

The relationship between Social Return On Investment (SROI) and Social Accounting and Audit (SAA)

This note sets out the similarities and differences between Social Return on Investment (SROI) and Social Accounting and Audit (SAA). These are both approaches to help organisations understand and account for the impact of their work. Both approaches recognise that the true social, economic and environmental value achieved by organisations is not fully understood or adequately reported. Both are founded on similar principles. These similarities are important and more important than the differences. They reflect a general and increasing convergence on the principles and methods for measuring, accounting and reporting social and environmental change. These commonalities should be celebrated and promoted.

The chart which follows on the next pages illustrates both the similarities and the differences between the two processes in tabular format. In the main the differences are of emphasis and, whilst the table identifies and explains these, more importance should be given to the convergence and integration of practice than to the differences.

The main areas of divergence are:

- SAA requires that six key aspects relating to internal issues are included in all social accounts. SROI requires details and context about the organisation as does SAA.
- SROI focuses on the value of outcomes, involving stakeholders in determining the outcomes and uses financial proxies for the outcomes. SAA requires outcomes to be demonstrated and reported, encouraging the use of actual financial indicators where available.
- SAA requires all social accounts to be verified against the key principles through a tried and tested social audit process. SROI recommends that reports that are made public and should be assured against the underlying principles and has a process in place for this.
- SROI demonstrates the impact of any activity or group of activities (which could be a whole organisation). SAA focuses on the impact of an organisation and all of its activities, also requiring organisations to articulate their values.
- SROI can be used to either forecast or evaluate the impact of activities. SAA produces an account of past performance and impact which is used for planning future activity.
- SROI arrives at an understanding of change by involving stakeholders throughout, but specifically in determining the outcomes. SAA may engage with stakeholders within the planning stage (eg in piloting surveys) but the main engagement is in the stakeholder consultation later.
- SROI follows a formalised approach using the Impact Map to understand outcomes while SAA allows organisations to use the planning tools they consider most appropriate.
- SROI requires the value to be estimated of what may have happened anyway or have been achieved by others. This calculation is not required in SAA although it should be acknowledged.

Further information about SROI and SAA may be found on the respective websites:

www.socialauditnetwork.org.uk & www.thesroinetwork.org

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SROI and SAA – exploring common ground and differences

		SAA	SROI
Purpose	<p>SROI identifies the objectives and activities of an organisation and then selects those activities which will be included in the scope of the SROI analysis. It identifies the way in which those activities are intended to create change.</p> <p>SAA explores objectives and activities of an organisation in detail to build a full statement of everything done by the organisation which affects others; and also requires the organisation to articulate its Values. SAA does not determine the scope until later.</p> <p>SROI does not have an internal focus; while SAA requires that six key aspects relating to internal issues are included in all social accounts.</p> <p>SROI may be used to forecast.</p> <p>SAA only reports on what has happened.</p>	<p>Step 1.1 to Step 1.4 – Vision. Mission, Objectives & Activities; Values</p> <p>Key Aspects checklist</p>	<p>Establishing scope</p>
Stakeholders	<p>SROI identifies stakeholders who relate to the activities determined in the proposed scope and involves them in understanding, measuring and valuing outcomes. This provides the basis of the information that would be required from stakeholders. (Principle – Involve stakeholders)</p> <p>SAA undertakes a full stakeholder analysis and will determine later, when scope is agreed, which stakeholders to include in the social accounting. SAA may engage with stakeholders within the planning stage (eg in piloting surveys) but the main engagement is in the stakeholder consultation later.</p>	<p>Step 1.5 and 1.6 – mapping Stakeholders</p>	<p>....and identifying stakeholders</p>

Indicators, outcomes and outputs	<p>SROI involves stakeholders in defining the outcomes to be measured.</p> <p>This is less likely in SAA which will include questions about outcomes as part of the later consultation for the social accounts</p> <p>SROI uses an impact map. (Principle –Understand what changes)</p> <p>SAA encourages use of various social accounting planning tools, including a modified impact map; simple spreadsheet; indicator tree</p>	Step 2.2 – 2.4 – agree indicators and ways of collecting data	Mapping outcomes
Scope	<p>SROI determines the scope as above</p> <p>SAA determines scope for social accounts in light of what is achievable and requires what is excluded from the scope to be clearly stated</p>	Step 2.1, 2.5, 2.6 – agree social accounting plan and scope	
Indicators	<p>SROI focuses almost exclusively on outcomes and the inputs required to achieve those outcomes. (Principle –Understand what changes) (Principle – Only include what is material)</p> <p>SAA requires evidence of performance (outputs) as well as of outcomes to be included.</p> <p><i>Otherwise, there are considerable similarities in identifying information required and ways of consulting with stakeholders to obtain it.</i></p>	Step 2.2 & 2.3 -	Evidencing outcomes and giving them a value
Valuation	<p>Valuing outcomes is a central and essential part of SROI and financial proxies are used for this (Principle - Value what matters)</p> <p>Financial proxies are not central for SAA, although some financialisation is increasingly used</p>		Evidencing outcomes and giving them a value

Impact	<p>Estimation and calculation of deadweight, displacement and attribution are important for SROI. (Principle – Do not overclaim)</p> <p>Estimation and calculation of above does not happen in SAA although should be acknowledged. Impact is demonstrated and reported but not necessarily measured.</p>		<p>.....and giving them a value</p> <p>Establishing impact</p>
Calculating SROI	<p>Application of the SRO principles means that a ratio of value to investment can be calculated</p> <p>Such calculation is not required in SAA unless an organisation has included an SROI analysis for a specific project or part of its operation within its social accounts</p>		Calculating SROI
Reporting and verifying	<p>SROI produces an SROI report</p> <p>SAA produces draft social accounts</p> <p>SROI has 2 levels for assurance. Level 1 (principles) is now available and the SROI Network is working with SAN to develop level 2 (principles and data) (Principle – Verification)</p> <p>SAA insists on a full verification process and has developed three different levels of audit to be carried out by an approved social auditor sitting with a social audit panel</p> <p><i>Both SROI and SAA expect an organisation to publish its SROI report/Social Accounts and discuss the findings with stakeholders</i></p> <p>(Principle – Transparency)</p>	<p>Step 2.6 – draft social accounts</p> <p>Steps 3.1 – 3.6 – Social Audit Panel etc</p>	<p>Reporting.....</p> <p>..... using and embedding (inc verification)</p>

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