circumstances that your organisation faces.

There are advantages and disadvantages to using external consultants. Below we have outlined some of the key factors that you need to consider before engaging a consultant to help you introduce impact measurement to your organisation:

- Consultants are not mind readers. Be clear what it is you want them to do. If you are employing a consultant because you do not understand what it is you need to do, then you need to think through the implications of this.
- If you are employing a consultant because you do not have time to do the work yourself – how will this affect your ability to embed the impact measurement tool into your organisation in the future?
- Ask around and use a consultant who has a proven track record and specific expertise in impact measurement. Remember that you should have chosen to use a particular tool prior to approaching a consultant rather than getting a consultant to recommend their favourite tool.
- A good consultant will take time to get to know your organisation and will be objective and honest with you. They may not tell you what you want to hear. Consider whether you and your staff are ready for this.
- If you put work out to tender, focus on the experience the consultant has in this area not on how they will approach the work. *It is unlikely that you would ask a mechanic how they were going to fix your car. You would go to someone who you knew had experience of fixing cars.* Hiring consultants is no different.
- Prepare a brief for the consultant so that both parties are clear what the work entails. You can also get a more accurate estimate of costs if you have included everything in the brief.

✓ ***If you are using consultants, get them to work with you or your staff so that you can build your understanding of using the social added value tool. This will help to enhance the abilities of your organisation for the future.***

# Support available



*This section includes four distinct areas where support is available.*

## Training and support organisations

The following are organisations or individuals who have either developed tools referred to in the guide or are able to deliver training and support in the use of a tool/s.

Organisation	Address	Website	Telephone No.
<b>AccountAbility</b>	Institute of Social and Ethical AccountAbility, Unit A, 137 Shepherdess Walk, London, N1 7RQ	<a href="http://www.accountability.org.uk">www.accountability.org.uk</a>	020 7549 0400
<b>British Standards Institute (BSI)</b>	389 Chiswick High Road, London, W4 4AL	<a href="http://www.bsi-global.com">www.bsi-global.com</a>	020 8996 9000
<b>Community Business Scotland (CBS Network)</b>	45 Albany Street, Edinburgh, EH1 3QY	<a href="http://www.cbs-network.org.uk">www.cbs-network.org.uk</a>	0131 558 3040
<b>Community Development Foundation</b>	Unit 5, Angel Gate, 320-326 City Road, London, EC1V 2PT	<a href="http://www.cdf.org.uk">www.cdf.org.uk</a>	020 7833 1772
<b>Co-operatives<sup>UK</sup> Limited</b>	Holyoake House, Hanover Street, Manchester, M60 0AS	<a href="http://www.cooperatives-uk.coop">www.cooperatives-uk.coop</a>	0161 246 2900
<b>EQUAL Social Economy Scotland Team</b>	c/o SCVO, 3rd Floor, Centrum Offices, 38 Queen Street, Glasgow, G1 3DX	<a href="http://www.socialeconomyscotland.info">www.socialeconomyscotland.info</a>	0141 221 0030
<b>European Social Return on Investment Network (ESROIN)</b>		<a href="http://www.sroi-europe.org">www.sroi-europe.org</a>	
<b>Forth Sector</b>	Unit 1, Block 3, Peffermill Industrial Estate, Edinburgh, EH16 5UY	<a href="http://www.forthsector.org.uk">www.forthsector.org.uk</a>	0131 539 7374

Organisation	Address	Website	Telephone No.
<b>Forum for the Future</b>	Overseas House, 19-23 Ironmonger Row, London, EC1V 3QN	<a href="http://www.forumforthefuture.org.uk">www.forumforthefuture.org.uk</a>	020 7324 3639
<b>Global Reporting Initiative (GRI)</b>	Keizersgracht 209, PO Box 10039, 1001 EA Amsterdam, The Netherlands	<a href="http://www.globalreporting.org">www.globalreporting.org</a>	0031 20 531 00 00
<b>New Economics Foundation (NEF)</b>	3 Jonathan Street, London, SE11 5NH	<a href="http://www.neweconomics.org">www.neweconomics.org</a>	020 7820 6300
<b>Rural Environmental Action Project (REAP)</b>	177 Mid Street, Keith, AB55 5BL	<a href="http://www.reap-csv.net">www.reap-csv.net</a>	01542 888 070
<b>REDF</b>	PO Box 29566 San Francisco, CA 94129-0566	<a href="http://www.redf.org">www.redf.org</a>	001 415 561 6677
<b>SIGMA Project</b>	c/o BSI, 389 Chiswick High Road, London, W4 4AL	<a href="http://www.projectsigma.com">www.projectsigma.com</a>	020 8996 7078
<b>Social Accounting Network (SAN)</b>	CBS Network, 45-47 Albany Street, Edinburgh, EH1 3QY	<a href="http://www.socialauditnetwork.org.uk">www.socialauditnetwork.org.uk</a>	0131 558 3040
<b>The Scottish Community Development Centre (SCDC)</b>	Suite 329, Baltic Chambers, 50 Wellington Street, Glasgow, G2 6HJ	<a href="http://www.scdc.org.uk">www.scdc.org.uk</a>	0141 248 1924

## Development advice

The following organisations provide business development advice and support to social enterprises and voluntary organisations in Scotland.

Organisation	Address	Website	Telephone No.
<b>Business Gateway</b>		<a href="http://www.bgateway.com">www.bgateway.com</a>	0845 609 6611
<b>Communities Scotland Social Economy Unit</b>	Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HE	<a href="http://www.communitiesscotland.gov.uk">www.communitiesscotland.gov.uk</a>	0131 313 0044
<b>Community Enterprise in Strathclyde (CEiS)</b>	Legal House, 101 Gorbals Street, Glasgow, G5 9DW	<a href="http://www.ceis.org.uk">www.ceis.org.uk</a>	0141 429 8089
<b>Community Enterprise Limited (CEL)</b>	Inspire Business Centre, Oatridge College, Ecclesmachan, EH54 6NH	<a href="http://www.communityenterprise.co.uk">www.communityenterprise.co.uk</a>	01506 862 227
<b>Community Recycling Network for Scotland (CRNS)</b>	Suite 27, Stirling Business Centre, Wellgreen Place, Stirling, FK8 2DZ	<a href="http://www.crns.org.uk">www.crns.org.uk</a>	01786 469 002
<b>Councils for Voluntary Service (CVS)</b>	These are located throughout Scotland.	<a href="http://www.scvo.org.uk/cvsnetwork">www.scvo.org.uk/cvsnetwork</a>	
<b>Developing Strathclyde Limited (DSL)</b>	Unit 37, Ladywell Business Centre, Glasgow, G4 0UW	<a href="http://www.dsl-businessfinance.co.uk">www.dsl-businessfinance.co.uk</a>	0141 572 5551
<b>Development Trusts Association Scotland (DTAS)</b>	54 Manor Place, Edinburgh, EH3 7EH	<a href="http://www.dtascot.org.uk">www.dtascot.org.uk</a>	0131 220 2456
<b>Evaluation Support Scotland (ESS)</b>	6th Floor, Riverside House, 502 Gorgie Road, Edinburgh, EH11 3AF	<a href="http://www.evaluationsupportscotland.org.uk">www.evaluationsupportscotland.org.uk</a>	0870 850 1378
<b>EQUAL Social Economy Scotland Team</b>	C/o SCVO, 3rd Floor, Centrum Offices, 38 Queen Street, Glasgow, G1 3DX	<a href="http://www.socialeconomyscotland.info">www.socialeconomyscotland.info</a>	0141 221 0030




Organisation	Address	Website	Telephone No.
<b>Highlands and Islands Enterprise (HIE)</b>	Cowan House, Inverness Retail and Business Park, Inverness, IV2 7GF	<a href="http://www.hie.co.uk">www.hie.co.uk</a>	01463 234 171
<b>Highlands and Islands Social Enterprise Zone (HISEZ)</b>	Queensgate Business Centre, Offices 26-29, 1 Fraser Street, Inverness, IV1 1DW	<a href="http://www.hisez.co.uk">www.hisez.co.uk</a>	01463 715 533
<b>Scotland UnLtd</b>	54 Manor Place, Edinburgh, EH3 7EH  Epic House, 30-32 Cadogan Street, Glasgow, G2 7LP	<a href="http://www.scotlandunltd.com">www.scotlandunltd.com</a>	0131 226 7333  0141 221 2322
<b>Scottish Council for Voluntary Organisations (SCVO)</b>	Mansfield Traquair Centre, 15 Mansfield Place, Edinburgh, EH3 6BB	<a href="http://www.scvo.org.uk">www.scvo.org.uk</a>	0131 556 3882
<b>Social Firms Scotland (SFS)</b>	54 Manor Place, Edinburgh, EH3 7EH	<a href="http://www.socialfirms.org.uk">www.socialfirms.org.uk</a>	0131 225 4178
<b>Scottish Enterprise</b>	5 Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU	<a href="http://www.scottish-enterprise.com">www.scottish-enterprise.com</a>	0141 228 2000
<b>Scottish Social Enterprise Coalition (SSEC)</b>	45-47 Albany Street, Edinburgh, EH1 3QY	<a href="http://www.ssec.org.uk">www.ssec.org.uk</a>	0131 557 1516
<b>SENScot</b>	54 Manor Place, Edinburgh, EH3 7EH	<a href="http://www.senscot.net">www.senscot.net</a>	0131 220 4104
<b>Social Enterprise Academy</b>	54 Manor Place, Edinburgh, EH3 7EH	<a href="http://www.theacademy-ssea.org">www.theacademy-ssea.org</a>	0131 220 5333
<b>Social Enterprise Edinburgh (SEE)</b>	c/o Forth Sector, Unit 1, Block 3, Peffermill Industrial Estate, Edinburgh, EH16 5UY	<a href="http://www.go4see.info">www.go4see.info</a>	0131 539 7374
<b>Social Investment Scotland (SIS)</b>	2nd floor, 1-2 St Andrew Square, Edinburgh, EH2 2DB	<a href="http://www.socialinvestmentscotland.com">www.socialinvestmentscotland.com</a>	0131 558 7706

## Funders

The initial development process for measuring your impact can cost money. In the longer term it should be possible to recoup this cost through including it in any full cost recovery approach to service delivery.

It may be possible to access funding or support for the initial development costs.

Organisation	Address	Website	Telephone No.
<b>Lloyds TSB Foundation for Scotland</b>	Riverside House, 502 Gorgie Road, Edinburgh, EH11 3AF	<a href="http://www.fundingthefuture.org.uk">www.fundingthefuture.org.uk</a>	0870 902 1201
<b>Charities Aid Foundation (CAF)</b>	25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA	<a href="http://www.cafonline.org">www.cafonline.org</a>	01732 520 000

-  ***Lloyds TSB Foundation provides organisational reviews. If you are a charity you can apply for a review. If successful, a consultant will visit your organisation to evaluate where you are and give pointers to the way forward. Once you have completed an organisational review you can apply for a 'capacity building' grant. You will be allocated a consultant to develop some of your improvement areas. This might mean a consultant could work with you to develop systems for impact measurement.***
-  ***Charities Aid Foundation provides support to charitable organisations in maximising the effect of their resources. They provide a package of support that includes consultancy. This is targeted at improving the long-term sustainability of your organisation. Support to develop and introduce impact measurement systems may be applicable.***
-  ***Remember to build in the costs for using social added value tools into your management costs. Many funders will now fund this as they move towards full cost recovery.***

## Resources

The main resource is the quality and impact toolkit developed by the New Economics Foundation. Other resources are available for your organisation as it seeks to develop. These are listed below.

<b>Title</b>	<b>Subject</b>	<b>Author</b>	<b>Available from</b>
<b>A business planning guide to developing a social enterprise</b>	Business planning, including a business planning template	Forth Sector & the NatWest/ Royal Bank of Scotland (2005)	<a href="http://www.go4see.info">www.go4see.info</a>
<b>Buying from Scotland's growing social economy</b>	Guidance and advice to public sector bodies on procuring from social enterprises and voluntary organisations	Communities Scotland (2006)	<a href="http://www.communitiesscotland.gov.uk">www.communitiesscotland.gov.uk</a>
<b>Measuring Impact</b>	Case studies of impact assessment	The UK Voluntary Sector Research Group (2003)	Email: <a href="mailto:ncvo@ncvo-vol.org.uk">ncvo@ncvo-vol.org.uk</a> <a href="http://www.ncvo-vol.org.uk">www.ncvo-vol.org.uk</a>
<b>More for your money: a guide to procuring from social enterprise</b>	Guidance on procuring from social enterprises	Social Enterprise Coalition (2005)	<a href="http://www.socialenterprise.org.uk">www.socialenterprise.org.uk</a>
<b>More for your money: a guide to procuring from social enterprise for the NHS</b>	Guidance for NHS service commissioners on procuring from social enterprises	Social Enterprise Coalition (2006)	<a href="http://www.socialenterprise.org.uk">www.socialenterprise.org.uk</a>
<b>Proving and improving: a quality and impact toolkit for social enterprise</b>	Quality and impact	New Economics Foundation (2005)	<a href="http://www.neweconomics.org">www.neweconomics.org</a>

Title	Subject	Author	Available from
<b>Public Procurement: A Toolkit for Social Enterprise</b>	Procurement advice	DTI (2003)	<a href="http://www.dti.gov.uk">www.dti.gov.uk</a>
<b>Public Spending for Public Benefit</b>	Public sector procurement and community regeneration	New Economics Foundation (2005)	<a href="http://www.neweconomics.org">www.neweconomics.org</a>
<b>Tendering for Public Sector Contracts: A Practical Guide for Social Economy Organisations in Scotland</b>	Procurement advice	Scottish Executive (2004)	<a href="http://www.socialeconomyscotland.info">www.socialeconomyscotland.info</a>
<b>Unlocking the Potential, a guide to finance for social enterprises</b>	Financial advice for the social economy	Social Enterprise Coalition (2004)	<a href="http://www.socialenterprise.org.uk">www.socialenterprise.org.uk</a>

- ✓ ***Ask colleagues within the sector for advice and support in signposting you to additional resources.***
- ✓ ***New resources and sources of advice and support will be developed. It is useful to sign up for one of the e-bulletins produced by social enterprise intermediaries to keep up-to-date with developments within the sector.***

# Terminology

*Detailed below is a glossary of terms that are used frequently within the social economy. Some of these may not be familiar to you.*

A fuller glossary can be accessed through [www.socialeconomyscotland.info](http://www.socialeconomyscotland.info)

**Added value** – The distinctive or specialist contribution made by carrying out activities. For example, social enterprises can add value to the delivery of public services in terms of their capacity to innovate or their closeness to the needs of their clients or the communities in which they operate.

**Asset lock** – Under the asset lock provisions, assets and profits must be permanently retained within the Community Interest Company (CIC), and used solely for community benefit, or transferred to another organisation which itself has an asset lock, such as a charity, or to another CIC.

**Balanced scorecard** – The balanced scorecard is a measurement-based strategic management and learning system. It provides a method of aligning business activities to the strategy, and monitoring performance of strategic goals over time.

**Benchmarks** – Data that acts as a baseline and is used for before-and-after comparisons.

**Best Value** – Best Value is a formal requirement for all local authorities. Best Value was introduced to ensure continuous improvement in the performance of public services. It encourages consideration of what services should be delivered according to local need, an options appraisal of the most appropriate way to deliver those services to meet the identified need, sound management of resources (economy, efficiency and effectiveness) while maintaining an appropriate balance between quality, cost, achieving equalities and sustainable development. Although specific guidance and a statutory framework for Best Value is provided by the Local Government in Scotland Act 2003 it is recognised that the principles of Best Value are applicable across the whole of the public sector.

**Closing the opportunity gap** – The Scottish Executive is committed to ‘closing the opportunity gap’ for those people who are disadvantaged or excluded. For further details see [www.scotland.gov.uk/topics/people/social-inclusion/17415/opportunity](http://www.scotland.gov.uk/topics/people/social-inclusion/17415/opportunity).

**Commissioning** – This term is used both within procurement in terms of services being ‘contracted’ and within the grant funding arena where service level agreements are arranged by service commissioners. It can also be used to describe the commissioning of grant-aided projects.

**Community benefit clauses** – Clauses that can be included in the procurement process that allow social and environmental considerations to be included in the contract specification and used in the selection and award procedures. The European Union has clarified that community benefit clauses (or social and environmental clauses) can be included, provided that suppliers who are not local are not disadvantaged or discriminated against and the contract complies with government procurement policy and Best Value. To comply with the policy and legal framework the community benefit requirements must be part of the core purpose of the contract and must provide a benefit to the agency. Community benefit clauses should be supported by strategic documents such as Community Plans.

**Community development finance** – A form of socially responsible investment which refers to debt and equity finance in communities or markets where mainstream financial services are weak and which are therefore undercapitalised. These include disadvantaged communities such as those in inner cities, outer estates and in some rural areas and under-served markets such as the social enterprise market.

**Community development finance initiatives (CDFI)** – CDFIs are the vehicles that deliver community development finance. The UK Social Investment Forum describes CDFIs as “financial service providers whose mission specifically requires them to achieve social objectives”.

**Community interest company (CIC)** – The community interest company (CIC) is a new type of company. It has been designed for social enterprises that want to use their profits and assets for the public good. Although CICs will be easy to establish they will have to prove that they are working for the benefit of the community they serve. CICs will report to an independent regulator on how they are delivering for the community and how they are involving stakeholders in their activities. The asset lock and reporting on community benefit should make CICs an ideal vehicle for organisations looking to move into the public service delivery market.

**Community regeneration** – The process of tackling poverty, deprivation and social exclusion within a particular geographical area or within a particular client group.

**Contract** – A contract is the term used to describe a legally binding agreement between a purchaser and a supplier for the supply of goods, services or works.

**Corporate social responsibility (CSR)** – The Government sees CSR as the business contribution to our sustainable development goals. Essentially it is about how business takes account of its economic, social and environmental impacts in the way in which it operates – maximising the benefits and minimising the downsides. For further information see [www.csr.gov.uk](http://www.csr.gov.uk)

**Enterprising charity** – New term developing to describe a charity that is engaged in a wide range of activities with a portfolio of funding that includes grants, donations, service level agreements, voluntary activity, project income and trading income. Enterprising charities may be engaged in some form of social enterprise activity without the intention of developing into a social enterprise.

**Ethical purchasing** – Usually taken as meaning that the acquisition of goods and services should not be associated with the undermining of human rights, unfair trade practices, undue pollution, unfair or corrupt business practices and environmental degradation.

**Equalities** – Equality in its wider sense, as in the definition of equal opportunities in the Scotland Act 1998, encompasses gender, race, disability, sexual orientation and also individuals and groups facing discrimination on the grounds of age, language or social origin, or of other personal attributes, including beliefs or opinions, such as religious belief or political opinion. All opportunities should be genuinely available and accessible to all potential participants and current initiatives must not have a negative impact on any disadvantaged groups.

**EU procurement law** – EU Treaty and procurement directives require that contracts of all types and values are awarded without discrimination on grounds of nationality or locality. Policies which result in such discrimination are prohibited in law.

**Full cost recovery** – This is the principle that an organisation recovers the full cost associated with providing a service or other output. It is a widely accepted accountancy principle. Full cost recovery is broadly interpreted to mean the total cost of all the resources used in supplying a service, including the direct costs of producing the output, a full proportional share of overhead costs and any selling and distribution expenses. Both cash costs and notional (non-cash) costs should be included, including depreciation, inflation and finance charges.

**Impacts** – The benefits or changes that have come about as a result of the work or activity of a project or the organisation. These include short-term, long-term, intended, unintended, positive and negative effects. Impact is less tangible and therefore harder to measure than inputs and outputs.

**Indicators** – Specific data that can be measured to determine whether an activity, project or organisation has met a particular outcome.

**Inputs** – The resources that contribute to a programme or activity including income, staff, volunteers and equipment.

**Monitoring** – The term used to describe assessing whether indicators are being met.

**Non-profit-distribution** – The term used to describe enterprises or organisations that seek to develop a profit or surplus on their activities but re-invest that profit into community benefit rather than distribute to shareholders.

**Not-for-profit** – A term used to describe an organisation that has been established to reinvest any financial surpluses back into achieving the objectives of the organisation. ‘Not-for-profit’ relates to the motivation of the venture rather than the ability to generate surpluses. The term is often used when referring to the voluntary sector. Occasionally the term ‘more-than-profit’ is used to describe social enterprises.

**Outcomes** – The benefits or changes that have come about as a result of the work or activity of a project or the organisation. These include short term, long term, intended, unintended, positive and negative effects.

**Outputs** – The term is used to describe units or direct products of a project or organisation’s activities. For example, they could be classes taught, training courses delivered or people attending workshops.

**Partnership purchasing** – Partnership purchasing or joint commissioning is a relatively new term to describe joint working arrangements between public agencies specifically related to contracts or commissioning. Public sector partners agree to share the costs of service delivery and jointly work to design service specifications.

**Patient capital (social economy)** – Patient capital is a relatively new concept in the social economy. It is similar to a loan but generally longer term with interest and repayment holidays. In certain circumstances only a percentage of the loan may require to be repaid. Its characteristics fall somewhere between grants and loans. It can also be referred to as ‘investment capital’.

**Procurement** – The whole process whereby the public sector obtains goods, services and capital projects from third parties. Procurement is about using specialist suppliers who have the expertise or economies of scale to supply the goods or provide the service more effectively, efficiently or economically on the purchaser’s behalf.

**Regeneration** – The term is used to refer to the development of the social and economic life and the physical environment of a particular neighbourhood. It is worth observing that regeneration at one time referred to the refurbishing of the built environment but increasingly it refers more broadly to physical, economic and social renewal.

**Registered social landlords (RSLs)** – In Scotland, a registered social landlord is a landlord registered with Communities Scotland. The criteria for registration are set out in the Housing (Scotland) Act 2001. They are organisations that provide housing for let and other associated services but they do not trade for profit. The commonest form of registered social landlord in Scotland is a housing association although it includes housing trusts and housing co-operatives. Their main purpose is to let housing for people in need. In common with the widening role of Communities Scotland, RSLs have adopted a wider role in community regeneration and the promotion of social inclusion.

**Service modernisation** – Within the public sector there is an on-going emphasis on ‘continuous improvement’ in service delivery. Efficient government focuses on people, ensuring excellence, maximising choice, and getting the best for the public pound.

**Social accounting and audit** – A method of measuring an organisation’s social and environmental performance taking in stakeholder views and measuring social outcomes against goals to enable an organisation to demonstrate how it delivers these objectives alongside any service or works it carried out as its trade. A social audit is an independently verified account that shows to what extent an organisation is delivering its social goals, values and commitments and can help to manage the process of delivering these better.

**Social added value** – Social added value describes the benefits a business or organisation provides in terms of its social and environmental impact.

**Social enterprise** – A social enterprise is a business that trades in the market for an explicit social purpose. Social enterprises are assumed to have three distinct characteristics: they have a clear social aim; they are socially owned (non-profit-distributing) and they have an enterprise orientation where their turnover is derived from sales or contracts.

**Social enterprise intermediaries** – Organisations that work with emerging social enterprises to help them get established as social enterprises.

**Social investment** – Social investment is used to describe investment in an organisation that is focused on the social return rather than the financial return. It is a relatively new term but is gaining common currency describing the type of investment organisations are looking for as they move away from grant aid. The term is used by some to mean investment that builds human or social capital.

**Social return on investment (SROI)** – SROI measures an organisation’s added value by calculating the social, environmental and economic benefits it creates and by attributing a financial value to them. It is based on standard accounting principles and investment appraisal techniques.

**Stakeholder** – An individual or organisation that has an active interest or a stake in a particular organisation or issue. For example, funders, members, contractors, purchasers, trustees, beneficiaries, volunteers and paid staff are all stakeholders in a voluntary organisation.

**Sustainable development** – Sustainability is about how the economic, social and environmental parts of our lives and society connect. Sustainable development is seen as development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Value for money** – This is defined as the best combination of whole life costs and quality to meet public sector agencies' needs. When considering value for money agencies are looking to purchase goods at the right price, optimum whole life cost, right quality, appropriate quantity, right time and right place. Social and environmental benefits can only be part of the value for money assessment when they are directly relevant to the performance of the public procurement contract.

**Venture philanthropy** – Venture philanthropy is the process whereby individuals invest money and time in social and environmental organisations. It takes the principles of venture capitalism and applies them to philanthropy.

**Voluntary organisations** – Voluntary organisations are non-profit distributing, non-statutory, autonomous and are managed by voluntary management committees. Some voluntary organisations are recognised by the Inland Revenue as charities.

**Wider role** – Activities undertaken by registered social landlords over and above housing which help to improve the economic, social and environmental conditions of individuals and communities. Communities Scotland operates a Wider Role funding programme.

# 8 Acknowledgements and disclaimer

## Authors

The authors of this guide are **Kevin Robbie** (*Chief Executive*) and **Colette Maxwell** (*Development Co-ordinator*) at Forth Sector. They were commissioned by Communities Scotland to write the guide.

Forth Sector builds mental health and well being by creating supportive employment opportunities for people with mental health problems through running businesses. Based in Edinburgh, it is a social enterprise that runs a range of business ventures including a three star guesthouse, a laundry, a catering company, an embroidery company, a soap manufacture and retail business, a wood recycling business and a business advisory arm. For further information see [www.forthsector.org.uk](http://www.forthsector.org.uk) or [www.go4see.info](http://www.go4see.info)

## Thanks

Thank you to the participants in the Advisory Group who supported the development of this guide:

**Kathy Cameron** (*CoSLA*)

**Lorna Duffy** (*Social Economy Unit, Communities Scotland*)

**Pauline Hinchion** (*FEAT Enterprises*)

**Emma Hutton** (*Scottish Social Enterprise Coalition*)

**Netta McIver** (*Turning Point*)

**Ea O'Neill** (*SCVO – EQUAL Team*)

**Jackie Petitqueux** (*SCVO*)

**Ian Welsh** (*Momentum*)

You provided advice, criticism and feedback. Your advice and support has undoubtedly improved this guide.

Thank you also to the many people, including practitioners, service commissioners, investors and funders who gave informal advice and support in terms of drafting and developing the guide. Thank you also to the participants in workshops on 'How to Win Contracts' run throughout Scotland whose questions about social added value and impact measurement challenged the authors. There are too many people to detail. Your questions and feedback shaped this guide.

Thank you to those who have contributed case studies or quotes to illustrate good practice. Both the information provided and the informal advice given has heightened our understanding of good practice.

## Disclaimer

An Advisory Group was formed to identify good practice and support both development and editing of the guide. However, the actual writing of the guide was the responsibility of the authors, Kevin Robbie and Colette Maxwell. The information in this guide is for general guidance only. Measures have been taken to ensure that the information is accurate and up-to-date at the time of publication but we cannot be held responsible for any errors resulting from the use of this information.

## Funders

The development of this guide was funded by Communities Scotland and *Strengthening the Social Economy* Mainstreaming Partnership.

Communities Scotland is a Scottish Executive agency whose aim is to work with others to ensure decent housing and strong communities across Scotland.

The guide has been produced as part of the Futurebuilders (Scotland) programme. This programme involves £17m direct investment in the social economy sector and £1m to provide practical support services for the sector.

The *Strengthening the Social Economy* Mainstreaming Partnership is part-funded through the EQUAL Programme. The Mainstreaming Partnership includes:

- **Scottish Council for Voluntary Organisations** (*lead partner*)
- **Social Economy Unit, Communities Scotland**
- **Communities Scotland Scottish Centre for Regeneration**
- **Community Enterprise in Strathclyde**
- **Forth Sector**
- **Highlands and Islands Enterprise**
- **Scottish Enterprise**

The focus of the Mainstreaming Partnership is to

- Establish a framework to foster the development of an ‘entrepreneurial and enterprise culture’ within the sector.
- Provide the capacity for future growth and sustainability leading to improvements in job quality in the sector.
- Significantly enhance the cohesion, visibility and credibility of the social economy at local, national and transnational levels.

For more information visit [www.scvo.org.uk/equal](http://www.scvo.org.uk/equal).

# Notes

# Notes



# Communities Scotland



## Head office

Thistle House, 91 Haymarket Terrace  
EDINBURGH EH12 5HE  
Tel: 0131 313 0044  
Fax: 0131 313 2680  
Web: [www.communitiesscotland.gov.uk](http://www.communitiesscotland.gov.uk)

