



Measuring Social Impact in Social Enterprise: The state of thought and practice in the UK

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Research Publication Notices

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Organisations

This report has been commissioned by E3M as part of its wider work supporting the development of Social Enterprise in the UK and across Europe. It has been funded with sponsorship from Baker Tilly, CAN, and Big Society Capital, with those three organisations also providing the specialists who have authored the work.

Further details of the organisations involved, and biographies of the authors follow below.

The views and comments expressed in the report are the authors' own, and do not reflect a corporate position on the part of either their organisations or E3M.

E3M 

Markets, Money & Models: key ingredients for successful social enterprise

E3M is an initiative led by Social Business International that focuses on the key ingredients for the successful growth of social enterprises that deliver public services. At its heart is a business club of the leaders of the UK's most successful social enterprise that trade in public service markets. They run a wide range of services including health and care, leisure and culture, children and young people services, telecoms and transport. Together the E3M businesses turnover £500m and employ 20,000 staff.

Working with the E3M founding partners: the University of Northampton, BWB LLP and Unity Trust Bank, E3M has developed an ambitious programme of activities including: roundtables, seminars, conferences and publications. Set within the context of the EU Social Business Initiative, these activities have been aimed at shaping policy and sharing knowledge in relation to social investment, commissioning and procurement, successful business models for social enterprise growth and impact measurement.

Baker Tilly  BAKER TILLY

Baker Tilly is a leading independent firm of accountants and business advisors providing an integrated range of services embracing the traditional to thought-leading developments in social impact and finance. It has been the number one auditor of charities for the last seven years, with similar presence in Housing, social enterprise, NDPBs, education and skills, independent schools and academies.

Led by Jim Clifford, Baker Tilly's Not-for-profit Advisory group works within public and third sector transactions: acquisition, merger, restructuring, disposals and fundraising. It also includes the tripos of Social Impact Services: Social Impact Identification and Measurement, Contracting structures and Payment by Results, and Social Finance and Investment .



CAN supports social enterprises and charities to scale up their businesses and maximise their social impact. We provide business support access to capital as well as running CAN Mezzanine, high-quality and affordable office space exclusively for the social sector. To date CAN Mezzanine houses over 110 charities and social enterprise across its sites, and provides hot-desking and virtual offices facilities to many more. CAN Invest manages and provides access to social investment funds as well as business consulting, including investment-readiness services and impact consulting. CAN Invest is an Approved Provider on the Cabinet Office's £10m Investment and Contract-Readiness Fund. It is a founding member of the Social Finance Forum and the Social Impact Analysts Association. Since 2006 CAN has been a Strategic Partner of the Cabinet Office to promote social entrepreneurship in the UK.

Big Society Capital



Big Society Capital is an independent financial institution funded from unclaimed assets in dormant bank accounts and by investment by the four major UK high street banks (Barclays, Lloyds TSB, RBS and HSBC). Its mission is to build the social investment market in the UK.

By statute Big Society Capital is only able to invest in social investment finance intermediaries. These intermediaries provide appropriate and affordable finance and support to social sector organisations. Such organisations include charities, social enterprises, voluntary and community organisations, cooperatives and mutuals that are tackling social problems such as: youth unemployment, recidivism, long term health and care issues, homelessness, troubled families, drug and alcohol addiction and community cohesion.

Social investment finance intermediaries connect investors who are looking for a social as well as a financial return from their investment with social sector organisations that need finance to grow and so increase their social impact. The belief is that by supporting social investment finance intermediaries to grow and become more sustainable, they will be able to bring millions more in investment into the social sector than Big Society Capital could bring alone. This means that in the future, the social sector will have access to reliable sources affordable finance.

Authors

Jim Clifford  BAKER TILLY

Jim, a corporate finance partner with over thirty years' experience in advising and managing non-profits, is Head of Not-for-Profit Advisory Services, and Chairs the Public Sector Group at Baker Tilly. He was the lead author of the Social Impact protocol for Sector Skills Councils, published in 2010, as well as the study of Domestic Adoption and Fostering at PACT that has been so widely referenced in the developing policy debate in that field. He has authored a range of other cost, finance and valuation review for not-for-profit entities over a thirty-year career advising in the sector. Following completing an MSc in Charity Financial Management there, he is undertaking research into evaluative protocols for transactional decision making (linking Social Impact with conventional valuation and brand valuation) with Professors Palmer and Harrow at Cass Business School's Centre for Charity Effectiveness, where he is a Visiting Fellow, and teaches the social finance and impact measurement modules on the charity and NGO Masters programmes. He is also an independent director of the Centre for Public Scrutiny, and Chairs the GECES sub-group advising the European Commission on Social Impact Measurement in the context of emerging European legislation. Recently he has completed, with the Consortium of Voluntary Adoption Agencies, the development of the first UK Social Impact Bond originated wholly in the voluntary sector: "It's All About Me", the adoption bond.

Kate Markey  CAN Invest
Driving growth in social enterprise

Kate is Managing Director of CAN Invest. She leads on all of CAN's social investment initiatives including its fund management and development, CAN Impact consultancy services, business consulting to social ventures and CAN Engage, its corporate partnerships. Previously Kate had been CAN's Deputy Chief Executive since 2008, after joining the organisation two years earlier as Director of Policy and Communications.

Kate has a longstanding career and commitment in social enterprise – working previously as an Executive Director of The Big Life Group in Manchester, a group of social businesses and charities tackling disadvantage and social exclusion. She was also Editor of The Big Issue in the North for many years. Under her editorship, the magazine campaigned heavily to raise public understanding about homelessness, including changing legislation to give homeless people the right to vote.

Before joining CAN in 2006, Kate worked for Thomson Reuters international news agency in Caracas Venezuela. Kate holds a BA Honours in English and Communications from the University of Liverpool and became a Fellow of the Royal Society for Arts in 2009.

Kate is a member of Social Finance Forum and leads on CAN's strategic partnership with the Cabinet Office to promote social entrepreneurship, investment and impact. CAN is a co-founding member of the Social Impact Analysts Association.

Natasha Malpani



Natasha leads Big Society Capital's social due diligence efforts and works to build both BSC's own social impact strategy as well as help social investors develop their own approaches. Natasha is particularly interested in developing new models of social investment analysis that stress the importance of context, qualitative measures and a bottom-up, evidence-based approach.

She has previously worked for a hedge fund, founded and ran a social enterprise that encourages the recycling of second-hand and abandoned cycles and conducted research on cancer stem cells, fear learning and memory and agricultural innovation. She holds Masters degrees in immunology and sustainable development from Oxford and Cambridge respectively

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1. Executive Summary

Measurement of Social Impact matters. Social organisations need, more than ever, to evidence it as the funding and commissioning landscape evolves and grows ever more competitive. However this is not simply a funder or commissioner-driven need. A range of drivers include burgeoning social need, cash constraints in public funding, legislative change, changing delivery and funder landscapes, growth of a measurement culture in policy-making and public life, and evolving thinking in measurement itself.

Against this backdrop it seems all too easy to see the plethora of measurement tools and approaches, and the refreshing debate as the social sector strives for improvement as divergent thought and disagreement.

This report is the result of a challenge to that picture. What would happen if a range of those involved in measurement – providers, funders, expert practitioners, academics, and commissioners – were to get together in an organised forum and debate and resolve this? On 24th January a group organised by E3M with Baker Tilly, CAN, and Big Society Capital did just that. Hosted by Bates Wells & Braithwaite, E3M founder members, brought such a group together to consider this key question:

Taking account of the views of funders, grant-makers, and providers, and setting the whole in the real-life commissioned service worlds of care, offender management, and youth and education:

1. Are there common threads to measurement, and if so what are they, and
2. What are the differences, and when and why do they arise?

This work was therefore set in the context of real-life measurement, and considers three of the main service arenas in which commissioners and funders are seeking and developing measures. This paper is therefore intended to maximise its relevance, and move it away from theoretical debate.

The authors, as the leaders for the day, set the scene, outlining a framework in which the question could be considered. The converging and diverging needs of stakeholders were set in two frames:

- A three-way grid, with axes of qualitative or quantitative measures; financial or non-financial (monetised) expressions of them; and forecast or historical accounts. All were recognised as valid and useful in context.
- A five-level tiered measurement set spanning narrow and wider measures of cashable savings through local economic gains to narrower and fuller ranges of social gain. All were recognisable and relevant outcomes in different contexts, but differed in terms of chosen timescale, measure, viewpoint, and purview (field of vision).

The groups focused on the research question in their provider-service areas, and then compared views in plenary session with the support of a panel comprising the three authors and Tris Lumley of NPC. A clear set of common threads and differences emerged, and are summarised as follows:

COMMON	Care	Off'r	Y+E	Differences	Care	Off'r	Y+E
Outcomes/impact known	✓	✓	✓	Language: <ul style="list-style-type: none"> • between stakeholders • between sectors 	✓	✓	✓
Consensus of measurement needed, and use an iterative dialogue to get it	✓		✓	Stakeholders' decisions: <ul style="list-style-type: none"> • different by different department 		✓	
Informed outputs as milestones	✓	✓	✓	Viewpoints	✓	✓	✓
Theory of change known: based firmly on telling the story	✓	✓	✓	Timescales	✓	✓	✓
Measure must speak for the intervention, and measurement must be embedded in the service	✓	✓	✓	Purview	✓	✓	✓
Set measurement in the context of the decisions to be made, and the learning to be had	✓	✓	✓	Different systems for: <ul style="list-style-type: none"> • finance • governance • decision-making 	✓		✓
Measurement must work for all stakeholders: <ul style="list-style-type: none"> • Developed in partnership • Fundamental that it works for the provider 	✓			Commissioner influence in intervention design, and in measurement design: <ul style="list-style-type: none"> • different behaviours being driven: organisational and individual 	✓	✓	✓
Evidence must be as needed for the purpose, not evidence for evidence's sake: must be of appropriate quality	✓	✓	✓	Context: <ul style="list-style-type: none"> • timeframe et al • focused outcomes: range of all effects but different priorities within those 	✓	✓	✓
Measurement must be used and not isolated as a technical exercise	✓	✓	✓	Frameworks and measurement must be, to some degree, intervention-specific	✓	✓	✓
Measurement drives behaviour: be careful how	✓		✓	Levels of evidence (see NESTA levels ¹): <ul style="list-style-type: none"> • matched to purpose • policy need vs funding (PbR) vs intervention management • cost-effective 	✓	✓	✓
Monetise sometimes: only when needed by stakeholders		✓		Frequency vs binary measures: <ul style="list-style-type: none"> • binary for milestones (informed outputs) • frequency for better measures/larger cohorts 	✓	✓	✓
Divergence of social change and cost savings	✓		✓	Different systems for: <ul style="list-style-type: none"> • finance • governance 	✓	✓	✓

Four main thematic areas were apparent:

- That measurement should be driven by the story of the intervention and by the needs of the organisations that deliver it
- Measurement exists in a real world defined by market context and policy dynamics
- Measurement varies to meet differing commissioning arenas, but should be sensitive to and not be driven by them
- Funder views in the emerging Social Investment markets affect it

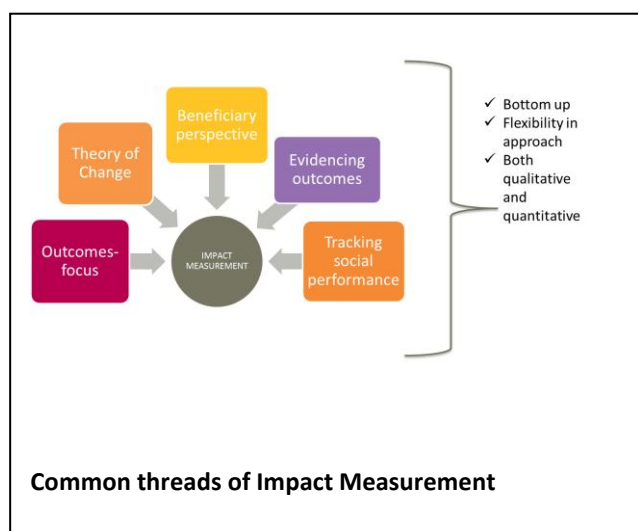
There is considerable common ground: this is not an arena of divergence and disagreement. Significant steps forward have been, and continue to be, made in improving and finding common ground between measurement approaches and the methods by which they are delivered. However to impose rigid structures on those is to constrain and in some cases destroy the underlying stories of the work done, and the lives changed through the services being measured. The factors common to all such measurement, without which it is unlikely to meet stakeholder needs fully, if at all, are:

- A clearly enunciated story, with its theory of change, but with presentation adapted to the story it is trying to tell
- A clarity of beneficiary perspective: who, how and how it looks from their viewpoint
- Evidence of outcomes or causal link between outputs and outcomes with an intention to collect outcome data over time
- Demonstration of that change over time, from the identified beneficiaries' perspectives
- Linking learning based on analysis back to organisational learning

The three service-area groups strongly agreed that for measurement of social impact to be effective, evidenced outcomes must work simultaneously for providers, commissioners, funders and investors, and be developed in partnership. Participants argued that for social service providers to be truly effective,

they should demonstrate the following:

- Measure clients / individuals progress through interventions;
- Demonstrate how measurement is integrated into an organisation's governance, processes and procedures (as opposed to an add-on);
- Define outcomes against client groups;
- Evidence what impact the organisation has on the wider community (e.g. local procurement, employment and economy).



This meeting of minds is most welcome, and all those involved were keen to build upon it. This focus on agreed common threads needs to inform both front-line measurement and the Governmental and practitioner policies that rely upon it.

2. Why measurement matters now

Social Impact measurement is much talked-about. For over twenty years different methodologies have been developing, spanning different viewpoints, different service delivery arenas, different jurisdictions, and the needs of different interest groups. Various commentators have argued that there are common threads, but some fundamental differences to these points of view. While attempts have been made to draw out this shared thinking in academic, professional research, provider, funder and commissioner environments, too often they have ended in largely theoretical debates about the definitions of the terminology used rather than the subject matter itself.

On the other hand, practitioners and providers themselves have provided more examples - concrete examples - of the challenges and feasibility of impact measurement. Whilst some are admittedly better than others, the best of them take our knowledge of the methodologies, and how to solve their practical shortcomings, forward in leaps and bounds. As use grows, so does confidence.

This report aims to provide a practical overview on the common threads and differences of impact measurement for the social sector, from a provider, commissioner and funder perspective.

THE NEED

The need for social impact measurement is growingly increasingly critical. Social organisations are clearly feeling more pressure to evidence their social value, as the funding and commissioning landscape evolves and grows more competitive.

A few factors that drive this need stand out in particular:

- ***Social Need***

There is considerable recognition, in all quarters, of the social needs in our society. With recession biting globally, these needs seem to be on the increase, at the same time as that recognition appears to be growing.

- ***Cash constraints in public funding***

Public funding cut-backs are rife across the world, and the UK is no exception. As need, or recognition of it, rises, and funding falls the focus must be on effective and efficient delivery of services, concentrating resources on what works best in delivering impact.

- ***Legislation***

The Public Services (Social Value) Act 2012 requires that a procuring authority must “consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and how, in conducting the process of procurement, it might act with a view to securing that improvement.” This, whilst apparently general in provision, appears to be contributing to a change of focus in commissioning.

Other areas such as the increasing focus in the public benefit test for charities in the Charities Act 2006 are further raising impact and effectiveness in delivering social value as

key. In Europe legislation and policy are also changing. The emergence of the idea of the European Social Enterprise Fund, designed to remove legislative barriers to capital-raising for social enterprises, and the development of programmes and funding under the Social Business Initiative are examples of innovation set to have an impact.

- ***Evolving thinking***

The field of impact measurement is visibly evolving. A review of the reports being produced shows a refinement of measures, a development of financial and performance proxies in SROI and Social Accounting, enhanced methodologies, and improvements in presentation to make the findings of these studies more transparent and



usable. Additionally, networks of practitioners, academics, providers, funders and commissioners such as E3M, programs such as Inspiring Impact, expert panels such as the European Commission GECES Sub-group on Impact Measurement, and through member groups such as SIAA are encouraging the sharing of best practice, learning and knowledge through collaboration.

- ***Changing delivery landscape***

The emergence of social enterprise as field in its own right, demanding its own structures and standards, has raised further questions, and calls for definitions, which circle back to the delivery of social value.

The reform of public service delivery has demanded that new, more appropriate measures are developed to evidence social value. The Social Value Act and shift to Payment by Results as a commissioning approach has raised a number of concerns (such as the risk that unmeasurable outcomes get dropped despite having obvious social importance) but has also pushed the measurement community to develop – to co-develop - its thinking.

- ***Changing funder landscape***

New funds have emerged, as traditional private equity has opened its eyes to this arena, and been joined by major new providers such as Big Society Capital and Bridges Ventures, social lenders such as Big Issue Invest and CAF Venturesome, linking up with a repositioning of traditional grant-makers such as Esmée Fairbairn. A number of these have been active in the development of measurement, embracing not just their own needs, but those of the effective providers.

- **Growth of the measurement culture in policy making and public life**

During the Labour years the demand for central control and measurement to support that grew. With a shift of focus from commercial to social needs, that measurement mind-set has transferred to this emerging arena.

Greater need demands greater clarity. With a plethora of measurement approaches available, some of which appear to differ markedly from each other, which are “right”? Can you measure everything, or, as some have suggested, should you focus on measuring what matters? How do you decide if you have measured ‘enough’, sufficiently accurately to suit your purpose? Can you make valid comparisons between different providers of a similar intervention, or between multiple interventions? How can funders and commissioners set criteria that support all sorts of interventions without prejudicing some?

This then begs the question on which the measurement roundtable was focused:

Taking account of the views of funders, grant-makers, and providers, and setting the whole in the real-life commissioned service worlds of care, offender management, and youth and education:

3. **Are there common threads to measurement, and if so what are they, and**
4. **What are the differences, and when and why do they arise ?**

This work was therefore set in the context of real-life measurement, and considers three of the main service arenas in which commissioners and funders are seeking and developing measures. This paper is therefore intended to maximise its relevance, and move it away from theoretical debate.

3. Measurement: what’s being talked-about

To discuss the role and context of social impact measurement, it was important the roundtable participants commonly agreed on its definition:

.....the measurement of the impact of changes (outcomes) intentionally achieved in the lives of beneficiaries as a result of services and products, delivered by an organisation, for which the beneficiary does not give full economic value.....

In this instance it focuses on social enterprises: social sector providers delivering services for value by way of trading, and largely operating in the public service space.

Participants discussed the changing landscape and key influencers driving the requirement for greater social impact measurement. These are discussed in greater detail within this paper but can be summarised as:

- The **tightening purse** within central and local government requiring more for less in service delivery.

- **Unprecedented re-organisation of the public sector** driving greater devolvement of service delivery from State control, including Open Public Services Act 2012, the Localism Act 2011 and Health and Social Care Act 2012. Such legislative change brings significant competition within the market place, with Social Sector Service
- Providers looking to **differentiate** themselves from for-profit providers by their social impact credentials.
- **Emerging social investment market** bringing to attract and direct capital to deliver both social as well as financial returns, including the co-commissioning and co-financing of services alongside the State.
- **The Public Services (Social Value) Act 2012** requiring the public sector contracts to consider the social value created (or destroyed) with the procurement.

Impact Requirements for Key Stakeholders

The participants were presented with a broad summary of the converging and diverging requirements of social impact evidence according to the key stakeholders involved. These included (but not exclusively):

1. **The impact on individuals of services provided an organisation:**
 - a. **Social Sector Service Providers:** Accountability to beneficiary groups as core to protecting mission; Management of performance and operations: Define strategy to target maximum resource to scale mission.
 - b. **Social investors:** screening and investing for the greatest scale and impact against capital.
 - c. **Commissioners:** seeking greatest outcomes for least risk.
2. **Direct cost savings / efficiencies for the public department as the commissioner of services:**
 - a. **Social Sector Service Providers:** seeking evidence-able outcomes for investment, replication of best practice for innovation and outcomes-based service redesign and negotiation with commissioners on price / service delivery.
 - b. **Social Investors:** As co-investors with commissioners seeking required outcomes to trigger payments, evidence of best practice and opportunities for innovation. This would also apply for more complex outcomes where cashable savings could be recognised across government departments.

- c. **Commissioners:** seeking on-going cost efficiencies against year-on-year budget cuts through outcomes-based commissioning including percentages of Payment by Results (PbR) and innovation in service re-design. This would also include wider cost-savings across more complex cross-departmental arenas now being considered by the Cabinet office.

3. **Wider impact on the local community or society at large:**

- a. **Social Sector Service Providers:** reporting secondary outcomes against mission and impact / contribution to the local communities / economy.
- b. **Social investors:** seeking secondary outcomes against their capital investment.

Matrix of Social Impact Measurement

To define differing perspectives and requirements for social impact measurement, participants were presented with a broad matrix illustrating the spectrum of social impact measurement across three axes, including financial or non-financial data; qualitative and quantitative evidence; and both forecast and historical evidence gathering.

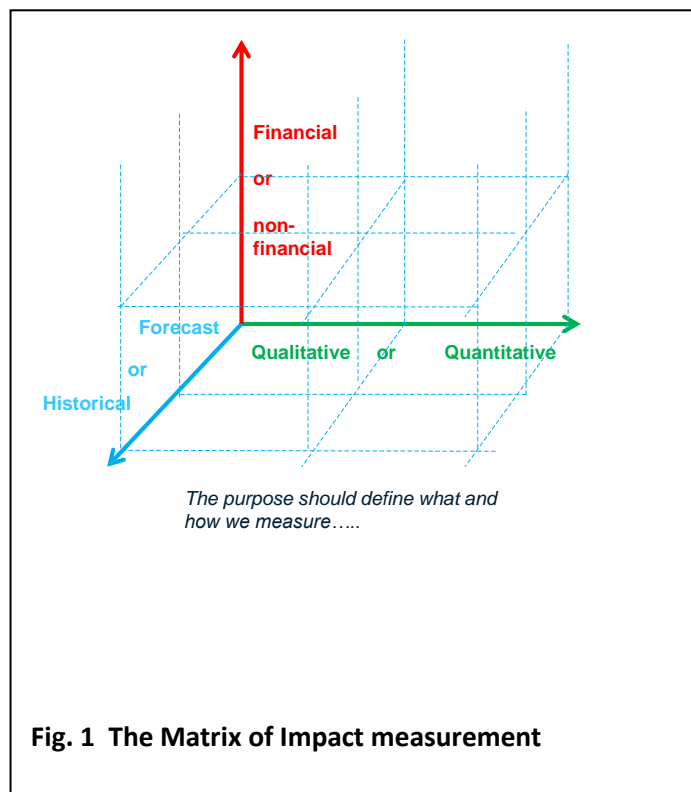


Fig. 1 The Matrix of Impact measurement

The participants discussed the differing requirements of each key stakeholder on these axes and the relative demands of hard / soft data and differing demand of judgement versus definitive outcome.

The question of time-scale is an interesting one- do various stakeholders consider and value the time-scale of impact measurement differently? What is the importance of interim outcomes ahead of long-term impact around complex societal issues like offender management, rough sleeping or mental health? Do providers place different values on on primary and secondary outcomes compared to commissioners?

Categorising Financial Measures of Social Impact

The differing needs of stakeholders frequently manifest themselves in five broad levels of measurement, shown in Fig.2. They fit within each other, moving from the narrow cashable savings within, say a single hospital service, through the wider ones (say of health and care) out to the full social impact. Different stakeholders, the authors suggested to the participants, choose

measurements that fit four factors to their particular needs: the timescale (from short-term savings to long-term gains); the measure being chosen (monetised or otherwise); the viewpoint (defining what can be seen and focused upon) and the purview (field of vision). These are shown in Fig.2, and were brought into sharp focus when considering impact measurement in the content of financing social outcomes.

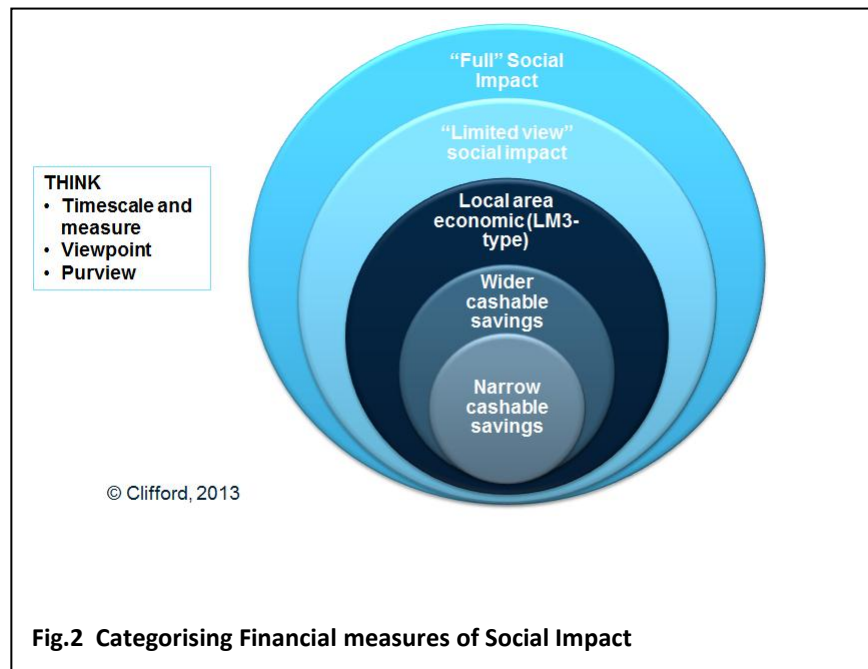
Participants recognised that whilst there are a number of different methodologies for measuring social impact, there were common elements pertinent to the key stakeholders of providers, investors, funders and commissioners.

Furthermore, these elements were becoming increasingly relevant in an environment of

outcomes-based commissioning and the growing social investment market. These common elements were summarised as:

- **Attribution** or what percentage of outcomes could have been caused by other interventions by organisations or people.
- **Deadweight** or what would have happened anyway to a beneficiary or group regardless of interventions by the Social Sector Service Provider.
- The requirement and value of **performance and financial proxies** placed against outcomes and the comparability of these.
- The assessment of **risk** against social impact outcomes.
- The assessment of **negative outcomes** or unintended consequences of services provided.
- The differing value of immeasurable outcomes to the respective participant groups.
- The use of **randomised control groups** within emerging social investment instruments such as Social Impact Bond and the complexities around validity, ethics and choice.

Some of the factors that featured critically in the debate included the development of the market place for social sector service delivery a move to open public services and outcomes-based commissioning, the increasingly competitive funding landscape for the social sector, the drive



towards standardisation of services or methodologies (covered later in the social investment section) and perceived or real barriers to market penetration.

Social sector service providers compared the relative cost of impact consulting services to providing direct resource to the frontline. The need for taking proportionality into account- and considering both scale and complexity of scales when it came to impact measurement was raised.. Furthermore, with the advent of the Social Value Act, participants recognised the opportunity to influence commissioners, whilst also raising doubt to date of the relative success of using evidence of impact to influence the procurement processes.

4. Gathering views: a round table of thought

The approach to gathering views was firmly based around discussion. Getting a number of the right people in a room together with a structure to aid a conversation, and a common task of discovery, was expected to yield dividends.

Participants’ names and roles are as shown in Appendix 1. This also shows who was allocated to which of the three areas: care; offender management; and youth and education. Floating, or unallocated participants were invited to join whichever group they preferred. This inevitably meant that the groups were influenced not just by the service area focus of the group, but also by the mix of individuals involved. The authors have used the transcripts of the group sessions to help them to draw out key themes even where not fully developed in the group discussions, and objectively to moderate views raised.

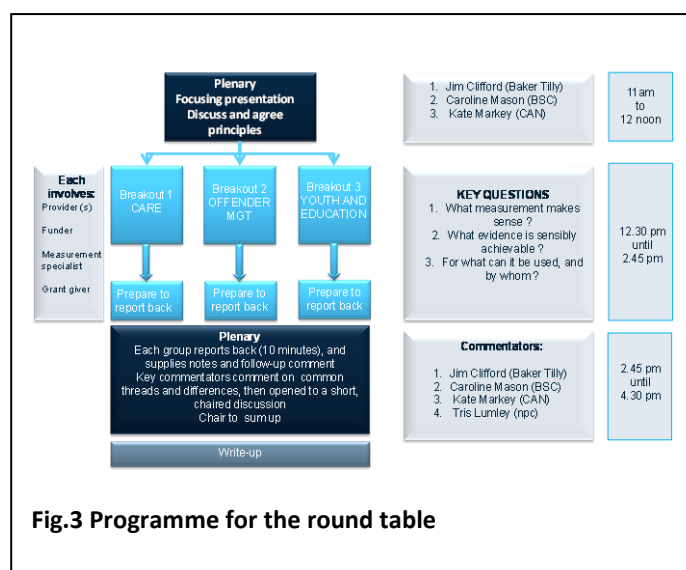


Fig.3 Programme for the round table

The programme followed three phases shown in the diagram at fig. 3. These were as follows:

- Plenary session: context and framework**

The authors presented an introduction covering context, setting some definitions, suggesting a framework for categorising measures of social impact. They then highlighted some pitfalls and issues, both those which had been discussed in the past but which were perhaps being found to be less of a challenge, and those that appear to be emerging in practice. Finally they suggested some common ground and some differences. A discussion of these followed before the participants broke into groups.
- Group discussions: Looking at measurement by provider area**

Lasting up to 2½ hours, these pooled the thoughts and experiences of participants spanning providers, funders, grant-makers and measurement specialists. Together they addressed

three questions, focussing around one of the three areas of service delivery (care, offender management and youth and education):

1. What measurement makes sense in this area ?
2. What evidence to support this is sensibly (and cost-effectively) achievable ?
3. How should that measurement be used, and by whom ?

- **Plenary session: report back and discuss**

Each group produced a ten minute summary of their deliberations, supported afterwards by notes. These were fed back consecutively, following which a panel gave comments on the common threads and differences that appeared to have emerged. A plenary discussion followed.

The roundtable was recorded to help writing up, and transcripts produced. The authors have produced this report from those transcripts, their notes on the day, and further research into reports on the subject highlighted by participants and forwarded since that day. Tris Lumley of npc has reviewed the drafts of the report as moderator.

5. Common threads and differences

The groups approached the work in different ways, reflecting perhaps partly the different areas of delivery, but also the participants' different areas of interest and knowledge. It was, however, striking that a series of common threads and differences did arise, and were apparent in the feedback session. These are summarised in the table below, showing in which sets of group feedback the issue arose.

COMMON	Care	Off'r	Y+E	Differences	Care	Off'r	Y+E
Outcomes/impact known	✓	✓	✓	Language: <ul style="list-style-type: none"> • between stakeholders • between sectors 	✓	✓	✓
Consensus of measurement needed, and use an iterative dialogue to get it	✓		✓	Stakeholders' decisions: <ul style="list-style-type: none"> • different by different department 		✓	
Informed outputs as milestones	✓	✓	✓	Viewpoints	✓	✓	✓
Theory of change known: based firmly on telling the story	✓	✓	✓	Timescales	✓	✓	✓
Measure must speak for the intervention, and measurement must be embedded in the service	✓	✓	✓	Purview	✓	✓	✓
Set measurement in the context of the decisions to be made, and the learning to be had	✓	✓	✓	Different systems for: <ul style="list-style-type: none"> • finance • governance • decision-making 	✓		✓

COMMON	Care	Off'r	Y+E	Differences	Care	Off'r	Y+E
Measurement must work for all stakeholders: <ul style="list-style-type: none"> Developed in partnership Fundamental that it works for the provider 	✓			Commissioner influence in intervention design, and in measurement design: <ul style="list-style-type: none"> different behaviours being driven: organisational and individual 	✓	✓	✓
Evidence must be as needed for the purpose, not evidence for evidence's sake: must be of appropriate quality	✓	✓	✓	Context: <ul style="list-style-type: none"> timeframe et al focused outcomes: range of all effects but different priorities within those 	✓	✓	✓
Measurement must be used and not isolated as a technical exercise	✓	✓	✓	Frameworks and measurement must be, to some degree, intervention-specific	✓	✓	✓
Measurement drives behaviour: be careful how	✓		✓	Levels of evidence (see NESTA levels²): <ul style="list-style-type: none"> matched to purpose policy need vs funding (PbR) vs intervention management cost-effective 	✓	✓	✓
Monetise sometimes: only when needed by stakeholders		✓		Frequency vs binary measures: <ul style="list-style-type: none"> binary for milestones (informed outputs) frequency for better measures/larger cohorts 	✓	✓	✓
Divergence of social change and cost savings	✓		✓	Different systems for: <ul style="list-style-type: none"> finance governance 	✓	✓	✓

These findings are discussed in further detail in the following section.

6. Four key thematic areas

From the roundtable's findings, and the discussions that surrounded them, there emerged four key thematic areas, and these are discussed in turn below. They are:

- That measurement should be driven by the story of the intervention
- Measurement exists in a real world defined by market context and policy dynamics
- Measurement varies to meet differing commissioning arenas
- Funder views in the emerging Social Investment markets affect it

Organisational Strategy and Intervention

There was strong consensus from participants that creating social value should sit at the heart of social sector service providers. Yet the groups revealed diverging views on whether service providers should be the drivers of evidencing the social value they create, including some of the service providers present. Arguments were justified within the context(s) of the public service commissioning reform; the changing service provider market and competitors; and the emerging social investment landscape.

Groups strongly agreed that for measurement of social impact to be effective, evidenced outcomes must work simultaneously for providers, commissioners, funders and investors, and be developed in partnership. Some participants reported for social service providers to be truly effective, they should demonstrate the following:

- Measure clients / individuals progress through interventions;
- Define outcomes against client groups;
- Demonstrate how measurement is integrated into an organisation's governance, processes and procedures (as opposed to an add-on);
- Evidence what impact the organisation has on the wider community (e.g. local procurement, employment and economy).

Outcomes-Based Commissioning

In an environment of increasing outcomes-based commissioning, participants debated who should drive demand for social outcome evidence. This was directly linked to the debate around the role of social investment and outcomes measurement. During discussions within the Care and Youth sectors, there was an *inherent* belief that solutions to correct social outcomes and innovation lay with the service providers. In response to the question 'what evidence is appropriate', one participant responded "whatever the funder wants" [sic. "we know what we want to deliver and if we can get a funder to pay for it, we will give them whatever data they want"]; in Offender management, where the role of social



finance has perhaps been most active to date, it was felt strongly that commissioners should be the primary drivers of outcomes measurement and verification. Across all three sectors, funder and investor representatives argued that commissioners have a reliance on service providers to provide market knowledge.

Participants reported a significant disparity between national government requirements for data across public services and the quality of systems used by the State to capture it. In Care, service providers told of their failed efforts to influence more effective data recording that could evidence real outcomes.

Participants dispelled the myth that organisational capability to measure outcomes was directly aligned with the size and complexity of an organisation. At scale, there was still evidence of service providers only collecting what data is required and conversely excellent examples of start-up service providers with already established systems for evidencing impact. The social enterprise Cool2Care was founded in 2007 to provide personal assistants (PAs) for disabled children and their families. Early on, the organisation began to embed indicators around the outcomes of its services on the children and their wider family networks. The work became both an effective performance management tool as well as informing strategy around expansion, whilst also influencing local authorities in the commissioning and improving of assistance services for young disabled people

Proportionality was regarded as important if evidencing social impact is to be embedded in the Third Sector. Social investors present argued that typically when screening organisations for investment, they were less concerned about social impact methodology than a clear *Theory of Change* and evidence-able outcomes.

In Youth and Offender management, participants talked about the growing importance of national outcomes data (both government-held and or market developed). In Youth, there was a strong argument for an open source approach to evidence sharing, which could provide large, robust and longitudinal data for sector fields to aid policy development and feed into the commissioning cycle. The example of New Philanthropy Capital's (NPC) Well Being Index was cited – such data also means early stage organisations without a track record can evidence their impact against 'national standards' for investors and commissioners.

Some service providers expressed concern that Government was driving the outcomes agenda and the danger of social value seen in the context of cost cutting rather than systematic redesign and innovation. One impact of this could be the disjoint between achieving long-term social outcomes over short-term commissioning (or political) periods. All groups articulated the need to value and pay for interim outcomes particularly in the context of social finance instruments like Social Impact Bonds (SIBs). They highlighted possible interim outcomes as best practice, behaviour and innovation – all of which, if captured organisationally, can drive performance and growth.

The Value of Curious Organisations

High-performing and innovative service providers were characterised by participants as those motivated to put a Theory of Change at the centre of their operations. They may not articulate their actions as such, but their curiosity to understand how real outcomes happen for the communities they serve often enables entrepreneurial and innovate responses to social problems. In turn this can

lead to organisational learning, influence and then effective service redesign (and cost savings) at commissioner level. Participants also argued for the importance of evidencing failure, providing equal organisational and service design learning as success

For social sector providers committed to driving social change through systemic change in public service, proving efficacy of their approach is critical for both organisational growth and influencing The social enterprise Expert Patients Programme (EPP) supports and promotes self-managed care for people living with long-term health issues. The organisation knew the compelling non-health benefits of its approach for patients but needed to prove the wider value it created for society and the State, such as positive changes in employment or volunteering or improved relationships with family or friends. Evidencing the impact of their work has since played a pivotal role in influencing the government's agenda around managing care for people with long-term health challenges.



Evidencing social value was also clearly articulated as an organisational management tool alongside more established performance systems and key performance indicators. Groups felt this needed to sit with leadership and be led by the governance of organisations.

Articulating accountability to stakeholders through evidencing and managing social value performance was seen also seen as important, as was using both quantitative and qualitative data to tell the story of change created.

Sector systematic change was also needed to increase social value accountability. One participant cited the Charity Commission as hampering the focus on outcomes. Charitable organisations are legally obliged to prove their public benefit rather than the social impact they have.

Market Change and Competition

Participants at the roundtable voiced concern about evidencing social value in the context of large scale contracts, primary contracting and the increase in private service providers. As commissioners focus on cost and risk they will move to larger scale commissioning. Some participants felt alignment of social value through national to local delivery is a real challenge for social sector service providers. Others argued it was the opportunity for social sector service providers to differentiate themselves through evidencing the impact they have; validation and connection with local community, which large national operations struggle to deliver. As one participant said: "This whole sector was created out of people being really close to the community, identifying needs and doing something about it."

Many social sector organisations define their mission both by the impact of their services on beneficiaries and how they behave as businesses. As such often they have organisational commitments around; contributing to local employment, particularly disadvantaged groups; supporting the local social sector through supply chain; inclusive labour relations; and local community reinvestment. Some participants argued that in a market where important secondary outcomes are not valued commercially, where should the responsibility for evidencing them sit? CarePlus Group argues strongly that their commitment to their local communities was inherent in their mission and the market should lean towards valuing such impacts commercially.

Participants questioned but hoped the Social Value Act, which came into force in February 2013, could begin move the market towards greater shared value; where high-impact service delivery *and* congruent and locally positive business practices are commercially rewarded.

Participants talked both about demands and opportunities facing service providers in evidencing social value. There was strong recognition that social sector service providers are better placed than most to significantly influence commissioners' market understanding. More profoundly, participants concluded that evidencing social value, particularly around politically-driven issues like crime, has the potential to change deep-seated public perceptions.

The challenge of control groups

As more mainstream financial instruments are adopted by the social finance industry, how will this change the role of impact and verifying outcomes?

By definition, if effectiveness is based upon change, the outcomes for a given group of participants must be measured against a benchmark of what would have happened but for the intervention. This can be defined by:

- Before and after measures, where a beneficiary's life course can be tracked before and after the intervention
- Achievement against a commonly agreed benchmark, perhaps based on a study of outcomes without the intervention
- Cohort comparison of groups benefiting from the intervention against the outcomes for a control group not benefiting from it.



All three need to pass the challenge of whether they are set under consistent conditions: are they comparing like with like. All three are in use in cohort studies for interventions, and in results-based payment regimes.

Cohort comparisons raise an ethical challenge. In social intervention and research it is a fundamental that someone who needs an intervention should not be denied it wherever possible. This sits uncomfortably with the idea of a control group identified as needing the intervention, but don't benefit from it. If the control group includes people that had equal access to the intervention, and chose not to partake of it, that may be acceptable, but then it is necessary to revisit whether, because they have reacted differently to that choice, they are really a valid control group. The more the intervention relies for its effectiveness on the beneficiary's engagement with it, the more this becomes a challenge. As programmes like the Peterborough Prison pilot (Social Impact Bond); where frequency-based outcomes for a cohort are measured against a national norm; is replicated in other areas so the control group becomes smaller. The national norm is increasingly compromised by the effectiveness of the intervention, and it becomes necessary to seek a new benchmark.

Wider ethical challenges around benchmarking have been seen, for example in youth interventions around teenage mothers. As the success rate of the intervention increases, the benchmark may be reviewed upwards, treating what usually happens as the norm, rather than what happens without the intervention. The distance between the outcomes for the beneficiary cohort and the benchmark reduces, and the commissioner's drivers to continue to fund the intervention fall. This tends to lead to a yo-yoing in service provision, and the further ethical challenge of necessary interventions being denied to later cohorts of beneficiary because of the success with earlier cohorts. In behavioural terms this should create a trend of mis-analysing statistics, understating the success of interventions, in order to maintain services.

Market context and policy dynamics

The publicly funded and other services delivered by Social Enterprises do not exist in a vacuum. They address real problems, for real people, and must survive and be sustained in the real world. That means that they need to engage with service users, delivery partners, funders and commissioners in their worlds, encouraging them to be part of the solution being delivered. Whether it be the beneficiary cooperating with an intervention, or a co-provider getting involved and committing resource, each makes a decision according to their own perceived needs and policies.

All three groups recognised that, in order for interventions to happen, and to be effective, a range of parties has to work towards common, or at least parallel and reconcilable, goals. In Careplus’s work with homeless men, the commissioner of services has to agree to fund, partner agencies (health, criminal justice, housing, social care, and other charities) have to support in their respective ways and the beneficiary has to engage with the service, and stick to it. In some cases the involvement of a community or the wider public is also important. Each decides to do what is necessary based on their own “buying” decision: do the gains they believe they will see outweigh the sacrifices (monetary and otherwise) they believe they need to make to achieve them³⁴. These decisions are effected in the context of markets of day-to-day choices and options, and policies (beliefs or imperatives) reflecting what is desired Choices are made within the individual or organisation’s own framework of priorities. They are also based on whether the decision-maker has the relevant information they need, whether they recognise its relevance, and how they use it. These, then, are decisions that can be heavily influenced not only by the availability of relevant measurement, but also by how it is presented.

	Care	Offender management	Youth and Education	Common threads
Policy/belief drivers	Cost Employment Health and well-being Multi-stream cost savings and issues	Reduced reoffending Reducing the wider/chaotic effects of reoffending Cost-drivers	Raising educational attainment and engagement Raising standards for learning environments Employment Well-being	Each decision-maker needs to see measures relevant to their own situation and frame of understanding
Relevant timeframe for outcomes	Medium or long	Short (commissioner gain) Medium for wider outcomes	Long	Needs to be a balance of time over which causation is clear, and effect is large enough to recognise
Track-ability of outcomes	Easy if long-term engagement with intervention Harder for shorter term interventions	Easier	Hard, except interventions with ongoing support/contact, or through alumni groups	
Focus on individual (“I”) or cohort (“C”)	Mostly I, but some C in health	C	Mostly I, but some C in education	
Relevant “buying” behaviours for beneficiaries and others	Cooperation Personalisation Local agency interventions (mission/programme-driven) Multi-agency provision (various)	Little, other than (somewhat coerced) cooperation For some cohorts there may be perceived personal gain driving that cooperation Mostly commissioner-driven	Personal choice and engagement, based on perceived economic/personal gain Local agency influencers	Elements of cooperation between provider and beneficiary as an emotional and intellectual engagement is necessary for effectiveness in most interventions
Multi-party goal congruence	Yes	No	Some in education; more in youth	
Differences in behavioural demographics	Regional health; Age issues	Male vs Female [ref Corston] Some regional	Few, other than local economic imperatives (e.g. regional regeneration or localised skill shortages)	
Wide/complex choice of interventions with similar outcomes	Yes	No	Yes	
Relevant wider beneficiaries				All have them, but to varying degrees of proximity, certainty and traceability

Fig.4 Comparing market and policy environments

³ Christopher, M., Payne, A., and Ballantyne, D. (2002). *Relationship Marketing: Creating stakeholder value*. Oxford. Butterworth-Heinemann

⁴ Sargeant, A. and Jay, E.. (2004). *Fundraising Management: analysis, planning and practice*. Abingdon. Routledge.

Measurement reflects two aspects of those market and policy contexts. As a classic performance measure the groups recognised that it confirms that pre-set goals have been achieved, with varying degrees of detail about how and how well. It also acts as an influencer, driving the behaviours which need to operate in parallel to deliver the desired outcomes. In “It’s All About Me”, the so-called Adoption Bond from the UK Consortium of Voluntary Adoption Agencies, adopters need to come forward (volunteer decision), they need to agree to take on harder-to-place children (volunteer “purchase” decision), Local Authorities need to commission VAAs to provide the service (based on the desire to achieve net cost savings, and social objectives), and all within a sustainable provider-funder model. Measurement, and indeed the service design itself, are built such that each party pursues their own goal, and IAAM presents the evidence to encourage them to see it that way. The more complex the behaviours and choices in the market, the more complex, and interlinked, need to be the measures that test success, and drive the behaviours through which it is achieved.



The three service areas are contrasted in the table at fig.4. This draws together comments from the groups and plenary discussion, and looks at each under nine headings:

- Policy/belief drivers: the frames within which decisions are made
- Relevant timeframe for outcomes, or perhaps the timescale within which the decision-making parties recognise measurement of them as relevant
- Track-ability of those outcomes, based partly on access to the beneficiary cohort following the intervention through the relevant period for outcomes, and partly on how wide a purview of outcome can be seen and tracked with a reasonable degree of certainty
- Whether the outcomes are individual- or cohort-based, hence suggesting measures that are binary (for individuals), or frequency-type (for larger cohorts)
- The relevant buying behaviours: who is “buying” and why
- Whether multi-party congruent behaviours need to be achieved for effectiveness of the intervention
- Whether behavioural demographic differences may cause differences in theory of change, focus of service, or outcomes achieved
- Whether there exists a complex range of potential interventions or groups of interventions that could all potentially achieve similar outcomes
- Where wider beneficiaries exist, demanding, potentially, a wider purview for measurement.

The policy or belief drivers behind choosing and engaging with these interventions are varied. They reflect the relative priority of the beneficiary’s willingness to engage, and the multi-agency involvement needed for the effectiveness of the intervention, as well as the prevalence of commissioner will in making the intervention happen. In offender interventions the beneficiary often has little choice whether to attend the intervention as they may be attending in prison, or by

order of the court. However the overall effectiveness reflects personal emotional and intellectual engagement, and needs to be tailored to combatting the causes of reoffending, recognising that they are different for male and female offenders, and between different cohorts within those groups. Examples here are the Women's Community Projects such as Alana House, Asha, or Centre 218 in Calderdale set up in response to the Corston report on women's offending. They help women to address the social causes, and chaotic lifestyles that fuel reoffending, and do that in women-only, safe environments that remove the pressures of fear-inducing male influences. A parallel approach is seen in the Peterborough Prisons project in which a key time for male offenders is seen as the few days immediately after release, especially if that is at a weekend, when support services are often unavailable. The project seeks to bridge that period with additional preparation and support. The measurement in SROI reviews of the Corston projects reflects these nuances, and that was understood to have been influential in securing on-going MoJ funding in April 2011. The measurement for funding of both, however, is more in the nature of an informed output, based on attendance, achievement and sustaining housing for the former, and 12-month reoffending rates in the case of Peterborough.

The existence of wider beneficiary groups (family and communities) is recognised in the social impact measurement of a range of interventions across all three areas. However the group could not recall having spotted instances of that being embedded in performance measures under funding or commissioned service agreements, other than impliedly by the use of informed output measures.

It was recognised that, to some degree, comparison between the three areas is made more difficult by differences in language. Examples are many, but include:

Payment by results: meaning tariff-based, or per unit pricing in health, but focusing on social, economic or behavioural outcomes in care, youth intervention and offender management.

Outcomes: in all cases meaning identifiable and deliberate change, but within that meaning cashable savings, longer term savings in commissioned services, behavioural change for individuals, additional social or economic opportunity, and more. In each case the term is context-specific.

The different commissioning drivers

A key party in many of the services within these areas is the commissioner. Creating the income stream, and requiring that the services are undertaken, (s)he turns the desired outcomes into funding for their delivery. The commissioner is generally an administrator of public funds, but may be from the public sector themselves (a Government Department, Local Authority, or Non-Departmental Public Body such as the Education Funding Agency), or may be effectively sub-commissioning from outside the Public Sector (for example BIG).

Different services operate in, sometimes quite significantly, different commissioning environments. This is illustrated by the analysis in fig.5, comparing commissioning across the three service groups in the research. This contrasts them, and comments on common threads, under six headings:

- Who commissions services, with a sense of how in some cases national frameworks for commissioning (as in education) are nuanced by local policies and conditions
- The drivers behind that commissioning, with all of it

	Care	Offender management	Youth and Education	Common threads
Who commissions	Multi-agency , with some larger commissioners focused on block delivery, and Personalised	Few (single) agencies (MoJ and supporting agencies)	Central Agencies at overall level plus Local decisions overlaid , or Localised , or Multi-agency	State (public funding) involvement at some level
Drivers	Cost savings within agency (current/future) including concept of saving by early intervention Social policy imperatives	Cost savings Capital savings (Effectiveness)	Economic gain (through employment) Social policy imperatives Various other imperatives , differing by area and by agency	Cost Social Value Act and wider national policy
Complexity of commissioning environment	Highly: multi-agency, multi-level (National, regional, local) with different objectives, timescales and imperatives High levels of change in commissioning environment	Little: largely single commissioner, with simple objectives Little or modest change in commissioning environment	Mid to high: National policy is strong, with some nuance from local policy; higher complexity in youth intervention for those on the fringes of education and employment	
Reliant on beneficiary choice ?	Yes	Minimal	Yes	Even in limited choice situations, beneficiary engagement is required to some degree to be effective
Results-based commissioning	Yes – mixture of tariff, and outcomes	Yes – frequency-based outcomes	Some – generally limited to tariff-based in education, but highly varied in (localised) youth intervention	
Measures chosen	Some outputs (tariff-based, especially in health) Some informed outputs Some highly nuanced outcomes	Simple, frequency-based measures in local, project-based pockets, but growing in popularity from successful early pilots	Outputs-based (simple measures in education, largely around qualifications achieved and training attended) Informed outputs Outcomes for typical life story (related to whole cohort using frequency/probability links)	

Fig.5 Comparing commissioning environments

operating in a cash-constrained environment, and with the need to comply with the Social Value Act

- The complexity of the commissioning environment
- The need for beneficiary choice for the commissioned service to happen
- The existence of results-based commissioning, and the form it is taking in the UK in general
- The measures generally chosen against which services are judged, and, in some cases, payment made.

It is clear that complexity is being added by changes in the commissioning environment, and consequent changes in cost-based or local-need-based priorities and policy imperatives. Offender management operates in a largely stable environment, cash-constrained, but with consistent commissioning agents. Care (and health) is in a state of flux, with significant impact from localism, and from the widely publicised changes in the commissioning environment. Education is relatively stable, although changes in the commissioning agencies over the past five years have been reflected in some commissioning changes (e.g. the move away from FE college mergers and rebuilds following the cessation of the Learning and Skills Council in March 2010).

The variation in commissioning environments across the three areas is reflected in the measures being chosen. With its central commissioning focus, and clear commissioning drivers around cost savings driven by high unit costs of reoffending and high capital expenditure costs of maintaining the relevant infrastructure, offender management has moved towards simple measures. These are generally based on reoffending rates, using frequency-based measures against control groups, frequently national norms for those not participating in localised interventions. Key pre-requisites for this working are that there is a cohort that is both a demographically and behaviourally-similar comparator, and that there is reliable, timely data about it. In this offender management has the edge as its relevant measures, and the gain to commissioners, are:

- simple (either they reoffend within a given period or not, and reoffending is simply assessed by the normal processes of the Criminal Justice system)
- proximate (the cost-based gain becomes significant over a short period relative to other interventions – less than a year)
- based on national full-cohort statistics (the National police database).



By contrast care commissioning is far more complex, and the measures employed follow this complexity. The commissioning decisions are at multiple levels within the public and quasi-public commissioning environment. National health programmes affect it, but so do local policies and imperatives, and even the national ones have different emphasis dependent upon local need. An example is in North Lanarkshire Leisure’s activity programmes to combat obesity, where the national concern is amplified by high local trends. The relevant outcomes themselves, from the commissioner’s perspective, are nuanced and complex, spanning social (community and family), health, and social care environments.

Availability of relevant datasets is different, and this perhaps drives the use of tariff-based measures in care and youth environments, where more nuanced, life-course-based outcomes measures that reflect the effectiveness of interventions and not just their presence are more appropriate. Informed outputs are in evidence in both youth and care, although they are not yet widespread. Examples include the use of time in a therapeutic permanent placement in the “It’s All About Me” Adoption Bond from CVAA, or the Health Services commissioned work with North Lanarkshire Leisure in stroke rehabilitation based on how many patients undertake a full course already found from past experience to be effective. There is also a difficulty in tracking outcomes once the intervention ends (e.g. in Hereward College’s work with high needs LLDD provision at FE level⁵). This

⁵ Clifford, J., Mason, S., and J. Scott (2012). Hereward College and Linkage College. Social Impact Evaluation using Social Return on Investment. Birmingham. Baker Tilly.

applies less for more enforced, or longer-term interventions such as in offender management or foster care.

The relevant timescale for measurement is also different, partly as a reflection of commissioner view, but also apparently of their influence as a stakeholder group. In all three cases it is clear that the interventions are designed to change lives over extended periods, both of the beneficiaries, and in many cases their families and communities, virtual and real, economic and social. However the measurements for commissioning, and for payment, purposes are shorter, often one or two years. This may be a reflection of cost-saving and budget periods against which payback needs to be clear, or may be driven by the need for proximate payment and hence proximate measurement, to avoid extended working capital being locked up and providers and funders being exposed to unrealistic risks and costs.

There is a perception amongst providers that, even if the commissioner is seeking to use measures that are not the best for monitoring or securing outcomes, their view holds sway and is not to be challenged. This needs to change if measurement is to become fully effective in a commissioning environment. The Cabinet Office's initiative with the Commissioning Academy⁶ is of interest here, and it is hoped and expected that it will influence commissioning thought in a positive way.

Funders' Views and the Measurement Market

Throughout the groups the funders' views were seen as key, albeit needing the providers' guidance in being properly led by the needs of the service delivery. Five sub-themes emerged:

- A rapidly evolving market
- Integrating social value into the decision-making process
- Choosing impact metrics: emphasising practicality, flexibility and context
- Increasing collaboration: towards developing a common taxonomy and sharing due diligence
- An opportunity for the social sector

⁶ <https://www.gov.uk/the-commissioning-academy-information>

A rapidly evolving market

The social investment landscape is rapidly evolving with the banks and grant-providers including the Big Lottery being joined by new providers such as Bridges Ventures and their specialist funds, and repositioning of traditional grant-making foundations to embrace allocating portions of their investment portfolios to this area (e.g. Esmée Fairbairn). In April 2012 one of the findings of ten years' work by the Social Investment Task Force⁷ was brought to fruition with the launch of Big Society Capital. BSC was created to develop a strong and sustainable social investment market in UK in order to ensure that the social sector has access to long-term affordable finance, to allow the sector to continue to innovate and improve their services to serve their beneficiaries better.

There was wide consensus within the groups that this developing social investment market was influencing the impact measurement debate, as funders needed to prove the impact of their portfolios to their own investors- but also provided a real chance to the social sector to influence this discussion. The funders themselves stressed that not only did they not 'know best', they actively looked to their investees to play a role in iteratively setting target impact metrics.

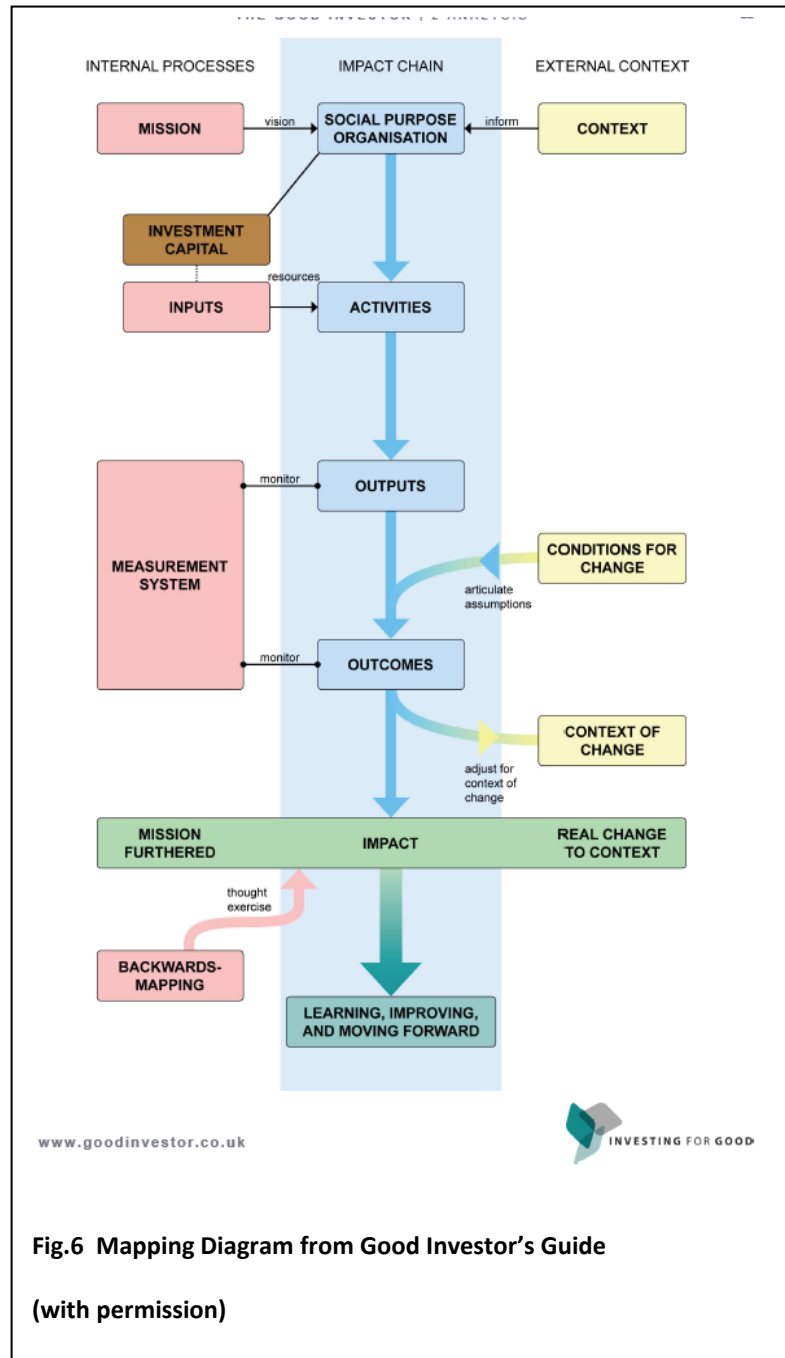


Fig.6 Mapping Diagram from Good Investor's Guide
(with permission)

⁷ Cohen R. (Chair) (2010) Social Investment Ten Years On: Final Report of the SITF. April 2010

Integrating social value into the decision-making process

While some believed that funders ‘dictated’ impact measurement- and drove impact measurement within the sector, the funders - and social investors particularly- agreed that impact measurement should primarily serve to benefit service delivery/beneficiaries and the organisations themselves. Both investors and funders strove to emphasize that the social sector should not simply measure what funders want or because they want it, but integrate impact assessment and measurement into their organisation’s core strategy and activities in order to develop their own organisation’s development and learning, so that they could serve their beneficiaries better. The point was made that the integration of impact measurement into their investee’s core processes to allow them continuously to develop their strategy based on the impact data collected would also help organisations develop their resilience, thus helping social investors achieve both a social and financial return.

Interestingly, a few stakeholders questioned whether social investors actually used the results of impact measurement to influence their decision-making process or whether they simply saw social return as a ‘tag-on’ to financial return. Others probed whether impact measurement could or would influence the investment-screening process.

In order to address this very issue and to ensure the integration of social value into the investment decision-making process, BSC is working to help both social investors and investees build a common ground on which to develop and implement complementary social impact strategies. BSC has collaborated across the social sector and with investors to develop a best practice guide to imbed, measure and report social value known as the Good Investor. The interaction of impact mapping with internal and external change, and organisational learning, is embraced in the guide, and shown in the diagram at Fig.6 extracted from it. Published by Investing for Good it is intended to serve as a best practice guide for impact first social investors that integrates social value into a robust investment process; from creating an impact strategy through to screening, due diligence and monitoring and reporting.

Choosing impact metrics: emphasising practicality, flexibility and context

When it came to impact reporting, funders emphasised that they cared more about seeing a theory of change, evidence-able outcomes (or at least “informed” outputs⁸ that represented identifiable milestones leading to them), beneficiary feedback and mapping learning against their social mission than the exact methodology of impact measurement or specific tools used. Furthermore, the feasibility and merits of tracking outputs versus outcomes was raised. It was noted that while currently when it came to structuring social impact bonds, payments were made on these “informed” output, the outcomes (for which the outputs remained as merely milestones) were still tracked over time to build information/knowledge about the underlying interventions. For example,

⁸ “informed outputs” from work as Visiting Fellow at Cass Business School by Clifford

the Essex Social Impact Bond, which provides therapeutic support to adolescents at risk of going into care, makes payments based on number of care days saved for the adolescents in question- but also monitors the school attendance, reduce reoffending and well-being of these groups over time.

The point was made that the context, availability of data and nature of intervention needed to influence the setting of impact metrics, but also that practicality was more important to funders than trying to establish the ‘perfect’ metric. Funders wanted to encourage practices that were both doable and helpful, and refine the data collected over time, rather than try to get it absolutely right from the start. Social investors also noted that as they had to report the nature of the social outcomes their money had funded to their own investors, they wanted to find ways to measure and track social performance over time without being prescriptive- as well as aid social sector organisations to help develop their governance and decision-making processes.

Social investors argued that as they funded different stages of an organisation’s development, growth-stage dependent metrics were needed, which might change as organisations and interventions reached maturity. The importance of differentiating impact measurement for early stage companies versus more established organisations and developing appropriate standards for stages of evidence - and in particular the work NESTA has done on this⁹- was highlighted.

Additionally, while funders noted that they set impact target metrics at the outset of the investment, they also wanted to learn about secondary outcomes (the “what next” in outcome terms). The significance of considering multiple outcomes and evaluating interventions outside their silos was highlighted as social investors wanted to know how their funding had helped not just the organisations themselves, but the broader community, whether this was planned or unplanned. This confirmed the initial views in the opening plenary that a wide purview was needed, if taken from the differing viewpoints of the different stakeholders. There also was an emphasis on flexibility and being open to resetting metrics if the context or business strategy changed.

It is worth noting that the issue of quantifying social impact was scarcely focused on by social investors in both the care and education groups, even though this is often cited as the ‘holy grail’ of impact measurement. In fact, there seemed to be a clear shift from attempting to put a ‘pound value’ on social impact because of the twin issues of ratio inflation and lack of inter-service comparability of the SROI method. Whilst not abandoning the need deeply to understand the “story” of the intervention, from the non-funders’ point of view it was interesting to see funders giving a lower priority than they expected to monetising the benefits.

Repeated comparisons were made between funder and commissioner attitudes when it came to impact measurement. It was pointed out that while social investors could to afford to take a more flexible approach, and encourage one on one conversation and iterative target setting, commissioners took a more cost savings approach, partly due to the time-frame and scale of their

⁹ <http://www.nesta.org.uk/investment/impact> investments/assets/features/standards of evidence for impact investing

view. As had been indicated in the opening plenary (fig.2) this focused on just an element of the wider gains (outcomes).

Increasing collaboration: towards developing a common taxonomy and shared due diligence

On the other hand, the point was made that this flexibility raised serious issues when it came to standardisation, aggregation and comparison of social impact data over time, across investees and portfolios. Funders were also keen to distinguish between funding organisational development to build resilience and capacity, and funding front-line service delivery, as they constantly came across the issue of attribution while attempting to aggregate impact data at a portfolio level.

In order to begin to address this issue, and develop a common framework for tracking outcomes, it was noted that BSC has coordinated a group of impact measurement experts (comprised of NPC, Investing for Good, SROI and nef) to develop an Outcomes Matrix as part of its collaborative efforts in order to allow mapping of both outcomes and beneficiaries. The matrix is a classification tool for use by investors and social purpose organisations to map the areas in which, and beneficiaries for whom, their impacts are being achieved. The matrix is intended to be a sector-wide tool for collating and comparing impact across organisations and investment portfolios. An organisation's outcomes may spread across a number of cells in the matrix, and investors can use this spread to develop profiles of their individual investments, as well as a landscape of their portfolio from an outcomes perspective.

Additionally, NPC is leading Inspiring Impact's work on shared measurement, which aims to develop common indicators and tools for specific fields or interventions to help share and compare results, methods and lessons, and identify the most effective solutions. Additionally, another strand of Inspiring Impact is looking into the various tools, systems and methods used for impact measurement by the sector, in order to develop the infrastructure for the sector to access and use the most robust tools available.

The possibility of funders providing incentives to allow investees to measure their impact by embedding a focus on impact in decision-making and building monitoring and evaluation costs into their funding was broached. There was broad consensus amongst most funders that there needed to be more coordination amongst them to ensure sensible demands were being made of investee organisations, and that the measurement requirements were proportional, appropriate and consistent, and did not overburden investees. It was also highlighted that greater coordination and sharing of data would not only develop the evidence base and consistency/comparability of various interventions, but that this would also help aid the due diligence and investment decision-making process for investors.

While there is a difference in the due diligence and monitoring processes for grant-funders and social investors, there is space for collaboration between the two. Grant-funders that fund the 'investment-readiness' stage of an organisation's development and social investors that then invest

in the organisation would of course benefit from aligning their processes in order to ensure the investee organisation is not overburdened and resources are maximised. The Investment Contract Readiness Fund is an example of this. As the fund is seen as a support to some organisations in accessing the social investment market, it has a group of social investors helping to shape the program and sitting on its investment panel in order to maximise the likelihood of organisations successfully attracting investment after having had support.

An opportunity for the social sector

Some participants questioned whether some of the social investors that were being attracted to the emerging market really understood the social sector and the importance of impact assessment and measurement. Others noted that, as the market develops and new investors are drawn into the space, there is a chance for the social sector truly to engage with and educate investors.

Participants recognised the importance of designing funding solutions bottom-up, based on a real understanding of the social issue at hand and needs of the social sector. In line with this thinking, the funders in the groups themselves made it clear that they were keen to understand, learn and develop their own thinking when it came to impact assessment/measurement. Not only did they want it to be an iterative conversation, they agreed they needed to develop their own thinking as the field was rapidly evolving. They granted that as the social sector dealt with beneficiaries directly and knew far more about the service delivery, the sector was better placed to lead the conversation when it came to target setting. Thus, it seems that the emerging social investment market provides a strong opportunity for the social sector to influence the impact measurement and investment-decision making debate amongst funders.



7. Where are we now.....and where next?

Organisations

In change there lies opportunity and participants clearly saw a window of opportunity for social sector providers to define the space of how social value is evidenced. Through progress such as the Social Value Act, could the market reward 'shared value' of commitment to social impact and congruent business behaviour in equal measure?

What has historically been inherently easy for social organisations to articulate must now be translated into strong competitive and mission differentiation. Issues such as proportionality, methodology and price are important but also temporary as growing customers demand and value more impact measurement providers.

Participants helped to dispel the myth that good impact measurement only comes with scale. Curiosity around creating real social change was evidenced as part organisational culture and not restricted by resource. Participants strongly argued how the stories of social impact are powerful and necessary as sophisticated social finance data sets in both managing organisational performance and influencing the public service agenda.

Market and policy context

The services being delivered and measured exist in real time, and in the real world. As such measurement can fulfil two purposes: as a monitoring tool to support assessment of whether services are achieving the desired outcomes and whether resources are being used well, but also as a decision-making tool. This latter element does not just exist in the funders' and the commissioners' arenas, although those are important, but in those of the market places in which providers work to provide often complementary services in parallel with each other, volunteers volunteer, and service-users choose to engage with the services delivered.

The ways on which the measurement is presented need to address both aspects. Indeed in the decision-making or "buying" decisions required for all parties to do their part in delivering successful outcomes, the publication of measurement, and the service-design context, need to encourage goal-congruent behaviour: every party playing its part.

Differences in language and usage pose a challenge, and those involved must continually strive to iron out these wrinkles.

The use of benchmarks and control groups against which to measure are necessary if the measurement is to be meaningful in both its aspects. However they pose challenges which are not being well addressed in practice. Of three approaches (before and after; agreed benchmark; and

control group), the use of the third created difficulties, both of ethics (the risk of denying interventions to create a control group) and in reducing relevance as the cohort receiving the intervention grows in full service roll-out. There is a risk of perverse commissioner, or even provider, decisions as successful interventions are interpreted as “problem solved” when new cohorts of need are in reality coming forward.

Commissioning drivers

The three service areas operate in very different commissioning arenas. These are characterised by central or local commissioning, the simplicity or otherwise of the desired outcomes, the complexity of the intervention, and the control over the service users’ “buying” behaviour. Further differences arise through the changes in the commissioning environment, both in all areas, and differently in specific areas of public service provision.

In all areas it was recognised that commissioners were striving for simplicity, but that was hard to obtain without over-simplifying. In some instances that was emerging in the use of largely uninformed output or tariff measures, rather than the more relevant “informed outputs” that could be developed as milestones from well-explained theories of change and identification of relevant outcomes.

Even amongst commissioners differences were apparent in chosen measurements, relevant timescales (although all were considered rather short for outcomes), viewpoints and purviews. Whilst the Social Value Act is one of several drivers behind a move towards commissioning outcomes, commissioners are still perceived as being overly focused on cost-saving.

The Funders’ Perspective

There was wide consensus within the groups that this developing social investment market was influencing the impact measurement debate, as funders needed to prove the impact of their portfolios to their own investors- but also provided a real chance to the social sector to influence this discussion.

Funders across the groups agreed that impact metric targets were most helpful were set in consultation with the social sector organisations themselves and that it was essential the process was both iterative and flexible. The funders were key participants in the drive towards common measurement frameworks and benchmarks, which is something widely desired, but this needs to be tempered with a recognition of the necessary differences in measuring often very nuanced and service-user specific interventions.

Interestingly, while funders wanted to develop their thinking when it came to impact measurement and measurement, they did not seem to focus on quantifying impact or picking a particular methodology for impact measurement. In fact, the funders themselves pointed out that the impact measurement process not only needed to be helpful to the social organisations themselves, but also needed to be flexible based on the changing context and business model over time. However, this flexibility also gave rise to issues of lack of comparability between investees and difficulty of aggregation of impact data across portfolios.

Key takeaways:

Evidencing social value has become a pressing issue for social sector organisations to enable them to showcase and demonstrate the value they are delivering. More broadly it is a way of targeting increasingly scarce resources, including funding and investment, to their most effective use – with a focus on the difference that is being made to the lives of the ultimate beneficiaries.

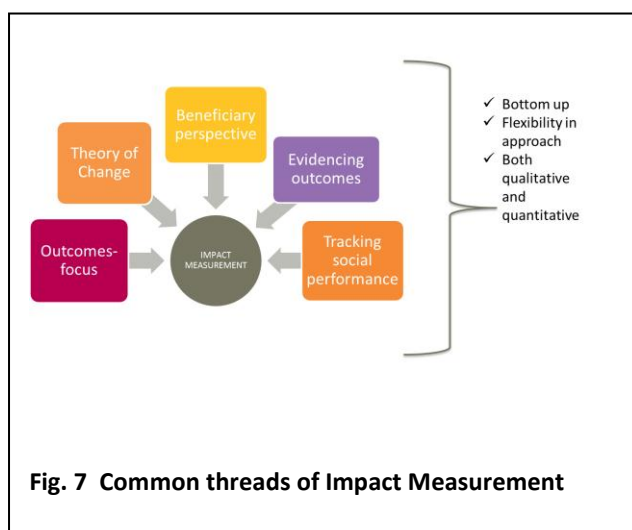
Thus, impact assessment isn't just a reporting tool; it's a strategic one as well and the sector is well placed to be thought leaders in the way this is integrated into business, finance, and commissioning practices.

The practical format of the sessions highlighted both the common threads amongst different groups when it came to impact measurement- and that there was broader consensus on multiple issues than originally thought- but also the ever increasing importance of evidencing social value.

There was strong agreement across groups and stakeholders that the impact measurement had to primarily be of use to the social organisations and their beneficiaries; the data collection and analysis needed to be relevant to the underlying interventions.

There was agreement that while the collected data could be analysed and communicated in multiple ways based on the various stakeholders involved, it needed to be fundamentally helpful to the organisation's strategy development. There was consensus that while impact measurement differed based on sector, availability of data, stakeholder point of view and timescale, a few common points were essential. This included:

- A theory of change
- Beneficiary perspective
- Evidence of outcomes- or causal link between outputs and outcomes with an intention to collect outcome data over time
- Demonstration of change over time
- Linking learning based on analysis back to organisational learning



Groups strongly agreed that for measurement of social impact to be effective, evidenced outcomes must work simultaneously for providers, commissioners, funders and investors, and be developed in partnership. Participants argued that for social service providers to be truly effective, they should demonstrate the following:

- Measure clients / individuals progress through interventions;
- Demonstrate how measurement is integrated into an organisation's governance, processes and procedures (as opposed to an add-on);
- Define outcomes against client groups;
- Evidence what impact the organisation has on the wider community (e.g. local procurement, employment and economy).

This meeting of minds is most welcome, and all those involved were keen to build upon it. This focus on agreed common threads needs to inform both front-line measurement and the Governmental and practitioner policies that rely upon it.

Appendix 1: Signposting and support for the social sector

This section attempts to give a quick overview of the key players in the impact measurement landscape in UK and highlights the work of Inspiring Impact, a sector-wide initiative to make high quality impact measurement a norm for the sector by 2022. A few initiatives run by the Cabinet Office to improve investment-readiness in the sector and the commissioning environment are also highlighted, in order to provide signposting for social organisations in a rapidly evolving landscape.

Inspiring Impact Programme:

Inspiring Impact is a programme that aims to change the way the UK voluntary sector thinks about impact and to make high quality impact measurement a norm by 2022. Inspiring Impact is run by the sector, for the sector and is a collaboration of eight UK voluntary sector organisations, from impact measurement experts to sector membership bodies.

Inspiring Impact encourages and supports charities and social enterprises to measure their social impact, to measure to a high standard, and to learn from the findings so that they can improve. Over the next decade the programme will work towards five key objectives under five themes, answering the key questions for the sector:

- What does good impact measurement look like?
- How do we know what to measure?
- How do we measure it?
- How can we compare with and learn from others?
- What's the role for funders?

Impact measurement specialists

Finding Out More: Providers of Impact Services

Organisation	Web reference
Baker Tilly	www.bakertilly.co.uk/publications/Pages/Social-impact.aspx
CAN Invest	www.can-online.org.uk/pages/e.-social-return-on-investment-sroi.html
Charities Evaluation Services	www.ces-vol.org.uk
Investing for Good	www.investingforgood.co.uk

New Economics Foundation (nef)	www.neweconomics.org
New Philanthropy Capital (NPC)	www.thinknpc.org
Social Audit Network	www.socialauditnetwork.org.uk
Social Impact Analysts Association	www.siaassociation.org
Social Value Lab	www.socialvaluelab.org.uk
SROI Network	www.thesroinetwork.org
Triangle Consulting	www.outcomesstar.org.uk

Relevant initiatives spear-headed by the (UK) **Cabinet Office** include:

- ICRF
- The Commissioning Academy
- Masterclasses for the social sector to win public service contracts
- Centre for Social Impact Bonds

Further details of these are shown on the following pages:

Initiative	Outline	Aim	Run by	Contact	Relevant milestones
Investment and Contract Readiness Fund (ICRF)	The ICRF is £10 million fund, spread over 3 years, to help social projects secure social investment and bid for public service contracts	The ICR Fund supports social projects that have the potential to provide their services and positive social impact at scale, but are not yet in a position to take on loans. The ICR Fund gives out grants of £50k - £150k to high growth potential social projects.	Launched in May 2012 by the Office for Civil Society, the fund expects to support over 130 social projects over 3 years.	http://www.beinvestmentready.org.uk/	The ICR Fund has approved 27 applications to date, committing up to £2.7 million of grant support to a range of ventures across different sectors.
Masterclasses for the social sector to win public service contracts:	These are the first workshops provided by the government to help charities, voluntary organisations and social enterprises (VCSEs) capitalise on opportunities to work for government.	They will aim to improve key skills across a range of areas, including: <ul style="list-style-type: none"> • writing winning bids • adjusting to changes in the tender process • developing consortia • financial skills, such as how to profile and manage risks 	Developed by the government with partners in the private and voluntary sectors, the masterclasses will use case studies, practical tools and the direct experiences of experts to guide organisations through what is required to win and deliver public service contracts.		

Initiative	Outline	Aim	Run by	Contact	Relevant milestones
Commissioning Academy	This is a development programme for senior commissioners from all parts of the public sector.	The academy will bring commissioners from different parts of the public sector together to learn from the example of the most successful commissioning organisations. The programme aims to help commissioners deliver more efficient and effective public services. Success will mean commissioners embracing new and innovative forms of delivery, better outcomes for citizens and better value for money.	The academy is being supported by the Cabinet Office, the Local Government Association, the Department for Communities and Local Government, the Ministry of Justice and the National Offender Management Service, the Department for Education, the Department of Health, the Department for Work and Pensions, and the Home Office.	https://www.gov.uk/th-e-commissioning-academy-information	Over 60 commissioners helped to design the Commissioning Academy programme. The design was then further refined, with the active participation in 2 pilots cohorts of 47 senior commissioners from 17 organisations. The first pilot ran from June to November 2012. The second started in November and will run until April 2013.

Initiative	Outline	Aim	Run by	Contact	Relevant milestones
Centre for Social Impact Bonds	The Centre for Social Impact Bonds is intended to be the country's central authority on social impact bonds. It works to increase understanding of SIBs across government and to provide support to SIB developers.	<p>Its objectives are to:</p> <ul style="list-style-type: none"> • increase the capacity for SIBs to improve social outcomes and reduce costs • increase innovation in public service delivery • contribute to the growth of the social investment market • generate public sector savings • build an evidence base on what works • share data and information to improve services and processes 	The Centre sits within the Social Investment and Finance team at the Cabinet Office.	http://socialimpactbonds.cabinetoffice.gov.uk /	

Appendix 2: E3M Roundtable Participants

Group	Participant	Position	Organisation
Chair & Panel	Jonathan Bland	Managing Director Member Founder	Social Business International GECES Sub group E3M
	Jim Clifford	Head of Not for Profit Advisory Visiting Research Fellow Chair	Baker Tilly Cass Business School GECES Sub group
	Kate Markey	Managing Director	CAN Invest
	Natasha Malpani	Social Impact Associate	Big Society Capital
	Tris Lumley	Head of Development	New Philanthropy Capital (NPC)
	Care	Lance Gardner	CEO Member
Tara Mackey		Evaluation & Research Analyst	Big Lottery Fund
Abigail Merrett		Funding Manager	Big Lottery Fund
Sam Matthews		Acting CEO	Charities Evaluation Services (CES)
Offender Management		Daniel Miodovnik	Analyst
	Jack Prevezer	Associate	Bridges Ventures
	Richard Kennedy	Head of Social Investment Chair	CAN Invest SROI Network
	Isabel Newman	Investment Analyst	Charities Aid Foundation (CAF)
Youth Education	Graham Bell	CEO Member	Kibble E3M
	Deb Reynolds	Vice Principal and Director of Finance & Resources	Hereward College
	Adrian Oldman	Head of Marketing & Communications	Unity Trust Bank

Group	Participant	Position	Organisation
Other Participants	Marco Fantini	Deputy Head of Unit, Youth Employment, Entrepreneurship & Micro Finance Facility (DG EMPL)	European Commission
	Julian Blake	Partner, Head of Charities and Social Enterprise Group	Bates Wells & Braithwaite LLP
	Emma Tomkinson	Social Impact Analyst	Cabinet Office
	Aekta Mahajan	Vice Chair & Events Lead	Cabinet Office
	Prof. Simon Denny	Social Enterprise Development Director	University of Northampton
	Wray Irwin	Deputy Director of Social Entrepreneurship	University of Northampton
	Dr Fred Seddon	Social Enterprise Researcher	University of Northampton
	Ariane Rodert	Rapporteur on Social Business	European Economic & Social Committee
	Abbie Rumbold	Partner	Bates Wells & Braithwaite LLP

