

STANDARDS and SOCIAL IMPACT EVALUATION AND MEASUREMENT

Decisions focusing on the allocation of billions of dollars for services that have a direct impact on the lives of hundreds of thousands of people, are constantly being taken throughout Australia. This includes Australian philanthropic foundations make decisions to annually distribute \$13 billion to 'do good'. Each year local government authorities across the country make decisions about community services costing billions of dollars, with an \$8 billion delivery cost in Victoria alone¹.

From this perspective, decision-making for resource allocation, is at the heart of social impact management.

Social Impact and Accounting for Social Value

The term 'social impact' was coined at Yale University in 1969². By 2019 at the Madrid COP25 climate summit it was evident, in addition to delivering better environmental outcomes, governments, businesses and investors world-wide, now want to deliver positive social impacts³.

Social impact has been identified as a construct relating to the social value produced by organisations, which overlaps with social value creation, and is intrinsically linked to social accounting⁴. An account of social value being a 'story' about the changes experienced by people, that includes qualitative, quantitative, and comparative information⁵.

People with more power have the opportunity to tell the stories about what they consider is important, and to shape policy⁶. This includes elected members of governments; executives and administrators in for-profit, not-for-profit, and social enterprise sectors, that allocate financial resources for the delivery of community services.

Accounting for social value aims to give those with less power, such as the beneficiaries and recipients of community services, the ability to have *their* stories heard⁷. This includes them being given an equitable opportunity to describe what changes have happened or will happen for them (good, bad, intended, or unintended) when they experience these services. It also includes how decision makers know these changes have happened and the relative importance of different changes⁸.

Understanding, measuring, valuing, and reporting on preferences that people have about their lives and how investment in a program or activity can change these preferences, can therefore be considered the core function of accounting for social value.

Financial Accounting Standards

Accounting for financial value, unlike accounting for social value, has developed over many centuries. Double entry bookkeeping was invented in 1494, the certification of practising accountants commenced in Australia in 1886, and accounting standards first emerged in the USA in the 1920s⁹.

Financial accounting standards are now internationally ubiquitous, with the Australian Accounting Standards Board (AASB) being the federal government authority developing and maintaining financial standards applicable to for-profit and not-for-profit entities. As with other major financial

¹ <https://www.viccouncils.asn.au/what-councils-do/council-funding>

² Robyn, Klingler-Vidra. 2019. "Social Impact: Origins and Evolution of the Term". *Global Policy Journal* December 2019. <https://www.globalpolicyjournal.com/blog/19/12/2019/social-impact-origins-and-evolution-term>

³ Ibid 1.

⁴ OECD Policy Brief on Social Impact. 2015. https://www.oecd.org/social/PB-SIM-Web_FINAL.pdf

⁵ Social Value International. The Principles of Social Value. <https://www.socialvalueint.org/principles>

⁶ Ibid 6.

⁷ Ibid 6.

⁸ Social Value International. <https://www.socialvalueint.org/what-is-social-value>

⁹ <https://corporatefinanceinstitute.com/resources/accounting/double-entry/>

<https://www.cpaaustralia.com.au/about-cpa-australia/our-organisation/our-history/historical-timeline-and-milestones>

standard-setting bodies throughout the world, the accounting standards developed by the AASB, emerged and continue to emerge and consolidate, after extensive consultation, discussion and interchange of opinion between preparers (i.e. certified practitioners) and users of financial reports¹⁰.

These standards exist primarily to ensure uniformity in financial statements (i.e. statements indicating financial value) so anyone making decisions about where financial resources should be invested to gain maximum value, can feel confident the information informing their decisions is accurate¹¹. Standards also discourage organisations from interpreting financial accounting to their own advantage or interpreting financial information in a way that makes them look good.

Social Value Principles and Standards

While the world-wide adoption of financial accounting standards is very advanced, the emergence of social accounting standards is in its nascent stage. Since 2015 setting the Social Value Principles and Standards for social impact and management has been driven by Social Value International, a global network consisting of 26 national and regional networks, including the Social Impact Measurement Network of Australia (SIMNA).

As with financial accounting standards, these Social Value Principles and Standards are informed by constant improvement in practise and change in the accounting for social value, from the 'bottom up'. The underpinning goal being, to change the way society accounts for value by ensuring social value measurement and management creates a positive impact for all people, not just powerful decision makers¹².

Furthermore, the strategic partnership developed in 2018 between Social Value International and the United Nations Development Program (UNDP), the UN agency responsible for the global adoption of Sustainability Development Goals (SDGs) is ensuring these Social Value Principles and Standards are now informing global SDG measurement and reporting¹³

SUMMARY

Adoption of processes to measure social impact by Australian organisations is accelerating; there is a significant increase in Australian public listed companies (ASX150) reporting Sustainable Development Goals (SDGS) prioritisation from 25% in 2018 to 59% in 2020¹⁴ and "the message that traditional financial reporting alone is not sufficient is permeating boardrooms"¹⁵.

Each week individuals and work teams in Australian organisations are required to make decisions about the allocation of financial resources, to deliver services they hope will 'make a difference' or 'do good'. The allocation of financial resources is guided by accounting standards and principles to ensure fair and honest distribution and reporting of financial value.

The rapid global adoption of Social Value International Principles and Standards, as supported in Australia by SIMNA, is now providing, for the first time, a rigorous, credible, and honest approach to accounting for social value, as decision makers expect with financial accounting.

**Resource Paper prepared by Dr Ali Sumner (PhD)
BRAINPOWA for Decision Makers**

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¹⁰ Australian Accounting Standards Board. https://www.aasb.gov.au/admin/file/content102/c3/ACCPS1_8-93.pdf

¹¹ IFRS – International Accounting Standards Board: <https://www.ifrs.org>

¹² <https://www.socialvalueint.org/who-are-svi>

¹³ <https://www.socialvalueint.org/blog/strategic-partnership-with-undp?rq=united%20nations%20>
<https://corporatefinanceinstitute.com/resources/accounting/accounting-standard/>

¹⁴ Research Report: SDG Measurement and Disclosure 3.0. A study of ASX150 companies. 2021. RMIT University, CPA Australia.

¹⁵ <https://acsi.org.au/wp-content/uploads/2020/02/2019-ACSI-ESG-Report-FINAL.pdf>