

# Social Accounting Overview and Materials



## Introduction

Have you ever felt frustration at running a project which is having positive impacts you don't know how to prove? Have you ever wanted to know more about the effect you are having on different stakeholders and your impact on the local community? If so, social accounting is for you...

Social accounting is a process which measures organisations' performance against social, environmental and economic objectives set by their stakeholders, enabling those organisations to prove their 'soft' outcomes. Although there are different tools available, social accounting will usually involve:

- deciding what you want from the process and what you can commit to it;
- looking at what drives your work and what you want to achieve through it, and getting input into this from other stakeholders;
- deciding on the data you need to collect in order to measure whether you are achieving your goals, and collecting this data;
- reporting on your findings, disseminating the information and learning from the process ready to begin again next year.

The rest of this document contains more detailed information about what social accounting is, the potential benefits and costs involved, and how it can be done. A case study is also used to give a clearer picture of how the theory works in practice.

## What is Social Accounting?

Social accounting is a process that seeks to measure progress and performance against social, environmental and economic objectives. By doing this it allows organisations to prove and improve their performance and impact, and to increase their accountability to stakeholders. The process involves the collection, analysis and interpretation of descriptive, quantitative and qualitative information.

Social accounting was developed in the 1970s but was mainly implemented by large corporations, such as Shell and BT. In the early 1990s the need for social accounting among small organisations and social enterprises was recognised and the New Economics Foundation, with Traidcraft, pioneered a new form of voluntary social accounting rooted in engagement with stakeholders. Today many tools exist for social accounting with socially-driven organisations, reflecting the huge diversity of the sector. These tools range from self-assessment toolkits most appropriate for large organisations, to supported processes more suitable for smaller organisations with limited capacity.

## How does it work?

Different providers break up the social accounting process in different ways, but the four basic stages are as follows:

### *Setting up*

The first stage of social accounting is deciding what an organisation wants to get out of the process, and what resources they can commit to it.

### *Understanding your organisation*

Once the first stage has been completed, the next step is to establish what the organisation does, and why they do it (their mission, vision, values, objectives, and activities), and to look at the relationship between the two. It is also important to get an understanding of the organisation's stakeholders so that their opinions can be built into the process.

### *Data collection*

Once an organisation has understood the relationship between its activities and objectives, a data collection system is designed to capture both the 'hard' and the 'soft' impacts of its activities. Once this system is completed, data collection begins, and runs for an agreed amount of time, ideally in line with the organisation's financial year.

### *Reporting*

At the end of the data collection period, all the data gathered is analysed and compiled into a report - the organisation's Social Accounts, which accounts for an organisation's impact over the data collection period and makes recommendations for improving both the organisation's activities and effectiveness, and also the social accounting process itself.

## What are the benefits?

There are three main benefits of social accounting:

### *Proving*

While it is important for all organisations to prove their value, social accounting is especially important for social enterprises and socially-driven projects, whose added-value is not captured by normal performance indicators such as profits and share prices (these are sometimes referred to as 'hard' performance indicators).

Proving the performance and wider, social, economic and environmental impacts ('soft' performance indicators) of social enterprises better places them to compete for service delivery contracts against other organisations from all sectors. In addition, proof of past performance and wider impact increases appeal to potential funders and proves to current donors that funds are being spent effectively.

### *Improving*

The collection of facts, figures and feedback throughout the social accounting process also gives organisations better insight into their own performance, enabling examination of what they are doing well, what works and what doesn't. This helps organisations improve efficiency and effectiveness by developing greater understanding of the links

between the activities they do and how they create change. By clarifying goals, setting targets and measuring success, social accounting can help organisations create realistic and effective business plans and funding proposals. Finally, performance may be improved, as staff are motivated by seeing concrete evidence of the difference made by their work.

### **Accountability**

Through close engagement, social accounting enables social enterprises to gain better understanding of the effects (intentional and unintentional) they have on their stakeholders and to remain accountable to them. The process allows stakeholders to influence how the social enterprise performs and what it does. Communication and transparency also help build mutual trust, understanding and a feeling of inclusion between social enterprises and the communities they serve and affect, helping ensure organisations' continued success.

### **What are the costs?**

Social accounting is a necessarily a very flexible process and many different services are available; these range from taster sessions and workshops, through facilitation of clusters, to one-to-one consultancy for organisations undertaking social accounting or for funders looking to incorporate social accounting into their grant-making procedures. The rates charged by different organisations for different services can vary considerably.

The Social Enterprise People have built up significant experience of working with organisations with very diverse requirements and developing bespoke social accounting plans which meet their needs well within their capacity and budget. However, for information, some guide prices for services from The Social Enterprise People are included below:

- One-year social accounting cycle for a small (£30k) and relatively simple socially-driven project or organisation; £1500
- One-year social accounting cycle for a larger (£100k) and more complex socially-driven project or organisation; £3000
- One-year social accounting cycle for a large (£200k+) socially-driven organisation; £6000
- Membership of a social accounting cluster facilitated and trained by The Social Enterprise People; £1000

## Available tools

There are a number of tools available for conducting social accounting, reflecting the huge diversity of the third sector and the requirements of different organisations. Three of these tools are described below:

### **new economics foundation: Prove and Improve**

The new economics foundation's (nef) 'Prove and Improve' social accounting toolkit is freely available at [www.proveandimprove.org](http://www.proveandimprove.org). It provides all the information needed for an organisation to assess its own social, economic and environmental impact.

'Prove and Improve' emphasises stakeholder engagement, involving stakeholders at an earlier stage in the process than SAN's model, which means that its social accounts are more able to represent the concerns of all stakeholders. It also allows unexpected outputs, outcomes and impacts to be identified and measured against.

In addition, nef's process acknowledges the issues of deadweight (the proportion of the change recorded that would have happened anyway), displacement (any negative effects of the change created, e.g. enabling participants to gain benefits at the expense of those outside of the organisation), and attribution (the proportion of the change that was created by those other than the organisation). The recognition of these issues gives greater transparency and integrity to nef's methodology.

'Prove and Improve' is also sufficiently flexible that the model can act as a framework into which other tools can be incorporated, enabling the social accounting process to incorporate different forms of monitoring and evaluation into one coherent process, which has the potential to save organisational resources.

One potential problem, particularly for smaller organisations looking to undertake social accounting, is that nef does not provide any training for organisations wishing to implement 'Prove and Improve'. This means that it can be inaccessible for organisations that do not have the time or resources necessary to teach themselves how to use the 'Prove and Improve' process.

### **Social Audit Network: Social Accounting and Audit**

The Social Audit Network's (SAN) process has a lot in common with nef's process, but differs most significantly in its emphasis on Social Audit. As financial accounts are audited by an independent body, SAN encourages organisations that have undergone its social accounting process to assemble a Social Audit Panel, composed of one SAN registered and trained social auditor and several representatives of organisations with an interest or expertise in the area in which the organisation works. This panel gathers to assess the quality and reliability of the social accounting process, and to provide independent assessment of the report. This process of social auditing has the potential to lend much greater credibility to an organisation's social accounts, but is also quite expensive – typically, the cost of having social accounts audited is around £1000.

SAN's social accounting toolkit is available as a manual with supplementary CD (priced at £40 and available from The Social Enterprise People or [www.socialauditnetwork.org.uk](http://www.socialauditnetwork.org.uk)), which includes many useful resources and worksheets, which can be tailored to suit different organisations. In addition to advocating a social audit, important features of SAN's process include: Careful examination of current data collection within the organisation, in order to minimise the extra work required; a regularly updated website and a significant network of parties involved in social accounting, giving greater support to those looking to get involved; provision of training for organisations and facilitators; weight given to environmental and economic accounting.

SAN also encourages the development of social accounting clusters; groups of organisations who work through the social accounting process together, pooling resources and experience. Clusters are generally cheaper than social accounting for individual organisations, and provide valuable opportunities for organisations to support and to learn from one another.

SAN's process does not, however, include stakeholders in the initial stages of the process, which could lead to some weakness in the social accounts. The process is also designed for larger organisations, and the complexity and cost of the process may prove too great for smaller organisations or projects.

### **The Social Enterprise People: Assessing Effectiveness**

The Social Enterprise People's social accounting process was developed in response to a felt need for a social accounting process designed for small, busy social enterprises with insufficient resources to be able to implement a self-assessment approach. It is largely based on the SAN model, but incorporates some of nef's emphasis on stakeholder engagement at the beginning of the process, as well as features of other processes. Assessing Effectiveness was initially designed to be an entry-level process for small projects, enabling organisations with limited resources to go through the whole process of social accounting at a basic level, which can later be stepped up, either into more complete social accounting of a whole organisation or more detailed social accounting for the individual project.

Assessing Effectiveness aims to provide a compromise between time intensive self-assessment and revenue intensive external assessment. By balancing organisation ownership of the process and external support, Assessing Effectiveness encompasses best practice from around the UK and aims to offer a realistic social accounting option for small, busy social enterprises and socially-driven programmes.

Assessing Effectiveness is a semi-supported process, with The Social Enterprise People's social accountants providing training within the process, and bespoke support for the organisations undergoing it. It also provides a degree of flexibility in the resources required as organisations using Assessing Effectiveness can choose the how much of the work they will undertake themselves and how much will be done by The Social Enterprise People, as well as the amount of training and support they will receive. Because the process involves consultancy from The Social Enterprise People's staff, it

can be more flexible than self-assessment methods and can be easily adapted to the individual needs of an organisation.

In the early stages of the Assessing Effectiveness process, a number of worksheets are used with the client organisation. These worksheets give a framework for discussion and allow these vital preliminary conversations to be recorded, allowing reflection and use of this information in later stages of the process.

The worksheets are included below with a brief description of their use, however, it should be noted that (with the exception of those designed by the SAN) the worksheets have not been designed for self-assessment but for use by a social accountant supporting a client organisation.

### **Groundwork**

Groundwork is used in the preliminary meeting to establish whether social accounting is suitable to address the requirements of the client organisation and to clarify the resources available for the process.

<b>What do you want to accomplish through social accounting?</b>

<b>What time and resources can you devote to it?</b>

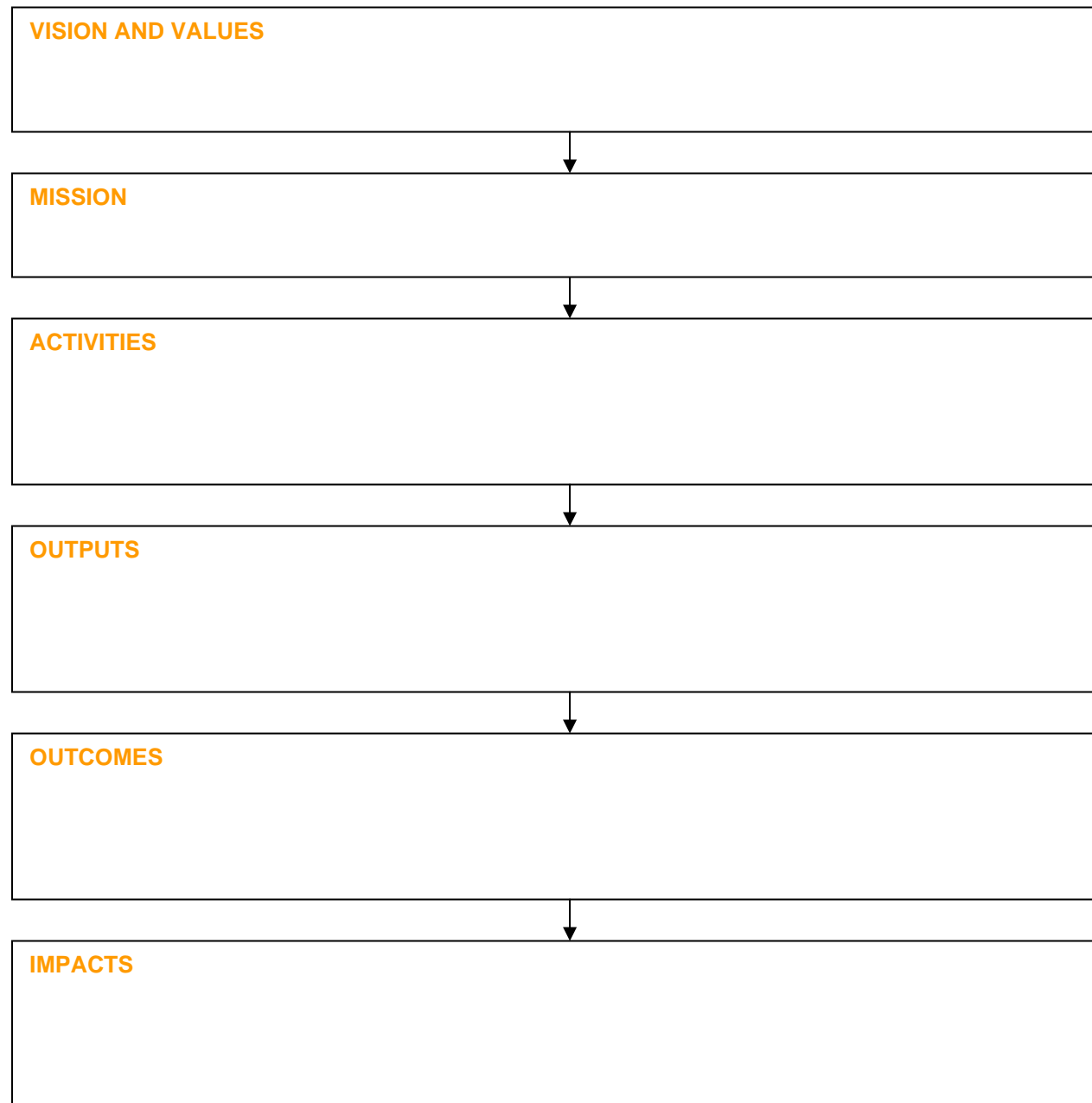
<b>Who will be responsible?</b>

## What do we already do?

What do we already do? is a worksheet designed by the SAN and used with permission by The Social Enterprise People during the preliminary meeting. As a result, it cannot be included here, but can be found in the SAN manual, available from their website. This worksheet helps clients to examine what monitoring and evaluation information they already collect. This can provide helpful management information for the client as well as allowing social accounting data collection to be designed in order to avoid duplication and minimise any additional burden.

## Motivations, Activities and Aspirations

This exciting worksheet is used in the early stages of the process to facilitate a journey for the client; guiding discussion about their organisation's motives, activities and desired achievements. The worksheet can motivate staff, allowing them to consider and define the impacts and changes they work to create, and provides the fundamental information on which the rest of the social accounting process is based.



## Outputs, Outcomes & Activity Matching

This worksheet allows the desired outputs and outcomes, defined using the motivations, activities and aspirations worksheet above, to be matched to the activities through which they might be achieved. This worksheet provides useful management information by highlighting any activities that do not contribute to achieving desired affects, or any desired changes which will not be achieved through current activities.

Outputs and Outcomes	Activities

## Stakeholder Categories Diagram

The final worksheet (again available in the SAN manual) guides organisations through defining their stakeholders (that is anyone who affects or is affected by the organisation). After this, key stakeholders are chosen and contacted for their input into the social accounting process. By including the input of key stakeholders at this stage, the social accounting process promotes a high level of participation and ensures wide relevance.

# Case studies

## Case Study 1 – Engaging Employers

Engaging Employers II (EEII) is a project run by the Papworth Trust, a charity which promotes equality, choice and independence for people with physical disabilities, sensory impairment and learning difficulties. Engaging Employers was set up in January 2004 to work with Cambridgeshire employers to help them gain a greater understanding of disability issues, learn how to comply with the Disability Discrimination Act, and address issues, such as lack of confidence, which could act as a barrier to their employing people with disabilities. It seeks to achieve these goals through a combination of networking, consultations, information provision, and workshops for businesses and public sector bodies within the East of England.

As an LiC-funded project, EEII was eligible for social accounting services provided by The Social Enterprise People through the Social Accounting Pilot. EEII's involvement with the Pilot began in October 2006 with an introductory meeting explaining social accounting and the potential benefits for the project. After deciding to go ahead with social accounting, a preliminary meeting was held to begin the process. During this meeting the benefits sought by the EEII project lead from social accounting were discussed and it was decided that the main benefit which would be worked towards was as follows:

- To capture the 'hidden value' of the project that hard outputs do not reveal. This hidden value was predicted to include cultural change or change in the mind sets of the employers involved in the project.

After this preliminary meeting, seven of the project's key stakeholders were contacted and two replied outlining the outputs, outcomes and impacts they desired from EEII. This information, along with that from the preliminary meeting, was used as the basis of a data collection plan in which different methods were suggested for gathering the information necessary to assess whether EEII was having the impact to which its stakeholders aspired. This data collection plan had to be both highly efficient, with all data collection fitting into normal project delivery in order to be manageable for the busy project lead, and appropriate for engaging the employers involved with the project. After submitting the data collection plan, a third meeting was held in February 2007 to discuss the plan and modifications were made to it. The EEII project lead then began to incorporate some of the suggested data collection into his activities. In addition stakeholder interviews were conducted by The Social Enterprise People. The data collection suggested is summarised below:

- *Recording activities*  
Activity records are already kept. It should be ensured that these records include: a list of the organisations engaged with (including their occupational area, size and the depth of engagement); and a record of the consultations, presentations, training weeks and equality workshops delivered and meetings held (including the attendees, duration and content).

- *Anecdotal information*  
Anecdotal comments (e.g. about changes in practice made as a result of consultation) or reports from clients (e.g. about a new job opportunity), or information gathered from elsewhere about the impact of the programme should be recorded. A suggested method is to record such information in a computer spreadsheet and should include the comment or reference, the date and by whom they were made.
- *Employer interviews*  
Interviews with employers with whom the project has engaged could be carried out at the start and end of their involvement in order to measure the impact of their involvement with Engaging Employers. I would suggest that interviews consist of a mixture of closed and open questions in order to gather the required information. Questions at the beginning of engagement should aim to establish the baseline while questions at the end of engagement should aim to establish movement away from this baseline.
- *Steering group discussion*  
Discussion with the steering group could be very useful for gathering data for the social accounting process and for helping the process remain open and accountable to Engaging Employer's stakeholders. Of particular importance is discussion of the extent to which the programme has reflected its values. Such a discussion with the steering group would allow a wide range of important opinions to be gathered at one time and in the course of normal project activity.

Data collection ran from February until November 2007. At the end of this period the data collected was submitted to The Social Enterprise People for analysis. A report on the findings was then produced by The Social Enterprise People.

As an EEDA-funded project, EEII needed to gather a large quantity of monitoring and evaluation information. As such, it might be thought that social accountancy may not add much value to these methods. However, when asked to describe the specific benefits of social accountancy, the Project Lead commented on the data collection, emphasising that noting down anecdotal evidence, in particular, was a valuable exercise; *"you don't know how much you've collected until you record it"*. Although social accountancy was more time consuming than he originally expected, the Project Lead also commented that social accounting was *"not an onerous exercise, particularly in view of the potential value it may bring."*

## Case Study 2 – Cambridge City Council

Having worked with a number of social enterprises to support them in undertaking social accounting, The Social Enterprise People increasingly understood that - for the full potential of social accounting to be realised - it was important that funders also began to understand and value the social accounting process. To this end, The Social Enterprise People worked with Cambridge City Council to incorporate some social accounting methods into their grant making procedures.

The Social Enterprise People's work with Cambridge City Council began after discussing the Social Accounting Pilot with an Officer within the Economic Policy Department. On hearing about this, the Officer was interested to know more about a method of measuring the softer impacts of funded organisations; he felt that this could be a solution to a long-felt but ill-defined problem – that of missing valuable information by using monitoring procedures based solely on numbers and tick-boxes.

After a scoping meeting to discuss the services that The Social Enterprise People could offer, a proposal was submitted to the Economic Policy Department of the Council. This proposal was considered and the department decided initially to undertake the first step of the proposed process; adaptation of the grant application form. This work involved adapting the application forms to include needs assessment, gap analysis and sustainability planning. The inclusion of these elements within the application forms was intended to help applicants to think specifically about the needs they intend to meet and the gap they intend to fill through their work. In later work we propose to extend this by asking applicant organisations to define their desired outcomes and discuss how their achievements will contribute to the Council's strategic objectives. We will also encourage the Council to monitor applicants by measuring their progress and performance against these outcomes, moving away from counting only hard outputs.

This initial work with Cambridge City Council was completed in October 2007 and is being piloted until the beginning of April 2008 so full benefits cannot yet be analysed. The Social Enterprise People believe, however, that the work has already helped Cambridge City Council's Economic Policy Department to move towards an outcomes based approach to grant making. This will be advantageous to the Council who will gain from increased knowledge of the actual outcomes and impacts of the organisations they fund in a form that allows them to judge the contribution of each organisation to their strategic objectives.

The work also has benefits for the third sector organisations funded by the Council. The application process will fit better into their project planning process and the outcomes focus will allow them to demonstrate the value and impact of their work in more holistic way than was allowed previously. It is hoped that, as well as improving the grant making process for both funder and recipients, this work will also promote a better relationship between these groups through a more mutually beneficial grant making procedure.

The Social Enterprise People's Social Accounting Pilot is supported by the Greater Cambridge Partnership and East of England Development Agency.

