

---

## E3M-LED REVIEW FOR SOCIAL IMPACT MEASUREMENT STRATEGY: ALIGNING THE NEEDS AND REQUIREMENTS FOR SOCIAL INVESTMENT, COMMISSIONING FOR SOCIAL VALUE AND EFFECTIVE SOCIAL ENTERPRISE

*Prepared on behalf of the E3M Partners by Jim Clifford OBE of Bates Wells Braithwaite  
and Dr. Richard Hazenberg of University of Northampton | March 2015*

### SUMMARY

This policy paper argues that there should be alignment between the extensive work already carried on social impact measurement for social investment by GECES at EU level and by the G8 and the needs and requirements of public service commissioners seeking to comply with the Social Value Act and with the needs of social enterprises seeking to enhance their effectiveness.

It is of note that the EU's leading experts in this field worked with stakeholders, other experts and representatives of national governments of 28 countries for over 18 months to agree the GECES framework and that there is a real danger of simply repeating this long process from the beginning when looking at the same issues as applied to commissioning for social value.

This paper is aimed at policy makers, experts and practitioners with an interest developing effective and robust approaches to articulating and measuring social value in the UK. It suggests that the GECES framework explained in this paper provides the basis for a standard for social impact measurement that can bring convergence without over simplification to this complex field. It recommends the establishment of a new code of conduct for Social Impact Measurement based on GECES.

### INTRODUCTION

There are calls from many quarters for sound and relevant measurement of the outcomes achieved by social interventions. Commissioners need to know that their money is achieving the imperatives intended. True value for money in commissioning is not in low cost interventions, but in effective and focused ones, based on real expertise in delivery, which is what the Social Value<sup>1</sup> Act anticipates. Ultimately, though, commissioners are there to administer public funds for public good, and that public good is also the interest of others.

Funders seek measurement of social impact, set against financial investment returns, so as to know that their investment is well placed, and subsequently well managed. For the provider, though, impact measurement is a means to secure focus of its resources and its intervention where it is most needed, to engage with service users and delivery partners, and to manage and monitor effective delivery.

---

1. Public Services (Social Value) Act 2012. 2012 Chapter 3.

Impact measurement can draw the various stakeholders together in a common understanding of shared goals, or it can confound and confuse, appearing to contradict with different organisations measuring in different ways. This common ground enables confidence in the measurement to grow, supports comparability between interventions, and supports collective learning.

It is with this goal in mind, and driven by the need for a consistent approach to measurement for the EuSEF<sup>2</sup> and EaSI<sup>3</sup> legislation, that the European Commission GECES,<sup>4</sup> formed under the Social Business Initiative, formed a sub-group of experts to develop a single consistent standard to apply across the European Union. That group was co-Chaired by Jim Clifford OBE, from the UK. They did so, and their findings were approved by the commission in June 2014,<sup>5</sup> and were substantially followed in and influenced the Social Impact Measurement report of the Social Impact Investment Taskforce formed by the G8 during the UK's presidency.<sup>6</sup> Subsequent papers by the EESC, ESMA, and the OECD have further supported the GECES' findings.

The choice in the UK is simple: as a community we adopt the GECES standards and work within them to develop the detailed guidance to bring them to life, or we reject them and re-invent standards for ourselves that at best waste the year or more of work undertaken by the GECES, and at worst divide us from other EU and G8 countries by doing something different.

This paper summarises the proposal, mirrored by other EU Nations represented on, or involved with, the GECES, that Member States, and the UK in particular, should adopt the GECES principles as a standard, and build upon them, rather than re-inventing them, and continuing to promote difference and confusion, rather than appropriateness and diversity.

## BACKGROUND AND APPROACH TO SEEKING ALIGNMENT

If commonality in Impact Measurement is the goal, we need an overarching framework within which the diversity of interventions and organisations that deliver them can fit. As was discussed in the earlier meetings of the GECES sub-group, and again in the G8 one that drew from it, a measurement standard must draw all parts of the interested community together. It must not create a two-tier society in which measurement becomes unattainable for smaller social sector organisations, where the majority of front-line community intervention is delivered. The sub-group saw the goal as delivering a standard that worked as well for British Red Cross as for a community pub in a small rural village. Imposing the high benchmark approach perhaps suitable for the former can only isolate the latter, or overburden it with red tape to the point where it ceases to measure or ceases to function.

Developing such a standard requires three things:

- Leadership – from within the sector, so standards are bought-into for their value to the sector, rather than imposed from outside.
- Provision of broad framework – that embraces a variety of the well-founded methodologies that are currently used and reliable, but finds a commonality between them: hence truly an umbrella standard
- Focusing on commonality of approach not of method – hence Social Accounting can sit alongside SROI, Outcomes Star, and non-monetised methods, all within a common umbrella standard that asks for certain commonalities, and the over-riding requirement that the measurement method chosen is appropriate to the intervention and outcomes being measured.

---

2. [http://ec.europa.eu/finance/investment/social\\_investment\\_funds/index\\_en.htm](http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm)

3. <http://ec.europa.eu/social/main.jsp?langId=en&catId=1081&furtherNews=yes&limit=no>

4. [http://ec.europa.eu/internal\\_market/social\\_business/expert-group/index\\_fr.htm](http://ec.europa.eu/internal_market/social_business/expert-group/index_fr.htm)

5. <http://ec.europa.eu/social/main.xsp?catId=738&langId=en&pubId=7735&type=2&furtherPubs=yes>

6. <http://socialimpactinvestment.org/reports/Measuring%20Impact%20WG%20paper%20FINAL.pdf>

## WHAT IS “THE GECES”?

The report produced by the GECES Expert Sub-group represents over a year’s work, and reflects input from a wider community of commissioners, advisers, providers and academics provides that overarching standard. It states emphatically that there cannot and should not be imposed a single ‘gold standard’ method, suggesting that ‘one size fits all’<sup>7</sup> would rapidly become ‘one size fits none.’ However it does find and explain the common ground between existing methods and proposes an approach by which the most appropriate measurement method for one can be comparable with a different method for another.

This standard is Pan-European, sector led, and uniting sector, commissioners’ and investors’ views. It endorses stakeholder-sensitive valuation that embraces diversity: in a recent E3M-led research and planning day for sector representatives, commissioners, advisers and academics one delegate observed that “social value is not equally valuable to everyone...”

The GECES standard divides measurement into four elements: the process, disclosure standards (called “characteristics” in GECES), frameworks and indicators. It advocates<sup>8</sup>:

- *Consistent approach in five clear and universal steps*, uniting the best of existing detailed methods. Those five steps are: setting objectives (of the intervention and of the measurement); analysing stakeholders; measuring results; verifying and valuing impact; monitoring and reporting.
- *Consistent standards for disclosure*, blending the best of scrutiny and accountability, and of good standards in social and econometric research publication, and aligning helpfully with financial and other social sector reporting standards.
- *Seeking development of Frameworks and Indicators*. These are expected to meet the 80% rule: in at least 80% of cases, similar interventions will be seeking similar outcomes (hence fit within a common framework), and can use similar indicators. However, as in financial reporting, if an alternative measured outcome is more relevant to stakeholders, then the organisation should measure by that rather than the majority outcome and indicator, and explain why that chosen is more appropriate. This requires that the commonly used frameworks are developed and made available, together with common indicators, embracing both those from Central Government, and the wider sector. This work is already underway in the UK and elsewhere, but needs further work.
- An over-riding principle that measurement should be proportionate to the decisions which need to be based upon it: don’t waste time and resource measuring what does not need to be known.<sup>9</sup>

## ALIGNMENT WITH OTHER MAJOR THEMES

The GECES standards, and indeed the standard approach to be taken in the UK, need to align with other developing accountability and commissioning themes. Of particular focus are:

- *Shared value* – the developing theme from the private sector in which the delivery of social benefits to stakeholders is recognised as inextricably linked to long term economic success and sustainability<sup>10</sup>
- *Integrated Reporting*<sup>11</sup> – a developing movement in corporate reporting, gaining some traction in the Health sector in the UK, in which corporates report their effects on the six capitals, which include social, human, and environmental

---

7. *Ibid* p.6

8. *Ibid* p.44 et seq.

9. *Ibid* pp. 47-50

10. Porter, M. E. and M. R. Kramer (2011). “Creating Shared Value: how to reinvent capitalism - and unleash a wave of innovation & growth.” *Harvard Business Review* January-February.

11. <http://www.theiirc.org/>

- *Social Value in commissioning, and the UK Social Value Act* – particularly important as the Lord Young review<sup>12</sup> aims to develop the Act's relevance and impact that we have a consistent approach to impact measurement that goes beyond the economic cost-saving stream which may be its natural starting point.

## RESPONSE FROM THE WORKING GROUP

E3M and its founding partners are keen to help to bring this debate to the wider public, and, if GECES is seen as useful, to make that wider buy-in happen. With that in mind, and following the format of their previous success in January 2013<sup>13</sup>, they organised in January 2015 a day of linked roundtables to look at the usefulness of GECES in UK social impact measurement, how that might look different in different subsections of the social sector, and, if useful, how the sector and others could act to bring the standards into widespread use. The roundtables involved representatives from academia, commissioners (including Cabinet Office), providers, sector bodies, including NCVO and CIPFA, and professionals, including the Centre for Public Scrutiny.<sup>14</sup> The common conclusions (which will also be the subject of a fuller report) were that:

- GECES is sound centre ground and is useful in creating commonality:
  - In approach
  - In presentational standards
  - In definitions, which are clear and helpful
  - In emphasising the importance of proportionality
  - In emphasising approach not method
  - Across the EU and beyond, which is important to us all
- The code of conduct as a means of setting, and publicly endorsing that commonality and adherence to GECES is sound and useful
- We need pilots with Social Enterprise and Charity sector leaders and small social enterprises (as originally conceived in the GECES) demonstrating how the measurement under GECES can work for different social enterprises using different (but suitable) approaches
- Not all measurement requires audit, and validation of results can arise without audit. Any audit requirement needs to be tiered so as to become proportional (also a key theme in GECES<sup>15</sup>).
- A GECES kitemark, perhaps solely as a badge to carry indicating support of the common standards, rather than a regulated branding, was seen as a useful element of promulgating that commonality.

## USING A COMMON DESIRE TO DRIVE COMMON GROUND

The final element is getting this to happen. The roundtables found that:

- Key sector organisations need to be engaged in this. NCVO, SEUK, CIPFA, CfPS, SROI Network, New Philanthropy Capital and E3M are all involved and supportive in emphasising the benefit of the common approach and leading

---

12. <https://www.gov.uk/government/news/government-reviews-ground-breaking-social-value-act>

13. Clifford, J., K. Markey and N. Malpani (2013). *Measuring Social Impact in Social Enterprise: The state of thought and practice in the UK*. London, E3M, Baker Tilly, CAN Invest and Big Society Capital.

14. [www.cfps.org.uk](http://www.cfps.org.uk)

15. *Ibid* p.37

their organisations and communities to join in embracing it. These need to be supplemented by private sector buy-in, so further thought needs to be given to the organisations that may drive that.

- Perhaps even more importantly, this must engage those measuring impacts, both within providers, amongst commissioners, and in the professions.
- Encouraging all of the above to sign up to common code of conduct securing alignment (attached) was seen as a key step. The code of conduct was sufficient to drive adherence to the standards, without being so prescriptive as to turn off potential adherents. Some further work needs to be done on this, in conjunction with those attending the roundtable and some of the sector bodies.
- In addition it was seen as important to engage with commissioners and get them to follow this form and become signed-up. Central Government support, and promotion by CfPS were seen as key to this.
- Next steps are to develop:
  - The illustrations of how GECES looks when applied in the UK
  - The Frameworks of expected outcomes in different sectors
  - The indicators most popularly used for that
  - The GECES kitemark, in conjunction
  - The policy positioning to support use of GECES standards and code of conduct in Government and Local Government commissioning

# SOCIAL IMPACT MEASUREMENT IN THE UK, IN RESPONSE TO THE GECES STANDARDS FOR THE EU

## PROPOSED CODE OF CONDUCT V 1.3

### INTRODUCTION

In June 2014 members of the GECES agreed for publication the work of its sub-group on Social Impact Measurement. This represented a combined view of experts from the social sector, from government, academia, investors and advisors drawn from across the EU as to how measurement could be developed to improve dialogue, comparability, and effective delivery of social interventions.

In signing up to the code, members are committing to promoting collective benefits of consistent, and reliable measurement of social impact that raises public confidence in the effectiveness of delivery and desirability of the outcomes being achieved in all sectors. They seek to achieve high standards in their own measurement and reporting, to encourage those in others, and to seek to share information about best practice to achieve overall improvement in this important area.

### THE TEN-POINT CODE

1. We will use, and refer to the five-stage process outlined in the GECES, and will show how our measurement methodology fits to that
2. We will, in all published material, adhere to or surpass the minimum disclosure standards laid out in GECES, always with the over-riding obligations of stakeholder relevance, accountability and transparency
3. We will at all times strive to make the effort and cost expended on measurement of social impact proportionate to the benefit to be had by knowing the additional information generated
4. We will seek to use similar outcomes as others in the same or similar areas of service and social delivery except where to do so would not adequately meet stakeholders' needs for explanation. In the latter case we will explain in all reporting why we have departed from the usual outcome used.
5. We will seek to use similar indicators as others in the same or similar areas of service and social delivery except where to do so would not adequately meet stakeholders' needs for explanation. In the latter case we will explain in all reporting why we have departed from the usual indicator used.
6. We will describe the contribution of particular and relevant parties to the delivery of outcomes, but will only measure their impact if it is useful and proportionate to do so, as agreed with relevant stakeholders.
7. We will support, in our dialogue and our reporting, the definitions of key terms used in the GECES report, and that of the Social Impact Investment Taskforce.
8. We will, wherever possible, publish results of social impact measurement for the benefit of the wider community
9. We will encourage policy makers, at local and national level, to recognise social impact and value in commissioning and contracting
10. We will display the \*GECES kitemark badge on all published material including our website(s)

## *About E3M*

E3M was developed by Social Business International (SBI) with support from Bates Wells Braithwaite, The University of Northampton, Unity Trust Bank and Baker Tilly. E3M supports a group of the UK's most successful social enterprise leaders and their peers to share insights, best practice and thought-leadership around working in public service markets. At the heart of E3M is a Social Enterprise Leaders Club with a programme of activities for members and a series of knowledge sharing events open to non-members.

## **E3M PUBLICATION**

[info@socialbusinessint.com](mailto:info@socialbusinessint.com)

[www.socialbusinessint.com](http://www.socialbusinessint.com)

[www.e3m.org.uk](http://www.e3m.org.uk)

## **E3M IS SUPPORTED BY**

