

**Flinders University**  
Australian Industrial  
Transformation  
Institute

# Valuing Social Outcomes in South Australian Local Government

Research Stage Final Report



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Australian Industrial Transformation Institute

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*Valuing Social Outcomes is a project of the Local Government Professionals  
Australia, SA Community Managers Network and has been assisted by the  
Local Government Research and Development Scheme*





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**Research Stage Final Report**



# Australian Industrial Transformation Institute

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## Executive Summary

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Local government has a long history of undertaking community development work focused on improving the quality of life of local residents. A primary driver for developing a social value measurement approach is to establish an evidence base to more fully demonstrate the benefits of this work. Of particular interest is the potential to measure social value in economic terms using methods such as Cost Benefit Analysis (CBA) and Social Return on Investment (SROI). These methodologies are recognised as having greater traction and influence at higher levels of decision-making in local government and could therefore support the role of community development work in the sector.

### ***International and Australian developments in social value measurement***

The use of social value measurement has been gaining considerable traction in many countries, particularly in the United Kingdom, driven by a strong focus at the national government level on intensive performance regimes and outcomes-based funding. In this context the British Government established the Social Value Act (2012) which requires local authorities to evaluate the social value of the goods and services they deliver. A review of the Act has indicated that it has worked primarily as a tool for saving money and redesigning services in response to budget pressures. In this context, concerns have been raised about outcomes-based commissioning and pay-by-results schemes geared to deliver social outcomes, whereby commercial interests have been known to overtake the organisational missions of not-for-profits contracted to deliver social services.

However, the Greater Manchester (GM) Combined Authority social value measurement approach presents a compelling case study of how evidence-based decision-making in the context of addressing complex social problems has been integrated into the processes of local government. The approach has been described as ‘pioneer[ing] a practical, evidence-based approach to local economic growth policies and programmes’ (Holden & Harding, 2015: 2). The GM experience presents a range of informative lessons about successful implementation including embedding the approach early through practical applications that respond to a genuine demand for evidence and using every available means to build rigour into the process.

The European Union GECES Sub-group on Impact Measurement has a similar focus on performance monitoring, accountability and using evidence to inform the social program investment decisions of fund managers. Canada’s main engagement with social value measurement has been in the Social Impact Investment context, geared to demonstrating financial return on investment into social initiatives. In contrast, Canada’s Community Economic Development (CED) Network has used social value measurement (mainly SROI and Economic Impact Analysis) to demonstrate the value of a range of social initiatives, reflecting a more bottom-up approach that is about promoting and strengthening the scope of community-focused work.

The United States has similarly used social value measurement in a Social Impact Investment context. It has also been used by the US government to measure the social impact of procurement policies where there is an emphasis on improving community welfare. Social impact measurement has been encouraged within New Zealand government departments wherever significant policy considerations are under consideration. The New Zealand Treasury encourages the use of CBAs wherever possible, but recommends that the complexity of social value measurement applications be scaled up or down according to the demands of the context (is it a major or minor area of investigation).

A number of Australian jurisdictions are actively engaged in social value measurement. The Victorian Department of Planning and Community Development has been doing work in the area of social procurement and quantifying associated benefits. Quantification of benefits is considered the pinnacle of social value measurement in this context as fiscal accountability is a high priority for public commissioners. The Victorian Social Enterprise Strategy (2017) also highlights a role for social impact measurement to provide better, localised evidence for future policy.

Community sector funding and procurement reforms in Western Australia have placed outcomes measurement firmly on the agenda for all Western Australian departments, agencies and organisations they work with. Further, the Bankwest Foundation has partnered with the University of Western Australia Centre for Social Impact to research the impact of community programs. Findings to date show a strong interest in the community services sector for outcome measurement, constrained only by a lack of adequate resourcing.

The NSW government focus on social value measurement is connected with its Social Impact Investment Policy and a series of government led Social Benefit Bonds initiatives. This places it in the same space as the United Kingdom focus on outcomes-focused grants, payment-by-results contracts, incentive payments, layered investments and pooled investments. A rigorous measurement framework has been developed to make the economic and financial case for interventions financed by NSW government-related social impact investment.

In South Australia, the SA Government Department for Communities and Social Inclusion (DCSI) *Building Communities* program targets local community development as one of its three key areas of focus for action. Within this, the DCSI Thriving Communities service area uses a collective impact approach which brings partners together within a particular locality to build the social and economic wellbeing of communities. The principle social value measurement methodology promoted by DCSI in relation to Collective Impact is Results Based Accountability (RBA), of which there are numerous examples in practice. Additionally, a forecast SROI was undertaken for the Junction Landscape social enterprise, in partnership with the City of Onkaparinga, which demonstrated that for every \$1 invested in Junction Landscape, there was a projected return of \$3.35 in value to all stakeholders (Social Ventures Australia (SVU) Consulting, 2011). More recently, the South Australian government has been exploring the potential of introducing Social Impact Bonds (SIBs) and 'pay by results' contracts in the social services setting, a development that is likely to prompt more detailed thinking about social impact measurement within the state government.

The Local Government Association of South Australia (LGA SA) has invested significantly in assisting South Australian councils to undertake evaluation of their programs and projects, with a view to providing evidence that the desired outcomes are achieved and that these support local governments to deliver on their strategic plans. The LGA SA has developed the Community Development Evaluation Framework and Toolkit and South Australian Local Government Cultural Impact Framework. Another key feature of the SA local government environment is the Regional Public Health Plans that councils are required to produce under the South Australian Public Health Act 2011, which have a clear focus on reporting health and wellbeing outcomes.

There is also significant scope to link the development of a social value measurement approach for South Australian local government to the Don Dunstan Adelaide Thinkers in Residence Program, Social Capital Residencies which include a focus on supporting and inspiring small, medium and large businesses and other organisations to improve their social impact (Don Dunstan Foundation, 2017).



### ***Perceived need for social value measurement in the SA local government context***

South Australian councils are under significant pressure to demonstrate the benefit of the community development services they provide. This is particularly so in the constrained budgetary environment they are operating in. Local government stakeholders confirmed the need to raise the profile and support for these services by better demonstrating their benefits, particularly in economic terms. In this context, social value measurement has potential to form the backbone of a 'strategy of influence' to help support the work of community development and other socially-focused areas of local government.

South Australian local government stakeholders agreed that introducing a social value measurement approach into local government would add considerable value to the sector. Potential benefits include encouraging a population outcomes focus (identifying the 'real difference' local government community work makes to the community); assisting with internal program and service review and supporting internal communication and decision-making; using social value measurement forecast analysis for planning purposes; and highlighting the scale of the 'return' to state and national governments of local government-provided activities that convey significant community benefit. Stakeholders welcomed the opportunity to demonstrate community development outcomes to external funding bodies, internal decision-makers and communities and facilitate getting community development programs and projects factored into internal, longer term financial planning. It was noted that other areas of local government contribute in important ways to social value and that capturing social value should be an across-council focus.

### ***Implementation challenges: how to embed social value measurement in SA local government practice***

International experience with social value measurement has highlighted a number of key challenges to ensuring successful implementation of social value measurement:

- Social value measurement is skill and resource intensive, yet the settings where it is of most relevance are bound by resource constraints. The cost implications of undertaking social value measurement are identified as one of the most significant barriers;
- Organisations are often not 'social value ready', in other words evaluation is often undervalued, unplanned and/or only applied as an after-thought;
- Organisations often hold poor quality data that are not suitable for rigorous valuation approaches (e.g. CBA);
- Existing efforts to measure social value tend to be sporadic, non-systematic and informal.
- Significant variation exists in social value estimates across similar projects, which contributes to scepticism about the validity of the approach;

In the SA local government perspective, stakeholders identified a number of pre-conditions for effective social value measurement. These include:

- ***Reinforcing the legitimacy and utility of social value measurement throughout all levels and across all domains of local government***

A critical consideration in the context of developing a social value measurement approach for SA local government is to create a set of conditions that will maximise acceptance and use of the intended resources. It is a priority that the VSO Project process does not develop a set of resources that lies dormant in the background of local government priorities. There was widespread agreement that high level support is essential for a social value measurement approach to gain traction in local government. A key feature of Greater Manchester's comprehensive approach to social value measurement is the GMCA Social Value Policy (2014: 1) which aims to 'set out how the Greater Manchester Combined Authority (and its members) will

deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value'. The GMCA Social Value Policy articulates:

- A definition of Social Value for Greater Manchester
- The policy context for Social Value in Greater Manchester
- The priority policy objectives
- A Greater Manchester Social Value Framework

The policy signals key top down support and endorsement of the approach, the like of which would add major momentum to the bottom-up drive emerging in South Australian local government.

→ ***Embedding social value measurement by getting projects up and running in local government***

A key learning drawn from the Greater Manchester experience is that a program of coordinated activity is vital for driving early momentum in the uptake of social value measurement. Local government stakeholders expressed support for piloting a number of social value measurement projects on a regional basis (involving collaboration between councils and other partners as fostered by the social value measurement ecosystem), supported by the LG Research and Development Scheme. The SA Local Government Social Value Policy should commit to supporting one to two pilot projects per year in areas of key social value interest in local government.

→ ***Galvanising support for social value measurement***

For social value measurement to gain traction in local government it needs genuine engagement and support from all levels of management, elected members and the community and this needs to be served by a compelling communication and engagement strategy. It would be useful for LGA SA to consider a range of collaborative options, for example partnerships across local government, research institutions and others with an interest in social value measurement, to build a support base for undertaking social value measurement. Regional collaboration between councils is advisable as it is considered an unrealistic prospect for councils to undertake social value measurement on their own. Regional collaboration helps to address the variable capacity of larger and smaller councils, and offers potential for experiences and knowledge to be shared across local government. One prospect is to develop a Local Government Social Value Measurement Network to drive collaboration, whereby different councils can collaborate across a range of interest areas, to achieve efficiencies and share learnings and resources. An alternative would be to use existing structures to support the process rather than setting up a whole new network, for example drawing on the Community Managers Network, Social Impact Measurement Network of Australia, Social Planners Network, Creative Communities and others.

→ ***Ensuring the framework is relevant and relatable and conveys confidence to potential users that the practice of social value measurement will return key value to local government***

The framework must be based on the core principles and values underpinning work done in local government. The DCSI Building Communities framework establishes a set of foundational principles for understanding the broader social value of community development work undertaken by local government, which include equity, social determinants of health, social capital, and social inclusion, participation and engagement. Consideration should also be given to using the concept of community 'wellbeing' as the overarching reference point for measuring the social value of community development work term, whereby



community wellbeing refers to the broad range of economic, social, environmental, cultural and governance goals and priorities that are important to particular communities, population groups or society.

The social value measurement framework must link (integrate where possible) social value measurement into existing approaches and practices in local government for example, the Regional Public Health Planning processes, outcomes-focused work being undertaken in the by Primary Health Networks and management audit processes. It must build on the LGA SA Community Development Evaluation Toolkit and Cultural Impact Framework. Recognising the view that a social value measurement framework for local government should have the capacity to extend in scope beyond community development to other areas of council, the framework should be based on agreed principles, reflective of a shared, collective approach across local government and draw on common themes and common ground across all local councils. It should also be seen to be giving a strong voice the community.

The social value measurement framework must indicate to potential users how social value measurement in practice can support the interests of, and return key value to local government and the community. The investment in terms of knowledge, skills and time involved in the uptake is considerable, so the return needs to be seen as outweighing the costs. The framework and toolkit must highlight how social value measurement allows tangible value to be conferred to areas of engagement and associated outcomes that generally resist such valuation. The framework - through the negotiated and agreed bedrock of social value principles and outcomes - must provide a clear pathway, practice and evidence base that will strengthen the ongoing viability of community development-oriented work in a fiscally-challenged local government environment.

→ ***Ensuring that the social value measurement approach is feasible and realistic in practice***

A key priority among stakeholders is to ensure that the social value measurement approach be as user-friendly, understandable (jargon-free), concise, flexible and cost-effective as possible. From a capacity point of view, stakeholders are looking for an approach that is not too resource and skill intensive but is still capable of measuring what is needs to be measured. This underscores a tension that needs to be reconciled in developing a social value measurement framework and associated tools for application in local government. Some of the more advanced tools – notably CBA and SROI – exhibit features that are preferred by higher-level decision-makers (e.g. highly evidence based, methodological rigour, monetisation of values) however are likely to be too complex for internal application in local government without a significant level of support and resourcing.

There are approaches that mitigate the level of resource intensity of higher-level social value measurement. For example, Common Outcomes Frameworks remove the necessity to consult and construct an individual outcomes framework for each discrete project (the associated trade-off is fine-grain individual project detail). Greater Manchester formed consensus around using a Common Outcomes Framework in the development of their social value measurement approach (consulted stakeholders judged that the benefits outweighed the limitations). A range of frameworks have been developed, often accompanied by tested tools, such as the NEF National Accounts of Wellbeing (New Economics Foundation, 2009).

This signals that South Australian local government needs a contextually-attuned social value measurement framework and toolkit that facilitate decision-making about what type of social value measurement is required in what circumstances; prompt consideration of what skills and resources are required to complete the social value measurement to the required standard;

facilitates what can be achieved internally; and provide guidance/options around sourcing additional support where required. There are a range of existing tools and resources that users can draw upon to assist in local efforts in social value measurement. There is also potential to develop a tailored tool for basic social value measurement purposes in South Australian local government.

### ***Recommendations for the VSO project Stage 2 – Development***

**Recommendation 1: Develop a South Australian Local Government Social Value Policy that embeds social value measurement in local government. The Social Value Policy should link to the wider LGA SA policy context and make reference to the Policy Manual of the LGA SA (2015). Policy focus areas should include:**

- ◆ LGA SA to pursue a three-year program of collaborative social value measurement pilot ‘lighthouse’ projects (potentially two projects per year), each targeting an area of high relevance and strategic interest to SA local government (VSO Stage 3);
- ◆ Implementing a communication and engagement strategy to bring all levels of local government, council members and the community on board.
- ◆ Forming a dedicated Social Value Measurement Network or leveraging existing networks (e.g. Community Managers Network, Social Impact Measurement Network of Australia, Social Planners Network, Creative Communities and others) to progress a social value measurement agenda in SA local government;
- ◆ Supporting internal capacity through the professional development and training functions of organisations such as LGA SA and Local Government Professionals Australia SA.
- ◆ Ongoing evaluation and refinement of the SA local government social value measurement approach.

**Recommendation 2: Develop a Valuing Social Outcomes (VSO) Framework for South Australian Local Government through a series of workshops with stakeholders designed to form agreement on:**

- ◆ The core values and principles of a social value measurement approach for local government;
- ◆ Key attributes of a fit-for-purpose social value measurement approach (e.g. comparability, robust/evidence based etc.);
- ◆ A method for measuring/valuing agreed social outcomes, giving consideration to the utility of common outcomes frameworks and monetisation of social outcomes.
- ◆ Mapping a social outcomes framework (in reference to a specific VSO project); viewing this in the context of theory of change models.

**Recommendation 3: Develop a user-friendly social value measurement tool for application in individual projects/programs, providing the following features:**

- ◆ Outcome mapping (identifying/entering outcomes, indicators, measures);
- ◆ Assigning monetary values (from evidence or a social value bank);
- ◆ Inbuilt calculation of impact.





**Recommendation 4: Develop a social value measurement toolkit that will support local government to produce statements of social return regarding community initiatives. The online toolkit should include:**

- ◆ A basic introduction to social value measurement and outline of related tools relevant to the local government context, including what skills and resources are required for each, set out in accessible, easy to understand language;
- ◆ A decision-making matrix/tool to guide the use of different methodologies, including a staged approach in terms of sophistication according to need and capacity (including when external support might be required). Highlight which tools have the potential to forecast and/or retrospectively quantify the social value of community actions;
- ◆ The Social Value Measurement Framework for SA Local Government;
- ◆ The customised social value measurement tool for application in individual projects/ programs;
- ◆ Links to other existing social value measurement tools and resources (e.g. guides, frameworks, social value banks, community indicator banks, wellbeing measures, data entry tools such as the Greater Manchester CBA Excel spreadsheets);
- ◆ Exemplar case studies to demonstrate what can be done/achieved at different scales of size and complexity (local, national, international).





# 1 Introduction

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The Valuing Social Outcomes (VSO) project has been funded by the Local Government Association of South Australia (LGA) and a consortium of SA councils to research local, national and international developments in relation to defining, ascribing value to, and articulating social outcomes. The research findings are intended to inform the development of a framework and toolkit to support evidence-based decision making and assessment of the social return of various community initiatives of SA councils.

A key objective of the VSO project has been to identify the best way to assess and communicate the social value (both in qualitative and quantitative terms) of community initiatives undertaken in South Australian Local Government. This is considered important in order to make evidence-based program and project decisions and to provide credible, robust evidence to decision-makers and/or funders of community development services on the value of the work.

The ambition of the project has been to better position local government to be able to:

- quantify the social value of investments in community initiatives;
- express what represents good value; and
- demonstrate appreciable rigour in arriving at estimates of social return on investment.

This report describes the evolution of thinking around social value measurement with reference to international, national and local experience. It provides insights into perspectives within local government on desirable approaches to social value measurement. It concludes with a set of recommendations about how to approach the development of a social value measurement framework and toolkit to be used in this context.

## 1.1 Methodology

The VSO project methodology involved the following steps:

- A review of international literature summarizing leading practice in the measurement of the community benefits of social initiatives;
- A local context review to determine key factors of the SA local government context that affect how measuring community benefit would best be done by SA councils;
- Consultation with key local government stakeholders, including a Stakeholder Engagement Workshop held at the Campbelltown Function Centre in Adelaide South Australia, to consider a range of questions and issues pertinent to the research. A Discussion Paper and Workshop Summary paper were disseminated to workshop participants prior to the event.

## 2 What is social value?

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According to the Social Value Portal (2016: 24) 'social value refers to the wider financial and non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment'.

Social Value UK (2017) characterises social value as:

*... the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation's work.*

Social value analysis has grown out of a desire to account for the creation of value that is not captured in traditional forms of economic valuation. It recognises that social value helps to provide a more holistic account of the value of community initiatives, often using innovative quantification methods and monetisation of outcomes that are rarely monetised. This has helped to highlight the significance of intangible qualities such as wellbeing, social connectedness, self-confidence and self-agency in deliberations about the value of various social programs.

Social value analysis aims to assess the social value and impact generated by community initiatives with an explicit focus on addressing social challenges. Social value can be understood as the value experienced by the direct and indirect beneficiaries of these activities; incorporating positive and negative effects; and judged against the benchmark of what the situation would be without the proposed activity (European Commission & OECD, 2015).

The concepts of social value and social impact are often used interchangeably although some authors identify distinctions with *social value* providing a holistic view of the difference made to society as a whole and *social impact* focusing on the measurement of direct cause-and-effect relationships between a specific set of activities and outcomes (Potter, 2012).

Either way, social value and social impact approaches move away from the typical practice of measuring program inputs and outputs, toward measuring and/or forecasting outcomes, particularly in the mid to longer term (Social Outcomes, 2017). They also endeavour to account for the more difficult to measure outcomes sought by social programs and initiatives, such as community cohesion, connectedness, resilience and wellbeing. This social outcomes focus is part of a concerted movement by organisations working in the sphere of complex social problems to 'stand up and prove their worth, both in economic and social terms' (Social Value Lab, 2017: para 1).

Notably, social value can mean different things to different people, and be used in distinctly different ways. For example social value analysis can mean (J. Cox, Bowen, & Kempton, 2012):

- For *social program providers*, that their activities demonstrate effectiveness and efficiency (accountability to funders), drive improvements in services, and provide the real and sustainable benefits for users;
- For the *general public*, that decision-makers can be held to account for the impact they have on society, in the areas of greatest importance to people;
- For *advocates of equality, wellbeing and social justice*, social value analysis can ensure that policy-making and resource allocation are influenced by more than the single overriding factor of economic growth;
- For *governments*, social value analysis can show that they are adequately focused on quality of life as well as economic growth outcomes. This priority is often signalled where governments support relevant data collection, for example UK Office for Statistics efforts to measure subjective wellbeing.

Capturing meaningful outcomes is one part of the equation. Assigning value to social outcomes takes the process of social value assessment a step further. While many social programs yield outcomes that have intrinsic value, decision-makers are increasingly seeking evidence that quantifies the value of outcomes when making judgements about future resource allocation. Assigning values to social outcomes can help to create a more level playing field for assessment of budgetary priorities within organisations. For example, the benefits of major physical infrastructure projects such as roads and buildings are often easier to quantify in financial terms and are normally accompanied by business cases which detail costs and benefits to the community of the proposal. While resources are often allocated within



organisations to commission external experts to assist with the process of business case preparation for physical infrastructure projects, it is rare to see this occur in relation to social programs. Social value assessment can help to redress a deficit of evidence about the value of social programs within local government.

It is useful to frame developments in social value measurement in the context of parallel work focused on assessing government performance through the public value generated. Public value is defined by ‘the many dimensions of value that a democratic public might want to see produced by and reflected in the performance of government’ (Moore, 2014: 465). A central theme is how ‘public value’ is understood and arrived at collectively using liberal democratic processes (e.g. elections, legislative and administrative hearings, citizens’ groups, other methods of public consultation; *ibid.*: 469):

*Despite liberal societies’ best intention to make individuals the important arbiters of value, collectives emerge to define and pursue important values in society, and none is more important than the “public” that is called into existence by democratic political processes and succeeds in having its conception of public value encoded in legislation and other forms of public policy.*

According to the public value conceptual system, governments provide value in two ways: by targeting public money to initiatives and services that deliver benefits to individuals and wider collectives, and by imposing burdens through the exercising of state authority and control to secure justice and the rights of individuals and wider society. Public value accounting works on the principle that people are more likely to be willing for governments to spend taxes (i.e. bear the financial costs) and to impose regulations/burdens (i.e. to wear state controls) if these actions can be shown to produce the results that people want and value.

Moore (2014) articulates two elementary categories of public value: ‘utilitarian’ values (the satisfaction of individual material desires) and ‘deontological’ values (reflecting duty or obligation to act fairly and justly, the production of a just as well as a good society). It is contended that citizens will evaluate the work of governments in all four cells of the following normative/philosophical matrix for valuing the use of public assets, to varying degrees and in varying combinations over time:

**Table 1: Normative/philosophical framework for valuing the use of public assets**

Normative/Philosophical Framework			
		Utilitarian	Deontological
		Focusing on the good at individual and collective level	Focusing on the right, the fair and the just at individual and collective levels
Public Assets Being Deployed	Money	Efficient and effective use of public money	Fair use of public money to help produce a just society
	State Authority	Efficient, effective and accepted use of state authority	Fair use of public authority to assure justice in individual transactions and in society as a whole

Sourced from Moore, 2014 p. 473.

The push for social value measurement is in its relative infancy, however methodologies to assign social values to social outcomes are continually being developed and strengthened. Broadly speaking, the aim is to produce a methodology that identifies the social value of activities in a way that is robust, reliable, relatively consistent and provides a measure of comparability with other activities. The attributes of a strong social value measurement approach include (J. Cox et al., 2012):

- Enables comparability across different programs;
- The measures used and values assigned are based on a robust evidence base;
- Replicability, to show that the measures are valid, robust;
- Independence, in order to increase confidence in the findings;
- Straightforwardness (i.e. not resource intensive), so that it's utilisation is a realistic proposition for organisations.

There are a multitude of different approaches and methods for measuring social value, many of which are variations on a central theme (Maas, 2008). The social value measurement approaches summarised in Appendix 1 cover a range of foundational methods and have been highlighted because they have the greatest profile and the most currency in the Australian context. The approaches range from a focus on outcome measurement (Results Based Accountability and Social Accounting and Audit) to social metrics (Cost Benefit Analysis and Social Return On Investment). Also included are developments in subjective wellbeing approaches and community indicator frameworks.

Whichever approach is adopted needs to take account of the size and scope of the project (e.g. a comprehensive policy or service adjustment or major investment of funds might warrant a full-scale CBA compared with a smaller scale initiative), the level of resources available, the intended purpose of the valuation (is it to secure new or ongoing funding, to judge the relative merit of projects etc.) and the intended audience (e.g. internal or external).

### 3 International approaches to social value measurement

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There has been growing interest internationally in social value measurement, particularly through the development of system-wide outcome measurement frameworks and a focus on performance and results. Key initiatives include the following (Flatau et al (2015):

- Scottish National Performance Framework (2007)
- US Government Performance and Results Act (GPRA) (1993)
- GPRA Modernisation Act (2010)
- UK The Public Service (Social Value) Act (2012)

Canada's switch to a project funding model for community organisations in the early 2000s increased the use of Results Based Accountability and supported the Voluntary Sector Initiative (VSI; 2000-2005) to build capacity in the sector to assess performance.

Research into implementation of outcomes measurement has shown increased adoption of outcomes measurement in the UK, US and Canada, however there is evidence that many organisations fail to distinguish between outputs and outcomes, and in many cases 'outputs were cited to demonstrate impact or value, whereas often they actually demonstrated the scale or reach of an organisation' (Flatau et al., 2015: 10). A key problem is that funders are increasingly looking for evaluations that measure outcomes rather than outputs but rarely do they provide dedicated funding for outcome measurement to be systematically undertaken.

While the uptake of outcomes measurement has been driven predominantly by funder requirements and the need to prove the worth of social endeavours, Flatau et al (2015: 7) note



*The Greater Manchester experience showed that a rapid roll out of projects capable of providing compelling evidence is central to effecting the necessary culture change for embedding social value measurement*

heightened awareness by providers that social value measurement can also be a useful service improvement tool. As a consequence there is potential for greater 'strategic alignment of funder and organisation goals'.

### 3.1 The United Kingdom

The UK has been highly active in the area of social impact measurement, particularly in the context of Third Sector Organisation (TSOs). TSOs have a long history of monitoring and accounting for their impacts with this intensifying over the last decade (Harlock, 2013). Key drivers of this include pressure to identify effectiveness in tackling social problems, related to intensive performance regimes in the public sector and shifts toward outcomes-based commissioning; governance and organisational arrangements ensuring internal and external monitoring and accountability of activities; and regulation to ensure that TSOs continue to act in the public benefit.

The Social Value Act (2012) requires local authorities to evaluate the overall social value that they and their communities receive from a good or service, as part of their decision making process. A review of the Social Value Act (Cabinet Office, 2015) undertaken two years post implementation indicated that it has worked principally as a tool for saving money where procurement budgets are under severe pressure and contributed to a redesign of public services in response to these budget pressures. According to the review (ibid.: 13), in the context of the Social Value Act (2012):

*Social value is essentially about getting more value for money out of procurement, and this means the Act can be a useful tool for commissioners dealing with public spending reforms. Indeed, many commissioners told us that this was the only sense in which they could usefully and realistically think about social value – that either it would be pushed to one side in the face of spending pressures, or used as a way to negotiate them... Many commissioners are starting to reformulate services, thinking about their long term cost and sustainability, and how they can interlink by increasing or reducing pressures in other areas.*

The UK focus on outcomes based commissioning has intersected with the social value measurement movement. This has been described in the following terms (Flatau et al., 2015: 8):

*Outcomes based commissioning is a system of procurement within the community sector. This is known as an 'evidence-based' approach, meaning that organisations must measure and document their movement towards achieving certain short-term, medium-term or long-term outcomes. Funders are usually heavily involved in dictating the outcomes they want to see achieved aligning the interests of organisations with those of the funders whose grants and contracts provide incentives.*

A key lesson drawn from the application of Pay by Results (PbR)

schemes (otherwise known as outcomes based commissioning) is that PbR is not suited to all public services and that 'if PbR is applied inappropriately there is a risk that either service quality or value for money may be undermined' (Comptroller & Auditor General, 2015). An example of this is described in an account of the London Homelessness Social Impact Bond (SIB), contracted to the St Mungo's Broadway and Thames Reach homeless charities with the purpose of reducing the number of rough sleepers in London. Contracted outcomes included reductions in rough sleeping; moves to settled accommodation in the UK; reconnections to settled accommodation abroad for non-UK nationals to their home country (assisted voluntary repatriation, administrative removal or deportation); increased employment; and a reduction in the use of Accident and Emergency services. Evidence sourced through Freedom of Information showed that a major proportion of the project's activity focused on reconnection/deportation of rough sleepers, with little attention directed to addressing issues such as housing provision and the quality of temporary accommodation. The account shows that the missions of non-profit organisations are at serious risk of being compromised by commercial considerations (Whitfield, 2017).

In terms of social impact measurement more broadly in the Third Sector, research has shown that output data are most commonly collected by organisations and very few utilise advanced planning tools and evaluation practices (Harlock, 2013). Where this is in place tends to be among larger, higher capacity organisations or those funded by government grants and contracts. Organisations more commonly reported using internally collected case studies, customer satisfaction forms, and internally developed surveys to report impact. Use of standardised questionnaires, scales, tools was much less frequent (15-20% of TSOs). Tools requiring high levels of resource input (SROI and SAA) were rarely utilised unless free services were offered by external consultants or these methodologies were mandated by funders (ibid.,: 16):

*A high proportion of organisations used tools and systems prescribed by funders and public sector commissioners, often without the costs of such activities covered in funding agreements. As well as imposing cost burdens, such tools prioritised accountability to funders/commissioners and left little room for organisational innovation and learning.*

An applied example where social value measurement has been integrated into the work of local government is in the Greater Manchester city region. Even prior to the establishment of the Social Value Act 2012, the Greater Manchester Combined Authority (GMCA) subscribed to a commissioning and procurement approach that has encouraged local councils to 'choose a supplier under a tendering process who not only provides the most economically advantageous service, but one which goes beyond the basic contract terms and secures wider benefits for the community' (Greater Manchester Combined Authority, 2014: 1).

Greater Manchester is pursuing a Public Service Reform Agenda which seeks to re-design public services in a way that builds the independence and self-reliance of residents and invests in public service interventions that are intended ultimately to reduce demand for services (by building economic, social and human capital). The objectives of the GMCA Social Value Policy are to (ibid.: 2):

- Promote employment and economic sustainability – tackle unemployment and facilitate the development of skills;
- Raise the living standards of local residents – working towards living wage, maximise employee access to entitlements such as childcare and encourage suppliers to source labour from within Greater Manchester;
- Promote participation and citizen engagement - encourage resident participation and promote active citizenship;





- Build the capacity and sustainability of the voluntary and community sector– practical support for local voluntary and community groups;
- Promote equity and fairness – target effort towards those in the greatest need or facing the greatest disadvantage and tackle deprivation across the borough;
- Promote environmental sustainability – reduce wastage, limit energy consumption and procure materials from sustainable sources.

Community Budgets are part of Greater Manchester’s 3-5 year plan of transforming public services to improve quality of life, reduce unemployment and grow the local economy to make lasting improvements to people’s lives. The Community Budgets process reflects a drive to invest in what works and de-commission what does not:

*In Greater Manchester we are using the Community Budget approach to identify how shifting resources to focus on early intervention and prevention can support change, deliver better outcomes and give people greater optimism for the future. Pilot activities have demonstrated that such new ways of working with complex families can improve outcomes and reduce costs from around £250k per family to £25k over a six month period (Association of Greater Manchester Authorities, n.d.: 1).*

Greater Manchester has identified that current approaches are not achieving the best outcomes for local people and are a high-cost way of working, that demand for public services is increasing, and that imminent cuts to public sector spending are necessitating change. Greater Manchester has a range of service priorities in complex social areas, including early years development, troubled families, transforming justice and health and social care. It is assumed that effective service provision in these areas should translate to reductions in reactive public spend.

An integral part of the Greater Manchester approach has been developing a methodology for valuing social outcomes that can usefully be ‘taken forward by practitioners, commissioners, analysts and suppliers of programmes across Greater Manchester’ (Cox et al, 2012: 3). Key features of Greater Manchester’s social value measurement methodology include the following:

- The methodology is broadly based on Social Return on Investment (SROI), particularly in terms of involving stakeholders in ‘measuring what matters’;
- It is based around a common outcomes framework rather than a bespoke SROI process.
- A standard metric was developed for monetising outcomes, based on published research;
- The methodology is capable of being integrated into Greater Manchester’s existing Cost Benefit Analysis (CBA) framework, which is being used to understand the fiscal and economic value created by community budgets;
- It is recognised that ongoing training is needed to develop awareness and skills for carrying out this type of analysis.

Greater Manchester’s CBA methodology and framework was developed to support three objectives:

- Channelling of resources where there is sufficient evidence base to predict they will be successful;
- Enabling the prioritisation of interventions that maximise value for money; and
- Gaining a better understanding of where the costs and benefits of an intervention lie.

In the case of any intervention, Greater Manchester is interested in determining three types of benefits: fiscal benefits, economic benefits and social benefits. The CBA methodology covers the first two; SROI was included to address the latter.

Greater Manchester has created a number of tools to support users of the GM CBA methodology. These include the Greater Manchester Cost Benefit Analysis Tool version 4.2 March 2015 (Microsoft Excel model spreadsheet), the Supporting Public Service Transformation: Cost Benefit Analysis Guidance for Local Partnerships - April 2014, and the Unit Cost Database version 1.4 - March 2015 (Excel spreadsheet). New Economy, which works on behalf of the Greater Manchester Combined Authority and the Greater Manchester Local Enterprise Partnership, also delivers evaluation and Cost Benefit Analysis training sessions for staff to build capacity across the region. The GM CBA model provides a structured and consistent approach for applying the methodology. The Unit Cost Database contains costs across a range of themes and is regularly updated to introduce new costs and updated existing entries. The data have been subject to rigorous validation processes to increase confidence in the CBA output.

The decision to pursue a common outcomes framework was a notable feature of the GM social value measurement approach. Common outcomes frameworks 'refer to outcome maps that are researched and designed to be applicable to a number of different projects or organisations within a certain field (J. Cox et al., 2012: 24). These frameworks provide greater scope for comparability across related projects and assist with data collection methodologies (as they are often accompanied by researched and tested measurement tools), however this can be at the expense of individual project detail and nuance. For Greater Manchester's purposes, the National Accounts of Well-being model developed by the New Economics Foundation (NEF) Centre for Well-being was chosen on the following grounds:

- Applicability across a wide range of programs and interventions;
- Developed by a reputable leader in wellbeing research and measurement;
- Based on scrutinised evidence/data from the European Social Survey (45,000 interviews across 22 countries);
- Positive endorsement by consulted stakeholders.

Based on Greater Manchester's experience in developing its social value measurement methodology, it has been observed that it is possible to produce robust social value calculations without drawing on significant resources (J. Cox et al., 2012). Accounting for social value enables the full picture of program impact to be understood, which is important in local government contexts. It is highly useful to align social value measurement with existing CBA frameworks in order to understand the breadth of fiscal, economic and social value. A need for increased awareness and skills on the part of commissioners and providers of services is identified, with the importance of training programs highlighted.

The UK *What Works Centre for Local Economic Growth*, funded by the Economic and Social Research Council, the Department for Business, Innovation and Skills and the Department of Communities and Local Government, aims to improve the use of evidence in the design and delivery of interventions for local economic growth. The Centre undertook a case study analysis of the Greater Manchester approach, noting that 'over the past decade, Greater Manchester has pioneered a practical, evidence-based approach to local economic growth policies and programmes' (Holden & Harding, 2015: 2). The authors note that while the experience of Greater Manchester emerges from specific local circumstances, there are a range of good practice lessons that are likely to resonate with policy makers in other settings. Some lessons of note include (ibid.: 2-4):

- Recognising that developing an evidence-led approach is a long-term project which requires cultural change 'which can begin quickly by the embedding of evidence within specific projects or processes';





- Making sure that there is a demand for evidence, or working to develop a demand for evidence among key influencers and decision-makers, before producing the evidence: 'Evidence without demand is unlikely to move beyond documents, data and statistics into the sort of narratives that help get buy-in and deliver change';
- Engaging external views, particularly independent views, to verify and champion the evidence: 'The panel of high-profile economists and business-leaders that guided the MIER [Manchester Independent Economic Review] was critically important in ensuring that evidence led to action';
- Acknowledging and addressing negative findings, creating compelling narratives built on a foundation of robust evidence.

### 3.2 The European Union

The European Union has employed a somewhat different approach to measuring the socio-economic benefits created by social enterprise. The Groupe d'experts de la Commission sur l'entrepreneuriat social (GECES) sub-group on Social Impact Measurement was established to agree upon a European methodology for application across the European social economy. This involved the development of a 'standard for impact measurement' to bring consistency and provide a foundation for performance management for social enterprises of all sizes. The primary driver has been the need to support the decision-making of European Social Entrepreneurship Funds (EuSEF) fund managers regarding which enterprises to invest in, and to monitor and report results of investments, and provide accountability to the wider public. A second driver has been the need to support the Program for Employment and Social Innovation (EaSI) so that social enterprises are able to demonstrate measurable social impact and report on the extent to which social impact targets of the whole fund are delivered (GECES Sub-group on Impact Measurement, 2014).

The GECES social impact measurement methodology includes four foundational elements:

- *Establishing process (i.e. theory of change or program logic)* - the series of steps or stages by which a Social Enterprise or Fund investigates, understands and presents how its activities achieve change (outcomes) and impact in the lives of service-users and stakeholders.
- *Developing a framework* – for each major area of social enterprise interventions, a list of the most usual outcomes being targeted, and for each of these outcomes, a series of sub-outcomes that appear most regularly.
- *Indicators* - a particular way of attaching a value or measure to those outcomes and impacts (e.g. financial measures of savings in state funding, or productivity gains, well-being scores, etc.).
- *Characteristics of good measurement* - features of the reported measurement of the defined outcomes and impacts that signal that it should be recognised and relied upon as valid.

The GECES sub-group has gravitated toward a 'stakeholder-based approach' to social impact measurement for social enterprises. This recognises that social enterprises have a wide range of stakeholders across various sectors with different needs, expectations and explicit demands for accountability and social impact metrics. Recognising that no single metric can capture all the impact relevant to a social enterprise's different stakeholders, the stakeholder-based approach selects the metric that best satisfies the needs of 'the specific (principal) stakeholder with an interest in measuring the social impact of a given social enterprise' noting that 'this choice should stem from an ongoing dialogue with the different stakeholders engaging with the social enterprise, rather than from a unilateral decision by the social enterprise' (OECD & The

European Commission, 2015: 6). A synopsis of three case studies supplied to illustrate the flexible application of social value measurement is presented in Table 2.

**Table 2: Synopsis of GECES social value measurement case studies**

Stakeholder	Information need	Methodology	Case Study
Public investor	Understand and select the more efficient allocation of public funds	Cost-benefit analysis	WISEs (Italy)
Private investor	Evaluate the return on investment	Rating	Phitech (France)
Community	Understand the satisfaction level of the beneficiaries of the social enterprise's activities	SAA	Jesmond Community Leisure (JCL) (United Kingdom)

Sourced from OECD and the European Commission (2015) Policy Brief on Social Impact Measurement for Social Enterprises Policies for Social Entrepreneurship, p. 7.

### 3.3 Canada

Social impact measurement has been implemented to the greatest extent in Canada where impact investment focuses on directing private capital into projects and ventures designed to deliver social outcomes. It is stated that this form of investment can also 'spur non-profit, private, and public sector collaboration, to assist individuals and communities to realize greater social and economic outcomes' (Doyle & Carnegie, 2014: 4).

Social impact investors need to know that their invested capital will generate targeted financial and social returns: 'impact investors are intentional in their efforts to generate both social and/or environmental outcomes and a range of financial returns, from return of principal to above-market returns, to the investor' (Best & Harji, 2013: i). In order to deploy capital, investors must have confidence that their investments will generate the financial and social returns they have targeted. Social metrics are used to analyse and monitor social or environmental outcomes, typically theories of change, the Global Impact Investing Rating System (GIIRS), IRIS (a catalogue of generally accepted performance metrics used by leading impact investors), ESG Screens (referring to environmental, social and governance criteria), SROI, CBA, Sustainable Livelihoods and Case Studies (Best & Harji, 2013).

Implementation of social impact measurement has also been described in the context of Canada's Community Economic Development (CED) Network which is a community-led action to create local economic opportunities while enhancing social and environmental conditions (The Canadian CED Network, n.d.). The CED Network has compiled a list of case studies of social impact measurement undertaken for CED-related initiatives across the country. Social Return on Investment (SROI) and Economic Impact Analysis (EOI) are the most common methodologies used to examine the social value of initiatives ranging from the Immigrant Access Fund Micro Loan Program, the Learning Enrichment Foundation, to the PARO Centre for Women's Enterprise and numerous others (see Table 3 for two worked examples). According to the CED Network (ibid.):

*There are examples across the country that demonstrate how targeted investments in CED initiatives strengthen individual resilience and self-reliance while providing a*



*cost-effective alternative that reduces medium and longer-term pressure on public expenditures. CED results in stronger local economies, reduced poverty, healthier people, and more sustainable communities with greater control over their own future.*

**Table 3: Social value measurement of Canadian CED initiatives: two examples**

Immigrant Access Fund Micro Loan Program	Inner City Renovation
Provides small loans on a not-for-profit basis to assist immigrants in acquiring the Canadian accreditation and training needed to work in their field of expertise, move from low-income survival jobs to jobs that better utilize their valuable knowledge and skills <a href="http://www.momentum.org/iaf">www.momentum.org/iaf</a>	A construction company committed to the revitalization of Winnipeg’s inner city and creating quality employment for low-income residents <a href="http://www.icdevelopment.ca/services-IC_Renovation.asp">www.icdevelopment.ca/services-IC_Renovation.asp</a>
<b>SROI:</b> Under very conservative assumptions, program produced annual real rate of return of 33% or more, higher for higher earning occupations (58% for nurses, 32% engineers, over 100% physicians) <a href="http://www.iafcanada.org/assets/83/The-Social-Rate-of-Return-to-Investing-in-Character.pdf">www.iafcanada.org/assets/83/The-Social-Rate-of-Return-to-Investing-in-Character.pdf</a>	<b>Economic Impact:</b> Over \$1 million in wages and benefits were paid out to employees in the first two years. An additional \$1 million was injected into the local community in the purchase of materials and sub-contractors <b>SROI:</b> As of 2008, ICRs cumulative SROI was 52%, with cumulative cost savings of over \$660,000 <a href="http://www.icdevelopment.ca/company-about.asp">www.icdevelopment.ca/company-about.asp</a>

Sourced from The Canadian CED Network (n.d.).

### 3.4 The United States

Similar to Canada, social impact measurement in the United States has a strong orientation toward social impact investing which is intended to ‘generate measurable, beneficial social or environmental impacts alongside financial returns’ (US National Advisory Board on Impact Investing, 2014). Social impact investing has a particularly high profile in the US, as the following examples suggest (Yuthas, 2014):

- Wal-Mart and the Wal-Mart Foundation donated more than \$1 billion in 2012;
- In 2011, Goldman Sachs donated \$337 million, Exxon, Wells Fargo, Chevron, Bank of America, JPMorgan Chase donated over \$200 million;
- 95% of the world’s largest 250 corporations now track and report publicly on the social impacts they create.

While social impact investing has developed over a number of decades in the US, a recent spike in momentum has spurred interest in developing a unified set of metrics within a framework for more robust impact measurement and standards (US National Advisory Board on Impact Investing, 2014).

The United States government has also been active in the area of social value procurement, in seeking ways to extract greater value from their procurement of goods and services. The Small Business Administration was created by Congress through the Small Business Act of July 30, 1953 to serve the interests of small business, including ensuring they benefitted from a fair proportion of government contracts and sales of surplus property (U.S. Small Business Administration, n.d.). Social value measurement has played a key role in evaluating the impact of procurement policies rolled out by anchor institutions, which are place-based institutions with considerable purchasing power in their local communities (Hebb & Hachigian, 2017: 7):

*At the local level, anchor institutions, in partnership with city councils, have made significant progress evaluating community wealth benefits of their procurement policies. The Cleveland Greater University Circle Initiative (GUCI) has evaluated its procurement goals for the past five*

*years. The Democracy Collaborative has developed a dashboard to assist anchor institutions to understand and to evaluate the impact of procurement on community welfare.*

The Democracy Collaborative Dashboard drew on over 100 interviews with anchor institution officials to develop a framework for measuring community impacts. General agreement was achieved on twelve key outcomes that captured sought after conditions in the community as well as measures that assess institutional effort. Broad areas of focus included economic development, community building, education and environment. Economic outcomes included equitable local and minority hiring, affordable housing, sound community investing. Community building outcomes included stable and effective local partners and financially secure households. A set of indicators was developed for each outcome and potential data sources identified for each indicator. Monetisation of indicators was not deemed a priority although there is a 'recognized need for a deeper understanding of "return on investment" from social procurement, especially when increased initial costs are involved' (ibid.,: 27).

To gauge the level of outcome measurement activity in the United States, a comprehensive survey of non-profit organisations was conducted by the Non-Profit Finance Fund. The results confirmed that activity in this area has been increasing, with close to eighty percent of organisations collecting outcome data regularly and three quarters agreeing that outcomes measurement helped to assess impact in some way. However, the research also identified a range of barriers to undertaking outcomes measurement activities, with lack of available resourcing foremost among these (Flatau et al., 2015).

### 3.5 New Zealand

The New Zealand Government Treasury encourages the use of social impact measurement, principally in the form of a CBA (or a simplification thereof), whenever significant policy decisions are under consideration by government departments. The purpose is to inform evidence-based decision-making, in particular the ability of decision-makers to compare the relative merits of different propositions and to allocate resources in the most efficient and effective way possible.

While detailed CBAs (usually outsourced to an expert) are recommended for major policy decisions, the Treasury Department recognises that full CBAs are not a feasible option in some cases. In these circumstances it is recommended that a 'rough calculation' version of CBA is undertaken. It is acknowledged that the input of resources must be proportionate to the scope of the targeted policy or program.

According to the CBA Guide released by the NZ Treasury (2015), a 'rough CBA' involves the following five steps:

1. Define the proposal, its alternatives and the counterfactual (what would happen if the proposal did not proceed);
2. Identify the people who gain and those who lose;
3. Identify the benefits and costs and define them in concrete terms (terms that have observable consequences);
6. Determine whether further investment in research is warranted to quantify the costs and benefits, and the nature of the research;
7. Include a summary CBA table in the report with rows setting out the benefits and costs and columns identifying the main proposal alternatives.

The rough CBA leaves out the more technical steps of quantification and adjustment – these can be included as step 4 and step 5 if deemed necessary:

4. Quantify costs and benefits in terms of orders of magnitude, using ranges



## 5. Discount to a common period, compare benefits with costs

It is considered that the rough CBA runs sufficiently parallel to a common sense thinking process to make it accessible as a tool, giving sufficient consideration to the broad CBA framework to provide useful information for decision-makers. The Guide acknowledges that CBA, particularly rough CBA, cannot provide definitive answers on all matters, however it involves techniques that can reduce uncertainty in the context of public decision-making.

An example of an applied CBA is provided by the Ngā Haerenga The Great Rides of the New Zealand Cycle Trails: Some Benefits in Relation to Costs report, commissioned by the New Zealand Ministry of Business, Innovation and Employment (Victorio, 2016). The context for the study was an announcement in 2009 by the NZ Government to fund the development of trail infrastructure with the support of co-funding by non-government institutions. Due to funding restrictions, the CBA was undertaken for the single year of 2015 rather than a preferable longer time frame. As it was not possible at the time to do a detailed analysis of all categories of infrastructure and their share of the funds, the process was simplified to reflect 'that the funds supported some useful service life' (ibid.: 2). Further acknowledged constraints were the exclusion of other potential benefits for which data were not readily available.

The total benefits for the 2015 period were estimated at NZ\$49.42 million, exceeding corresponding costs of NZ\$13.92 million, implying a net benefit of NZ\$35.5 million or a net benefit of NZ\$2.55 for every dollar spent on costs. The process, while not perfect, sought to deliver sufficient value for the scale of the task at hand.

## 3.6 Australia

### 3.6.1 Developments in Victoria, Western Australia and New South Wales

Victoria has actively been pursuing a sustainable social procurement agenda for the state. In 2010, the Victorian Department of Planning and Community Development issued a Social Procurement Guide for Local Governments that recommends the establishment of monitoring and reporting systems against sustainable procurement targets. A Social Procurement Toolkit was also developed including a section on quantifying the benefits of social procurement (Local Government Victoria, 2010). A range of applicable measurement methods is identified, including the Global Reporting Initiative, Local Multiplier, Social Audit Accounting and Social Return on Investment, however greatest emphasis is placed on CBA 'as quantification of benefit is the primary way to create support for social value procurement in the context of increasing pressure on public commissioners to demonstrate fiscal accountability' (Hebb & Hachigian, 2017: 22). The Toolkit recommends that in the local government social procurement context, social value analysis should be addressed to achieving best value-for-money, the most effective policy outcomes and a realistic assessment of risk.

In April 2017, the Victorian State Government launched a social enterprise strategy to better support the growing sector. One area of the government's focus is increasing impact and innovation, which is underpinned by better valuing Social Enterprise's impact (Victoria State Government, 2017: 15):

***Research in Western Australian indicates a keen interest in and appetite for undertaking social value measurement in the community services sector, however organisations are constrained by a lack of resourcing and capacity***

*The government will support a program of research on the potential for social enterprise in Victoria, including valuing social impact. This initiative will generate research data and information to provide better, localised evidence for future policy. This will include an in-depth study and mapping of Victorian social enterprises to better understand their demographics and impact, including representation of women in the workplace and in management roles, and exploration of appropriate economic modelling.*

Interest in developing a more systematic approach to social outcomes measurement in Western Australia has been stimulated by the community sector funding and procurement reforms implemented by the state government in July 2011 (Western Australian Council of Social Services, 2011). The Delivering Community Services in Partnership Policy acknowledges the importance of partnering with the not-for-profit sector in the planning, design and delivery of human services and encourages 'an enduring focus and drive to deliver demonstrable improvements in outcomes for all Western Australians' (Government of Western Australia, 2011: 5). The reforms have placed outcomes measurement firmly on the agenda for all Western Australian departments, agencies and organisations they work with.

Further to this, the Bankwest Foundation has partnered with the University of Western Australia Centre for Social Impact in a comprehensive research program to 'increase our understanding of the difference community programs make and what factors can enhance the resilience and long-term financial viability of Western Australia's emerging social enterprise sector' (Flatau et al., 2015: 3). Key findings include the following:

- Strong interest in social outcomes measurement and appetite for change in the community services sector;
- Widespread implementation or desire to implement a systematic, well-grounded outcomes measurement framework; and
- Momentum towards strategic use of outcomes measurement outputs and connecting measurement with strategy and performance management.

Key priorities for the community services sector going forward include developing a strategic program to support and further promote outcomes measurement in Western Australia (Adams, Flatau, Zaretsky, McWilliam, & Smith, 2015; Seivwright, Flatau, Adams, & Stokes, 2016).

The NSW government provides guidance on measuring social outcomes as part of its Social Impact Investment Policy (2015) and the Office of Social Impact Investment which is a joint initiative of the NSW Department of Premier and Cabinet and the NSW Treasury (Flatau et al., 2015). Social impact investing is recognised by the government as an emerging approach to tackling social challenges by bringing together capital and





expertise from across the public, private and not-for-profit sectors. The NSW Government has led a number of Social Benefit Bonds initiatives which seek increased risk sharing among partners. This in turn has contributed to an increasing interest in outcomes-focused grants, payment-by-results contracts, incentive payments, layered investments and pooled investments. In alignment with this, the NSW Government has developed a rigorous measurement framework that focuses on making the economic and financial case for an intervention financed by a social impact investment that explicitly involves the NSW Government (NSW Government, 2016). However, as noted above in relation to the rise of outcomes based commissioning in the United Kingdom context, the drivers of social outcomes measurement in the context of social impact investment and PbR contracts can be quite different to drivers in other settings.

### 3.6.2 Developments in South Australia

The South Australian government has been exploring the potential of introducing Social Impact Bonds (SIBs) and 'pay by results' contracts in the social services setting. In February 2017 the first social impact bond in South Australia, the Aspire program, was released to investors. The program is an intensive client-centred intervention specifically targeting homelessness and is being delivered by a coalition of specialist homeless service providers, led by the Hutt St Centre and Common Ground Adelaide (yourSAy, 2017). Developments of this nature, notwithstanding debate about their suitability in the social services context, are likely to prompt more intensive thinking about social impact measurement within the state government.

At a more general level, there have been a number of socioeconomic impact analyses undertaken in South Australia across a range of areas. For example, a CBA was undertaken of the Wyatt Trust funded financial counselling services project whereby a number of monetary benefits of The Wyatt Trust funded financial counselling services in the 2012/13 financial year were quantified. The study acknowledged a number of personal, social and economic benefits delivered through financial counselling services, including those that fall outside traditional forms of monetary valuation (Mahmoudi, Hordacre, & Spoehr, 2014). The Australian Industrial Transformation Institute has undertaken numerous socio-economic impact assessment studies including major reports on the automotive and steel industries, assistive technology industry, health industry and the education industry (Barnett, Burgan, & Spoehr, 2008; Burgan & Spoehr, 2013; Spoehr & Barnett, 2011).

Of key significance, the South Australian Government Department for Communities and Social Inclusion (DCSI) *Building Communities* program focuses on supporting and strengthening local communities, principally through supporting vulnerable people in the community, and building community capacity and engagement. The DCSI Building Communities vision is shared by a range of partners, including local government. The vision centres on the understanding that people's health and wellbeing is profoundly connected to the opportunities and resources – both material and non-material – available to them in the places they live:

*Local communities matter to people. Where we live influences our access to opportunities; our daily lived experience; and our health, safety and wellbeing. And, despite changes in how and with whom we relate, local communities remain an important site for relationship and connection; identity and care; and for access to services and resources.*

Community development work frequently targets complex social problems that are known to have profound consequences for people's health and wellbeing. Local governments have a key interest in targeting the ill-effects of locational disadvantage, where concentrated low-socioeconomic status intersects with poor social prospects, crime and safety issues, and the experience of social isolation and disconnection. As DCSI points out, the pursuit of equity is a central tenet of the Building Communities focus:

***A social value measurement framework for SA local government must draw its inspiration from the values and principles of community development, starting with equity, the social determinants of health, social capital, social inclusion and community wellbeing***

*People who are disadvantaged by poverty and other circumstances are often those who are most dependent on their local community (for resources, services and social contacts) and therefore affected by it. People in these circumstances often have a greater need for services and fewer choices as to where or how these will be provided.*

The Building Communities framework targets local community development as one of its three key areas of focus for action. Community groups, associations, partnerships and networks are seen to offer opportunities to support and build social capital, yielding benefits through increased opportunities for involvement, relationships, social connection, action and activity, skill development and participation. Community development work is thus geared toward promoting greater inclusion, empowerment, collaboration, civic engagement, local leadership and information flow across the community. These are all highly productive areas for defining and measuring the social value of community development projects.

Extending from this, the DCSI Thriving Communities service area seeks to create the conditions whereby all South Australians can actively contribute to building the social and economic wellbeing of their communities. Thriving Communities follows a collective impact approach in bringing community, government, not-for-profit organisations, business and philanthropy together within a particular locality. It seeks to develop a network of communication, collaboration and commitment targeting large-scale, lasting change (Department for Communities and Social Inclusion, n.d.):

*Collective impact uses a range of solutions, including programs, services and policy and system change, to work towards outcomes that reflect the community's priorities and needs. Progress towards these outcomes is measured and solutions adapted to maintain improvement and reflect new learning and partnerships.*

The principal social value measurement methodology promoted by DCSI in relation to Collective Impact is Results Based Accountability (RBA). An example in practice is the Mid Murray Family Connections (MMFC) project, which involved a collaboration between the Council, Together SA and Community Centres SA. The RBA Population Accountability methodology and Collective Impact framework were used to address childhood vulnerability. The project is in the process of measuring a range of child outcomes including secure attachment, emotional resilience, engaged learners and being safe and supported, across the age groups of conception to eight years of age (Mid Murray Family Connections, 2017). Impact at a population outcome level will be assessed as the program progresses.





*A locally-tailored social value measurement framework should recognise, build on and add value to existing processes and tools in the SA local government context, for example the LGA SA Community Development Evaluation Toolkit, Cultural Impact Framework and Regional Public Health Plans*

There have been further efforts to measure social outcomes across a number of South Australian local government initiatives. The City of Onkaparinga has been particularly active in this area, with the Onkaparinga Active Communities Network (OACNET) Training and Development program, the Healthy Active Lifestyles Onkaparinga (HALO) project, Onkaparinga Community Hubs Network (OCHN), PERMA+, Onkaparinga Youth, and Junction Landscaping all identified as having a social outcomes focus. Most of these activities utilised RBA as the preferred approach, often because this was required as a condition of funding but also because it is considered straightforward, easy to apply, quick to produce results and useful for planning purposes. Measurement methods tended to be limited to before and after measures as well as a range of qualitative methods (e.g. observations, interviews) to gauge the desired change in participants (in behaviour, attitude, knowledge, wellbeing etc).

At the more complex end of the social value measurement scale, a forecast SROI was undertaken for the Junction Landscaping social enterprise. This initiative facilitated small teams of young people doing landscaping work under the supervision of a qualified tradesman. The SROI was undertaken as an expert consultancy (Social Ventures Australia) with results demonstrating that for every \$1 invested in Junction Landscape, there was a projected return of \$3.35 in value to all stakeholders, including employees previously excluded from the labour market, trainees, Southern Junction Community Services, the City of Onkaparinga and both State and Federal Government (Social Ventures Australia (SVU) Consulting, 2011). Reported strengths of applying SROI were that it was easy to understand the value result (dollar figure for value created by every one dollar invested), and engaging an expert consultancy provided the perception of high rigour and third part objectivity, meaning the results were more highly regarded and trusted. Key challenges were the cost of engaging a consultant and the broad lack of understanding of SROI methodology.

These social value measurement activities have taken place in the context of significant local government support to assist South Australian councils to undertake evaluation of their programs and projects to provide evidence that the desired outcomes are achieved and that these support local governments to deliver on their strategic plans. A well-designed evaluation provides accountability, shows whether effective management was exercised, enables councils to report back to their communities and elected members about their results, and provides a basis for assessing the wider value that council activities provide to the community.

The Local Government Association of South Australia (LGA SA) has invested significantly in supporting councils to measure and evaluate the outcomes and impact of their programs and activities. This has resulted in the Community Development Evaluation Framework and Toolkit and South Australian Local Government Cultural Impact

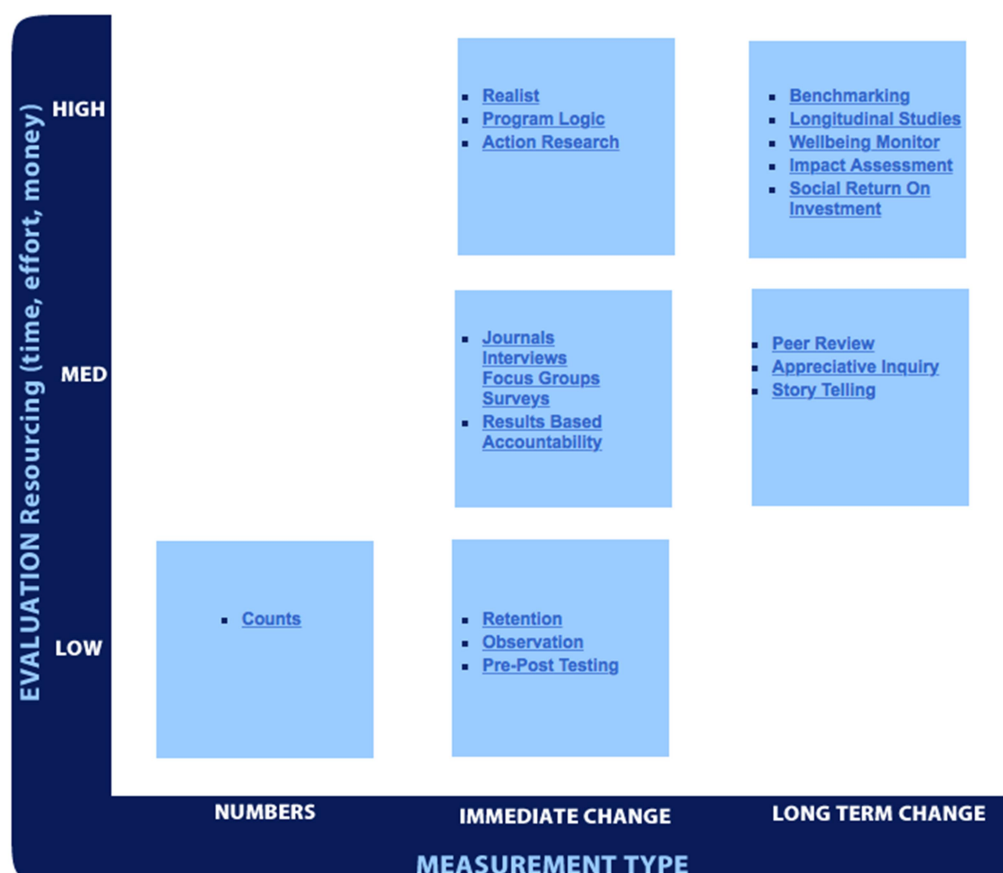
Framework, which are described below. Another key feature of the SA local government environment is the Regional Public Health Plans councils are required to produce under the South Australian Public Health Act 2011, which have a clear focus on reporting health and wellbeing outcomes. Stakeholders have flagged the importance of building on each of these resources and processes to develop a methodology for measuring the broader social value of local government community development activities.

### **The Community Development Evaluation Toolkit**

The Community Development Evaluation Toolkit project has been a collaborative venture among four South Australian local government Councils: the Cities of Onkaparinga, Campbelltown and Victor Harbor and the District Council of Ceduna (Local Government Association of South Australia, n.d.-a). Each Council recognised the need for a consistent approach to evaluating community development projects and programs and the need for an evaluation framework that considers the complexities of these wide-ranging initiatives.

The Framework (see Figure 1) is a decision-making tool to assist local government to plan for and implement evaluation of community development activities. It presents a range of options for undertaking evaluation, mapped against the level (low, medium and high) of available resources and whether measurement is targeted at activity levels, immediate impact or change associated with the project, and/or assesses longer-term outcomes and change.

**Figure 1: LGA SA Community Development Evaluation Framework**



The South Australian Local Government Cultural Impact Framework (CIF) is a tool to assist local councils to measure the value of cultural development activities and thereby to better understand how decisions made by Councils impact on the culture of a community (Creative Communities Network South Australia, n.d.). Councils invest significantly in arts and cultural activities that contribute to the cultural vitality of the community. They therefore have an interest in determining the extent to which their investment in cultural activity, assets and infrastructure translates to impact in the various domains of cultural vitality.

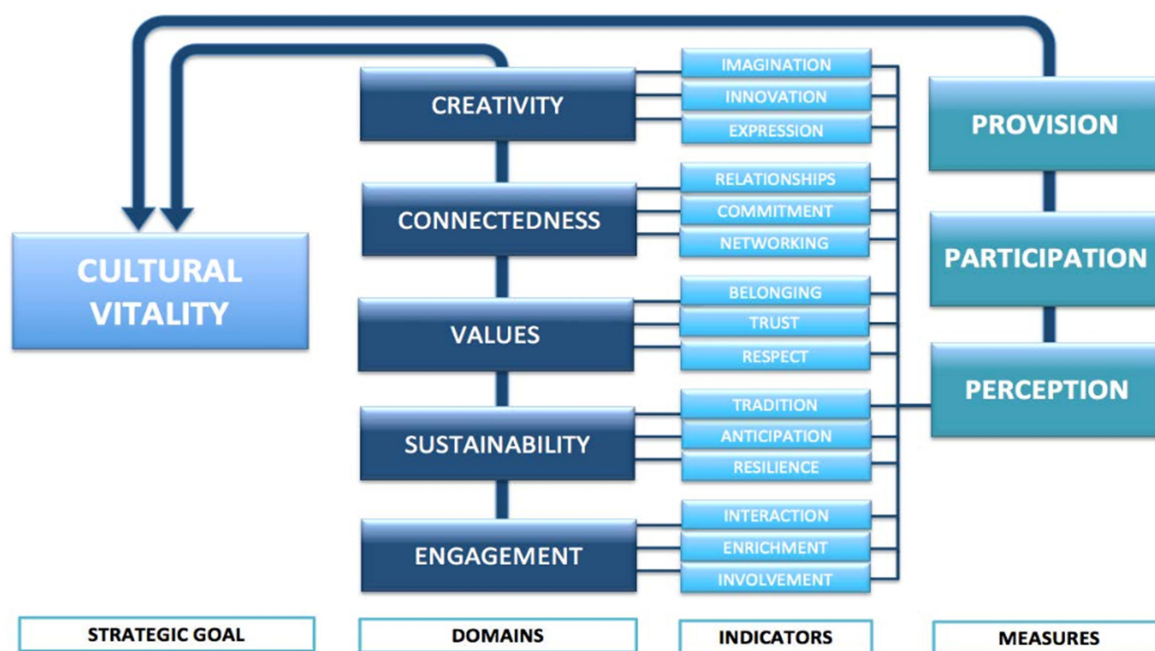
In similar style to the Community Development Evaluation Toolkit, the CIF toolkit identifies a range of tools targeted for specific purposes, and provides an approach for producing information and data (including where to source these from). These include:

- Narrative Evaluation Tool
- Cultural Impact Assessment Tool
- Cultural Activity Assessment
- Annual External Cultural Overview
- Annual Internal Cultural Overview
- Cultural Asset Assessment

The CIF Framework (see Figure 2) identifies Cultural Vitality as the overarching strategic goal of local government cultural investment. The Domains are aspirations, and draw heavily from the values and principles expressed in community and strategic plans. These are underpinned by indicators that refer to the more direct benefits conveyed by the activity. The measures are set out in terms of:

- Provision: The amount invested in a cultural activity, collections, buildings or places by Council, external funders and participants.
- Participation: The number of people involved in or with cultural activity or collections or visit buildings or places.
- Perception: Determines how people feel and experience cultural activity, collections, buildings or places.

Figure 2: South Australian Local Government Cultural Impact Framework



Reproduced from: LGA SA South Australian Local Government Cultural Impact Framework, p 4.

In addition to considering fit for purpose *methods*, the CIF Framework also considers the design of fit-for-purpose *measures of value*, in this context the value of investing in cultural infrastructure and activities.

We suggest that the Framework for describing and measuring the cultural impact of local government activities as outlined here presents significant possibilities for thinking about how to frame the social value of community development activities.

### Regional Public Health Plans and Primary Health Networks

The South Australian Public Health Act 2011 provides a new legislative framework to address traditional and contemporary public issues, recognising that ‘public health works behind the scenes to protect health, prevent illness and promote the wellbeing of all South Australians’ (SA Health, 2012: para 4). Under Section 51 of the Act, local councils are required to develop Regional Public Health Plans (RPHPs) which they can do individually or on a regional scale. The elements required of the plans are outlined in Box 1 below. Alongside this, the South Australian Public Health Evaluation Framework uses the Public Health indicators to help to measure against two outcomes:

- Improved public health and wellbeing of communities and vulnerable groups within communities; and
- Reduced incidence of preventable illness, injury and disability.

SA Health sought input from local councils about the Public Health indicators at a series of workshops over 2015-16, with the Public Health Indicator Framework released in 2017. The indicators are not intended as mandatory performance reporting indicators for local councils, however they do reflect key areas of interest to local councils and are designed to be relevant and useful for council planning and other purposes (SA Health, 2016).



**Box 1: Required elements for Regional Public Health Plans, Section 51 (8 & 9) of South Australian Public Health Act 2011**

(8) A regional public health plan must:

1. comprehensively assess the state of public health in the region; and
2. identify existing and potential public health risks and provide for strategies for addressing and eliminating or reducing those risks; and
3. identify opportunities and outline strategies for promoting public health in the region; and
4. address any public health issues specified by the Minister following consultation with SAPHC and the LGA; and
5. include information as to:
  - a) the state and condition of public health within the relevant region, and related trends; and
  - b) environmental, social, economic and practical considerations relating to public health within the relevant region; and
  - c) other prescribed matters; and
  - d) include such other information or material contemplated by this Act or required by the regulations.

(9) In addition, a plan must:

1. include information about issues identified in any plan, policy or strategy specified by the Minister or SAPHC; and
2. address, and be consistent with, any intergovernmental agreement specified by the Minister.

Source: SA Health (2012)

The Australian government established 31 Primary Health Networks (PHNs) to 'increase the efficiency and effectiveness of medical services for patients, particularly those at risk of poor health outcomes, and to improve coordination of care to ensure patients receive the right care in the right place at the right time' (Australian Government Department of Health, 2015: para 2). There is an expectation that PHNs will work to improve health outcomes for their communities, judged against a three tiered performance framework of national, local and organisational indicators. PHNs are expected to 'select, periodically review and revise local priorities and indicators that will allow measurement of PHN priorities and drive quality improvement activity in their region' (Australian Government Department of Health, 2016: 2).

A number of the local government stakeholders consulted signalled the potential to link social value measurement processes with broader thinking about health outcomes and associated indicators reflected in local council Regional Public Health Plans and the work of Primary Health Networks. Some however expressed reservations about engaging too closely with health outcomes as being outside the core remit of local government and symptomatic of the cost-shifting trend impacting on local government.

Finally, there is also significant scope to link the development of a social value measurement approach for South Australian local government to the Don Dunstan Adelaide Thinkers in Residence Program, Social Capital Residencies (Don Dunstan Foundation, 2017). These residencies aim to:

- Help to bring social innovations to scale in South Australia by developing a social innovation ecosystem that supports the growth of investment ready social enterprises.
- Support a growing social economy by breaking down the silos between the business and social innovation ecosystems. In particular, supporting and inspiring small, medium and large businesses and other organisations to improve their social impact.

## 4 Refining a social value measurement approach for South Australian Local Government

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Acknowledging wider drivers and applications of social value measurement across Australia and internationally, a key step in shaping a SA local government response is understanding the local context and the specific contours of demand for social value measurement within the targeted user-group (community development services, with a view to extending into other local government domains).

### 4.1 The South Australian local government context

The South Australian *Local Government Act 1999* outlines the key role of councils in encouraging and developing initiatives to improve the quality of life of their local communities. Among a range of functions attributed to councils is the provision of health, welfare and community services or facilities; and support for the welfare, wellbeing and interests of individuals and groups within the community (Government of South Australia). Community development work undertaken by local councils has been a primary vehicle for supporting health, welfare and quality of life outcomes for local residents and the community as a whole, as addressed in the Act.





## Box 2: The role of South Australian councils

**According to the South Australian Local Government Act 1999 the role of a Council is to -**

- (a) *Act as a representative, informed and responsible decision-maker in the interests of its community; and*
- (b) *Provide and co-ordinate various public services and facilities and to develop its community and resources in a socially just and ecologically sustainable manner; and*
- (c) *Encourage and develop initiatives within its community for improving the quality of life of the community; and*
- (d) *Represent the interests of its community to the wider community; and*
- (e) *Exercise, perform and discharge the powers, functions and duties of local government under this and other Acts in relation to the area for which it is constituted.*

SA Local Government Act 1999: 1

South Australian councils have supported diverse community development processes through policies, resource allocation and the provision of infrastructure, services and a range of activities designed to create supportive environments for community development. There is no precise definition of what constitutes community development as it is highly diverse in nature and application, however it is generally agreed that 'processes over time, people as collective active agents in change, and improvements in quality of life are intrinsic to community development' (Verity, 2016). LGA SA (n.d.-c) describes community development and the role of councils in delivering related services as:

*The long term process whereby people work together to identify their needs, create change, exert more influence in the decisions which affect their lives and work to improve the quality of their lives, the communities in which they live and the society of which they are a part. Local Government undertakes community development by working alongside our communities to provide programs that offer people opportunities to make connections, develop friendships and networks and to build their skills to create long-term outcomes that improve quality of life.*

Local government is perceived as an ideal vehicle for delivering community development-related activities as it is seen to have the closest connections to the people who make up the community. According to the LGA (n.d.), 'local government is the closest sphere of government to the community, and deals most directly with citizens and the communities all governments serve'. Local government-provided community services are characterised as 'services which tend to involve direct interaction with people, ranging from youth services to aged care and local libraries'.

While community development activities have long featured in local government service provision, they have come under increasing pressure as council budgets – in line with budgets at all levels of government– have tightened in response to broader economic stresses. The impact of the global economic downturn has filtered through to local government by way of less secure income and increased demand on services. The 2014-15 Federal government budget measure to pause indexation of the Financial Assistance Grants program for three years to 2016-17 had a significant impact on local governments in South Australia. In addition, the share of the pool of funding for South Australia is decreasing, due to South Australia's declining share of the national population, resulting in South Australia's grant allocations being reduced by \$1.1 million in 2015-16 (South Australian Local Government Grants Commission, 2015).

Community development services have long been an important part of SA council operations, however they are open to vulnerability when budgets are under pressure. To strengthen their position in local government, these services need to be able to establish and communicate the social value they produce, in terms that wider stakeholders and decision-makers can appreciate.

The 2017-18 Federal Budget confirmed that indexation of the Financial Assistance Grants would resume from 1 July 2017. The Grant allocations for South Australian Councils are estimated at \$155.9 million in 2017-18, up from \$151.5 million in 2016-17. However, as a result of the three year pause in indexation, this figure is approximately \$19 million per annum lower than it would have been had the indexation remained in place (Local Government Association of South Australia, 2017).

Other factors placing pressure on council budgets include costs associated with complying with imposed standards and judicial actions (concepts of liability); infrastructure replacement costs; community pressures to enhance services and/or introduce new services; and cost shifting whereby there is an expectation that local councils fill gaps in service provision in areas where state governments reduce expenditure (The South Australian Centre for Economic Studies, 2002). A recent development with significant budgetary implications for local councils is the rate capping policy proposed by the State Opposition in the lead up to the 2018 South Australian State election. The policy provides for the appointment of an independent regulator to set the rate rise councils can apply based on the cost of their provided services. The LGA SA has expressed serious concerns about rate capping on the following grounds (n.d.-d: para 10&11):

*The LGA agrees that it is essential for councils to engage with communities. Councils already work with their communities to strike a balance between expenditure, revenue and the types of services expected by the local community.*

*An externally imposed rate cap will reduce a council's capacity to get this balance right. Rate-capping will introduce an expensive bureaucratic process that will restrict vital service delivery to the community or, if services are maintained, postpone the financial burden of today's services and infrastructure onto future generations.*

In the context of these budgetary pressures, local governments have been called upon to 'focus on long term strategies to maintain their own financial sustainability' (Bureau of Infrastructure Transport and Regional Economics, 2009). Moreover, the Local Government Act 1999 instructs councils to 'seek to ensure that council resources are used fairly, effectively and efficiently' and to 'ensure the sustainability of the council's long-term financial performance and position' (Government of South Australia, : 2).

Against this backdrop of increasing fiscal constraint in local government, there is debate about which services councils are required to deliver, which are potentially more discretionary in nature, and how best to allocate limited resources in this contested environment. Various areas of council are under increasing pressure to demonstrate and/or justify their expenditure, and to make decisions about if and where cuts are able to





be made. Community development services are deeply caught up in this debate, and indeed are viewed by some as particularly vulnerable to processes of service rationalisation. Some council members have questioned whether community development services constitute a 'core function' of council and whether the substantial level of spending in this area is justifiable.

Decision-makers within local government have to make crucial judgements on an ongoing basis about resource allocation, taking into consideration demands across a range of council services and initiatives. These have a broad remit, spanning economic development, planning and environment, transport and infrastructure, education and training, and community services. In times of fiscal constraint, decisions about resource allocation must necessarily be concerned with delivering maximum value for investment, resulting in the greatest benefit for local communities (J. Cox et al., 2012). In this environment, in order to achieve a comparable profile and status with other council services, some argue that community development services need to demonstrate their value in terms that key stakeholders and decision-makers can appreciate and give sufficient weight to. In this context, it has been posed that community development services in local government need to develop a 'Strategy of Influence', with social value measurement positioned at the centre of the strategy.

#### 4.2 Local government stakeholder views on the need for a social value measurement-based strategy of influence

The views of a range of South Australian local government stakeholders were canvassed about the need for a social value measurement-based strategy of influence in the community development services context. This produced widespread agreement that introducing a social value measurement approach into local government would add considerable value to the sector, however only if it isn't co-opted for other agendas, and doesn't lead community development/social outcome-focused practice and funding models down unintended pathways.

Stakeholders identified a range of potential benefits social value measurement could bring to local government more broadly. Foremost among these is extending the existing focus from basic program evaluation (with its emphasis on program outputs) to a population outcomes approach, noting that many programs are currently evaluated but the broader population impact is not well understood. This is important in terms of determining whether council activities are achieving desired (and incidental) outcomes and understanding what real difference these are making to local communities (their wider significance/impact).

Social value measurement was seen to have potential to assist with internal program and service review and to support internal communication and decision-making, in particular ensuring that decision-making is based on evidence and outcomes rather than 'flavour of the month' ideas. It could facilitate benchmarking (as long as this is not the only focus) and assist councils in identifying where to most effectively and efficiently invest limited council resources.

Local government stakeholders were particularly interested in the forecasting function of some forms of social value measurement, for purposes of informing planning. Another noted function is increasing the ability of local government to express the scale of the 'return' to state and national governments of local government-provided activities that convey significant community benefit (e.g. improved wellbeing keeping people out of hospital, increased social cohesion contributing to reduction in local crime and stronger families resulting in improved educational outcomes). Notably, this presents both an opportunity and a danger in terms of a) recognising the value of local government work and b) leading to greater cost-shifting out of areas of state and federal government responsibility.

Local government stakeholders also reflected on how a social value measurement approach could strengthen the position of community development services within local government operations. This was expressed in terms of being better able to demonstrate community development outcomes to external funding bodies, internal decision-makers and communities ‘to show others the outcomes are real and are beyond the simple activity or event’. Some believe that the significance of community development work and its outcomes may not be adequately recognised, or tends to be taken for granted in wider circles. It is important to give community development outcomes greater visibility, credibility and relatability for key local government stakeholders.

There is a perception that senior decision-makers in SA local government are under-equipped to understand the value of small programs and that social value measurement could present a useful means to communicate value at this level. It could facilitate to get community development programs and projects factored into internal, longer term financial planning: ‘physical assets are planned and included in longer term financial planning, social assets often aren’t and are subject to one-off budget bids’.

A strong theme to emerge from the consultation was whether to pursue a social value measurement approach for the singular purpose of supporting community development or as an approach pertinent to whole of council operations. It was noted that other areas of local government contribute in important ways to social value and that capturing social value should be an across-council focus (e.g. capturing the social value of roads). Social value indicators might therefore need to be chosen that consider all work of council, across the spectrum of infrastructure (e.g. roads and footpaths), economic development, and programs that contribute to community cohesion and wellbeing.

In this context, social value measurement is seen to comprise an innovative approach, and a ‘potential game changer’ for local government in terms of reorienting how local government thinks about value, investment, and implementation across council domains and shifting the way people communicate with each other within and across local government portfolios by using a common, social values-based language. Moreover, whereas the current local government funding model is considered to be deficit-based, it was believed that a well-considered social value measurement approach could turn this around to a more strengths-based way of thinking.

It was suggested that a broader, across-local government social value measurement focus had potential to lift the profile of community development services as a core business in local government. Social value measurement would be useful for relating community development work to the broader local government strategy. It could also assist by ‘bringing business thinking to community development work’ and in this way better relating it to other areas of council.

While there was considerable interest in how social value measurement could support a wider local government reorientation, it was agreed that the social value measurement approach could usefully be seeded in the community development arena and built outwards as awareness of its value and utility grows.



## 5 Embedding social value measurement in SA local government practice: key points for design, implementation and sustainability

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The Valuing Social Outcomes (VSO) Project is tasked with developing a framework and toolkit to support local government to undertake social value measurement – with an emphasis on community development, but also with wider applicability.

A critical consideration in this context is to create a set of conditions that will maximise acceptance and use of the intended resources. It is a matter of priority that the resources developed as part of the VSO Project process do not sit dormant in the background of local government concerns, but are actively utilised to service community interests and deliver value to local government.

Across the international literature, a range of key challenges in the implementation of social value measurement have been identified. These include (J. Cox et al., 2012; Edwards, Burrige, & Yerbury, 2013):

- Social value measurement is skill and resource intensive, yet the settings where it is of most relevance are bound by resource constraints. The cost implications of undertaking social value measurement are identified as one of the most significant barriers;
- Organisations are often not 'social value ready', in other words evaluation is often undervalued, unplanned and/or only applied as an after-thought;
- Organisations often hold poor quality data that are not suitable for rigorous valuation approaches (e.g. CBA);
- Existing efforts to measure social value tend to be sporadic, non-systematic and informal.
- Significant variation exists in social value estimates across similar projects, which contributes to scepticism about the validity of the approach;

The development and establishment of the Greater Manchester social value measurement process highlighted a range of key conditions for successful implementation that respond to these challenges. The review emphasised the importance of (Holden & Harding, 2015: 2-4):

- Recognising that developing an evidence-led approach is a long-term project which requires cultural change 'which can begin quickly by the embedding of evidence within specific projects or processes';
- Making sure that there is a demand for evidence, or working to develop a demand for evidence among key influencers and decision-makers, before producing the evidence: 'Evidence without demand is unlikely to move beyond documents, data and statistics into the sort of narratives that help get buy-in and deliver change';
- Engaging external views, particularly independent views, to verify and champion the evidence: 'The panel of high-profile economists and business-leaders that guided the MIER [Manchester Independent Economic Review] was critically important in ensuring that evidence led to action';
- Acknowledging and addressing negative findings, and creating compelling narratives built on a foundation of robust evidence.

Drawing on over fifteen years promoting impact measurement among UK charities, New Philanthropy Capital (NPC) has identified nine steps to becoming an active impact-driven organisation:

1. Find senior champions

2. Make the case for measurement
3. Get external support
4. Designate an impact lead
- 5. Develop a tailored system (the measurement framework)**
6. Train frontline staff
7. Use results to improve
8. Publicise your results
9. Review and improve your system

In the context of this scheme the development of a Valuing Social Outcomes (VSO) Framework and Toolkit fits step five. Clearly, for the approach to be sustainable consideration needs to be given to the other identified steps (Kazimirski & Pritchard, 2014: 6)

*Building a tailored system—your own impact measurement framework—cannot be done in isolation. Its success depends on a strong foundation, working through steps one to four, including support for measurement from the top of your organisation, and having the right internal capabilities in place.*

It is AITI's view that a number of actions need to happen to support the development of a sustainable, useful social value measurement approach for local government. These include:

- Putting in place high level support and systems to legitimise and embed the philosophy and practice of social value measurement in local government. This would best be achieved through the development of **a Social Value Policy for South Australian Local Government**. Recommended areas of policy focus include committing to a program of collaborative projects targeting areas of high social value relevance to local government; seeding a social value measurement ecosystem to support wider interest and collaboration around social value measurement; supporting internal capacity and ongoing evaluation and refinement of the SA local government social value measurement approach.
- Developing a contextually-relevant **social value measurement framework** that inspires the imagination, interest and commitment of diverse stakeholders/decision-makers and provides an agreed approach and parameters;
- Developing a user-friendly intermediate-level **social value measurement tool** for application in individual projects/programs;
- Developing a **social value measurement toolkit** that provides practical guidance, decision-making tools and information to support local government to produce statements of social return regarding community initiatives.

The rationale for these recommended actions is described in greater detail in the following sections.

## 5.1 Establishing the necessary structures and supports to sustain social value measurement in local government

Acknowledging that with a population of over three million, the Greater Manchester Combined Authority is of significantly larger scale, and that local government in the UK performs different functions than in the Australian context, there is still scope to adapt its social value measurement experience and learnings for the South Australian local government context. A key feature of the Greater Manchester comprehensive approach to social value measurement is the GMCA Social Value Policy (2014: 1) which aims to 'set out how the Greater Manchester Combined Authority (and its members) will deliver social value through their



commissioning and procurement activities and to set the Authority's priorities in relation to social value'. The GMCA Social Value Policy aims to set out:

- A definition of Social Value for Greater Manchester
- The policy context for Social Value in Greater Manchester
- The priority policy objectives
- A Greater Manchester Social Value Framework

The policy signals key top down support and endorsement of the approach, the like of which would add major momentum to the bottom-up drive emerging in South Australian local government.

On another front, one of the key lessons of the Greater Manchester social value measurement approach was that developing an evidence-led approach is a long-term project which requires cultural change and that this is facilitated by the timely 'embedding of evidence within specific projects or processes' (Holden & Harding, 2015: 2-4). A stand-alone social value measurement framework and toolkit, even in the presence of a coherent ecosystem to support its promotion in local government, is unlikely to generate the momentum necessary to embed and sustain social value measurement in local government. Collectively agreed upon social value assessment projects in priority areas is an approach we recommend.

Local government stakeholders expressed support for piloting social value measurement applications on a regional basis (involving collaboration between councils and other partners as fostered by the social value measurement ecosystem), supported by the LG Research and Development Scheme. The Scheme funds specific projects that are strategically of benefit to local government as a whole and which deliver 'real benefits to SA communities, in the form of increased efficiencies, improved service delivery, and greater accountability' (Local Government Association of South Australia, n.d.-b: para 1). The pilot projects should address specific areas of social value interest, with project outputs and outcomes stored in a 'knowledge bank' – a repository for Network knowledge – that should be managed by the LGA and made widely available across local government. Importantly, the evidence provided by rigorous social value measurement studies comprises a valuable resource for supporting related activity and therefore represents a value-add for local government more widely.

In the first instance, the local government stakeholders consulted identified work being undertaken with the most disadvantaged communities in council areas as a priority for piloting and testing a social value measurement approach. It is recommended that the second stage of the VSO project should consult more widely to inform the content of a coordinated program of pilot projects, to ensure that these respond to genuine demand for information and evidence within local government. The second stage should also seek to progress one or two projects in the near term (e.g. instigate partnerships, identify funding opportunities etc.).

Local government stakeholders emphasised that adequate engagement is necessary at all levels of local government, particularly CEO, General Manager and mid-management level. A fit-for-purpose social value measurement approach would also need elected member and community engagement and endorsement. To achieve this, these stakeholder groups need to understand and support what local government wants to achieve with social value measurement and this requires developing a compelling communication and engagement strategy. It is important for the social value measurement narrative to be part of a broader story and considered debate about what local government is doing and achieving at a community level, in terms that resonate with the community. A challenge in developing the social value measurement framework will be agreeing on a conceptual system and language that diverse stakeholders can relate to, if this needs to resonate with both decision-makers and the community.

It is important to consider the types of supports that would make social value measurement a more realistic prospect within South Australian local government community services. The comprehensive Greater Manchester social value measurement approach is supported by the organisation *New Economy*, which works on behalf of the Greater Manchester Combined Authority and the Greater Manchester Local Enterprise Partnership to deliver policy, strategy and research for Greater Manchester's economic growth and prosperity.

Noting that the Greater Manchester approach is of significantly larger scale and greater resourcing than its South Australian counterpart, it would be useful for the LGA SA to consider a range of options, for example partnerships across local government, research institutions and others with an interest in social value measurement, to build a support base for undertaking social value measurement. Stakeholders identified that it is important to involve other organisations outside local government in developing and applying a social value measurement approach, for example not-for-profit organisations. What is needed is a truly collaborative venture, 'not just local government doing everything'. Critical mass was identified by stakeholders as key to the success and sustainability of a social value measurement approach, which involves engaging and involving enough people (including decision-makers) and organisations committed to the importance of social value measurement.

Stakeholders emphasised that regional collaboration between councils is essential as it is an unrealistic prospect for councils to undertake social value measurement on their own. Regional collaboration helps to address the variable capacity of larger and smaller councils, and offers potential for experiences and knowledge to be shared across local government. One prospect is to develop a Local Government Social Value Measurement Network to drive collaboration, whereby different councils can collaborate across a range of interest areas, to achieve efficiencies and share learnings and resources. An alternative would be to use existing structures to support the process rather than setting up a whole new network, for example drawing on the Community Managers Network, Social Impact Measurement Network of Australia, Social Planners Network, Creative Communities and others.

**Recommendation 1: Develop a South Australian Local Government Social Value Policy that embeds social value measurement in local government. The Social Value Policy should link to the wider LGA SA policy context and make reference to the Policy Manual of the LGA SA (2015).**

*Recommended policy focus areas include:*

- ◆ LGA SA to pursue a three year program of collaborative social value measurement pilot 'lighthouse' projects (potentially two projects per year), each targeting an area of high relevance and strategic interest to SA local government (VSO Stage 3);
- ◆ Implementing a communication and engagement strategy to bring all levels of local government, council members and the community on board.
- ◆ Forming a dedicated Social Value Measurement Network or leveraging existing networks (e.g. Community Managers Network, Social Impact Measurement Network of Australia, Social Planners Network, Creative Communities and others) to progress a social value measurement agenda in SA local government;
- ◆ Supporting internal capacity through the professional development and training functions of organisations such as LGA SA and Local Government Professionals Australia SA.
- ◆ Ongoing evaluation and refinement of the SA local government social value measurement approach.





*Key considerations in establishing the program of pilot projects:*

- Consulting key stakeholders about existing demand for social value evidence and tailoring projects to meet the information and reporting needs/strategic interests of local government. This should include discussion of what SVM projects are likely to have the greatest impact in this initiating phase – e.g. targeting programs responding to newly legislated changes such as Regional Public Health Planning and the NDIS rollout, or infrastructure initiatives that are tangible/highly recognisable in the community, such as libraries and community centres.
- Designing projects capable of producing evidence that can enable options analysis, forecasting and comparing the likely social impact of a range of potential actions/initiatives (key to local government planning and resource allocation);
- Adopting a collaborative approach involving a group of councils with a shared interest/concern. These may be grouped on a regional basis, a shared interest basis or a strategic basis. This presents an opportunity for smaller and/or lesser resourced councils to partner with better resourced councils or councils with stronger social value measurement capacity, to share resources and learnings and build wider confidence and capacity.
- Exploring a range of co-investment/collaborative opportunities, for example sourcing matched funding from the LG Research and Development Scheme and from state and national government where strategic interests intersect, and collaborating with the not-for-profit sector and with the university sector (e.g. student research projects). Also exploring the potential to link with/leverage existing initiatives such as Collective Impact approaches, where these dovetail with the SA local government social value measurement framework.
- Sharing and promoting project findings across local government, noting that project outcomes will be relevant and useful where councils are planning similar initiatives (smaller, lesser resourced councils benefitting from broader social value measurement projects). Using project findings to support funding applications and reporting to funding bodies where necessary to demonstrate the community benefit of social and other initiatives;
- Potential local government initiatives that would lend themselves to collaborative social value measurement projects include:
  - Facility provision (e.g. community libraries, arts, sports and recreation facilities);
  - Open space provision (e.g. reserves, trails, town squares, playgrounds);
  - Community program provision (e.g. lifelong learning, arts, social connection);
  - Service delivery (e.g. immunisation, community safety, youth services);
  - Community capacity and social capital building (e.g. community development, networking, community leadership support).

## 5.2 Key elements of an SA local government social value measurement framework and toolkit

***A SA local government social value measurement framework must be aligned with the core values and principles of community development-oriented work. It should include reference to equity, social determinants of health, social capital and social inclusion, and develop community wellbeing framework that works for local government.***

### 5.2.1 Foundational principles

Local government stakeholders expressed the view that to be relevant and accepted, a local social value measurement framework must recognise and draw its shape from the core principles and values underpinning work done in local government. A seminal framework in the South Australian context is the Department for Communities and Social Inclusion (DCSI) *Building Communities* program (described in more detail in Section 3.6.2 of this report). The Building Communities framework establishes a set of foundational principles for understanding the broader social value of community development work undertaken by local government, which include equity, social determinants of health, social capital, and social inclusion, participation and engagement.

The *Fair Foundations VicHealth Framework for Health Equity* provides a useful example demonstrating how equity measures can be built into assessments of broader value. The framework uses a settings-based approach – which has a natural affinity with the work of local government, for example the Healthy Cities approach – to identify key points of entry for action to address social determinants of health inequities. The Framework identifies opportunities for upstream interventions targeting socio-economic, political and cultural contexts; mid-stream interventions addressing structural mediators of daily living conditions (early childhood development, education and training, work and employment, the physical environment, social participation, and health care services); and downstream interventions targeting individual knowledge, attitudes and behaviours. The approach encourages the measurement of equity impacts, and recognises that this is rarely done.

The outcomes of interventions targeting social determinants of health relate to improvements in life expectancy, mortality rates, morbidity rates and self-rated health status. Key indicators include lack of control over work and home, poverty, managing on low income, living in an area with high disorder, lack of safety, gendered violence, racism, social isolation, lack of meaningful contacts, unemployment, and non-permanent work. Actions to address these factors might be expected to yield significant benefits in terms of mitigating economic costs (productivity losses, reduced tax revenue, higher welfare payments, increased treatment costs) and social benefits such as fair distribution of wealth, greater wellbeing and sustainability.

Another strand of thought in relation to establishing foundational principles for a social value measurement approach for local government concerns using the concept of community ‘wellbeing’ as the overarching reference point for measuring the social value of community development work.





Improving wellbeing is recognised as central to community development work in local government, however the stakeholders consulted through this project signalled that the notion of wellbeing is likely to mean different things to different people, so how is it possible to establish a 'standard measure' of community wellbeing? Moreover, given that the work of council as a whole (i.e. across all operations) is ostensibly about ensuring and improving quality of life for local residents, what are the possibilities for measuring the relationship between, for example, public facilities and community wellbeing (i.e. not just community development services)?

A useful way of thinking about community wellbeing from a social value measurement perspective draws on the concept used by Community Indicators Victoria (D. Cox, Frere, West, & Wiseman, 2010: 72):

*The term 'community wellbeing' encompasses the broad range of economic, social, environmental, cultural and governance goals and priorities identified as of greatest importance by a particular community, population group or society. Implicit in this definition is a recognition that community wellbeing priorities will vary across cultures and societies. The primary aim therefore is not to establish a single, universally agreed or 'objective' definition of wellbeing but rather to provide a common framework of concepts and measures which can assist citizens and communities arrive at working agreements about the goals important to them – and the extent to which these goals are being achieved.*

Conceived in this way, pivoting a social value measurement approach around a community wellbeing framework opens up possibilities for local applications across a variety of local government operations. Similarly, there was widespread stakeholder consensus that establishing a social value measurement approach presents an opportunity to develop a shared language across council operations, such that people can see, understand and appreciate value represented across different council domains and from one South Australian council to the next.

Translating social outcomes into dollar terms is acknowledged as tapping into a universally understood language, but some pose the question as to whether this is sufficient to express what community development does. Some local government stakeholders suggested that measuring social capital would be more useful than assigning a monetary value, although the question remains as to whether this has a sufficiently shared meaning and value across local government to constitute a 'shared language'. Referring back to international experience, some social value measurement applications emphasise monetisation (implicit in approaches such as Cost Benefit Analysis and SROI) while others suggest that monetisation should only be used where it serves a specific purpose (GECES Sub-group on Impact Measurement, 2014). The message is that discretion needs to be applied as to where and when it is necessary to pursue this level of measurement and expression.

It was widely agreed among local government stakeholders that a social value measurement framework and associated tools must be capable of engaging, empowering and giving a voice to the local community. This involves sourcing community input into developing the overarching framework and engaging local communities in shaping local applications.

A SA local government framework should also tap into and highlight the relevance of social value measurement to related spheres such as Regional Public Health Planning processes and outcomes-focused work being undertaken in the by Primary Health Networks (noting that health outcomes must not be the exclusive lens in thinking about social value measurement in local government). The Framework should also draw on existing foundations in South Australia, namely the LGA SA Community Development Evaluation Toolkit and Cultural Impact Framework. By linking (and integrating where possible) a social value measurement approach into existing approaches and practices in local government (including management audit processes),

stakeholders believe it is more likely to gain recognition, support and traction across local government.

Recognising the view that a social value measurement framework for local government should have the capacity to extend in scope beyond community development to other areas of council activity, there was stakeholder agreement that the framework should be based on agreed principles, reflective of a shared, collective approach across local government and draw on common themes and common ground across all councils. For example, Regional Public Health Plans provide a common focus across councils and could therefore represent a productive common ground for defining and measuring social outcomes.

### 5.2.2 Practical considerations

A key priority among stakeholders is to ensure that the social value measurement approach be as user-friendly as possible – both comprehensible and practical to apply. Stakeholders want the approach to be understandable (jargon-free), concise, flexible and cost-effective. They are also concerned about how to embed the approach and associated skills within local government so that it is enduring rather than relying on ongoing additional funding, which is not considered sustainable.

In short, stakeholders are looking for an approach that is not too resource and skill intensive, but is still capable of measuring what needs to be measured. This is a common theme throughout the literature, where it has been noted that ‘a key challenge is how to strike a balance between a methodology which is practical to implement but is robust enough to compare and contrast different approaches and the social value created’ (J. Cox et al., 2012: 6). This takes the approach that the amount of time and resources invested into social value measurement should be proportionate to the size and scope of the activity under scrutiny, and not divert too much in terms of time and energy from what is needed to deliver crucial services to communities in need.

This underscores a particular tension that needs to be reconciled in developing a social value measurement framework and associated tools for application in local government. Some of the more advanced tools – notably CBA and SROI – exhibit features that are preferred by higher-level decision-makers (e.g. highly evidence based, methodological rigour, monetisation of values) however are likely to be too complex for internal application in local government without a significant level of support and resourcing.

A social value measurement approach for South Australian local government needs to clarify expectations about what is needed for different purposes, and what is feasible to do internally (and how to maximise this) and what may need to be outsourced.

The first task for potential local government users of social value measurement (particularly providers of community development services) is to understand how their funders assess social value, and what information and evidence they need to provide to guarantee continued interest and investment. Australian research has shown that local government community services grant holders did not understand how, or even why it was necessary to communicate their achievements and impacts to key stakeholders. From an internal perspective, they understood their impact but not how it related to the strategic priorities of their funders. What is needed is ‘a set of measures of social impact for reporting purposes that incorporated the interests of the community organisations and also reflected the program objectives of the local government’ (Edwards et al., 2013: 41).

There are a number of questions that community service providers who are considering using a social value measurement approach need to ask:



- Do they need to communicate about the achievement of organisational objectives, or return on investment, or social outcomes?
- Is there consensus across key stakeholders in the policy, program or project concerned, about how to measure the desired social outcomes (e.g. qualitative, narrative accounts or quantifiable measures)?
- How important is it for the social value measurement process to be objective, standardised, held to high standards or rigour?
- Are there some instances that call for more highly robust analyses and others that take a more pragmatic approach? Is it acceptable to compromise on rigour for the sake of practicality, and if so, to what extent?

This signals the need to incorporate a decision-making matrix/tool in the SA local government social value measurement toolkit to guide the selection of appropriate methodologies for different circumstances.

A second task for local government is to examine ways to streamline the social value measurement process wherever possible, so that as much can be done internally as possible. One way to do this is to consider whether a common outcomes framework might better serve the SA local government context rather than a bespoke approach (e.g. typical for SROI) whereby a full process for defining outcomes and measures be undertaken for each instance of analysis. Common outcomes frameworks are designed to be applicable across a range of similar projects and/or organisations and increase potential for comparison. They reduce the resource-intensity of social value measurement by removing the necessity to consult and construct an individual outcomes framework for each discrete project (the associated trade-off is that fine-grain individual project detail is lost in the process of arriving at a set of standardised common outcomes for purposes of easier comparison). In arriving at their social value measurement approach, Greater Manchester selected the NEF National Accounts of Wellbeing as the common outcomes framework of choice (New Economics Foundation, 2009). As noted in Section 3.1, this was due to its:

- Applicability across a wide range of programs and interventions;
- Having been developed by a reputable leader in wellbeing research and measurement (NEF Centre for Wellbeing);
- Being based on scrutinised evidence/data from the European Social Survey (45,000 interviews across 22 countries);
- Receiving positive endorsement by consulted stakeholders.

Local government stakeholders expressed interest in exploring the common outcome framework approach as a way to simplify the process, however emphasised that it is important that the process does not consequently lose touch with local identity of particular councils: 'What we do does not necessarily sync with the concepts and language of a global framework'. Considered debate is required around if and how a balance can be achieved in this area.

There are other ways too that local government can make the undertaking of social value measurement as streamlined and cost-effective as possible. Continuing to develop and strengthen evaluation capacity within councils (for example, RBA processes) and designing evaluation frameworks with social value measurement requirements in mind is the first step. Knowing what information is needed and strengthening data collection processes in key areas will streamline the measurement of social value. Working collaboratively across local government and with other partners including teaming up with academics and experts, can assist by pooling skills and resources, providing efficiencies of scale and transferability of findings across various South Australian local government settings.

## **Recommendation 2: Development of a Valuing Social Outcomes (VSO) Framework for South Australian Local Government**

*Conduct a series of workshops with stakeholders to form agreement on:*

- ◆ The core values and principles of a social value measurement approach for local government;
- ◆ Key attributes of a fit-for-purpose social value measurement approach (e.g. comparability, robust/evidence based etc.);
- ◆ A method for measuring/valuing agreed social outcomes, giving consideration to the utility of common outcomes frameworks and monetisation of social outcomes.
- ◆ Mapping a social outcomes framework (in reference to a specific VSO project); viewing this in the context of theory of change models.

*Key considerations in the formulation and design of the framework:*

- Discussion on the core values and principles of a social value measurement approach for local government should be grounded in and work out from the basis of community development work in local government as informed by the DCSI Building Communities framework (i.e. giving reference to equity, social capital, social determinants of health, social inclusion/participation/engagement, quality of life, community wellbeing, and community voice).
- Identifies/forms agreement on (to the fullest extent possible) a shared language that engages/resonates with diverse stakeholder groups (e.g. management, staff/practitioners, elected members, the community). This will need to strike a balance between social and economic terms, diverse notions of value (e.g. social capital and monetisation), referenced to best-practice evidence-based decision-making.
- Establishes social value measurement parameters that are informed and endorsed by key stakeholders, including consensus about/development of a common outcomes framework for SA Local Government and how this might relate to the specific goals and objectives of discrete council Community Plans.
- Looks at ways to link the practice of social value measurement with existing requirements and processes within local government (e.g. Regional Public Health Plans, management audit processes, resource allocation strategies).
- Builds on existing local government resources and familiar tools (e.g. the LGA SA Community Development Evaluation Toolkit and Cultural Impact Framework, established RBA practices).
- Acknowledges the tension between the desire for a simple, cost effective approach that can be applied by any and all councils, and the simple fact of the resource intensity of economic approaches to measuring social value (e.g. CBA, SROI).
- Commences in the sphere of community development services, but presents scope and potential to be broadened into other areas of local government activity (this links to forming a shared language/set of principles that can potentially be applied/adapted to enable other domains of local government to be engaged)



**Recommendation 3: Develop a user-friendly social value measurement tool for application in individual projects/programs**

*Key features of the tool include provision for:*

- ◆ Outcome mapping (identifying/entering outcomes, indicators, measures);
- ◆ Assigning monetary values (from evidence or a social value bank);
- ◆ Inbuilt calculation of impact.

**Recommendation 4: Develop a social value measurement toolkit that will support local government to produce statements of social return regarding community initiatives**

*Toolkit inclusions:*

- ◆ A basic introduction to social value measurement and outline of related tools relevant to the local government context, including what skills and resources are required for each, set out in accessible, easy to understand language
- ◆ Decision-making matrix/tool to guide the use of different methodologies according to need (e.g. when is RBA sufficient, when would monetisation add value). Highlight which tools have the potential to forecast and/or retrospectively quantify the social value of community actions.
- ◆ The Social Value Measurement Framework for SA Local Government;
- ◆ Customised social value measurement tool for application in individual projects/ programs;
- ◆ Links to existing social value measurement tools and resources (e.g. guides, frameworks, social value banks, community indicator banks, wellbeing measures, data entry tools such as the Greater Manchester CBA Excel spreadsheets).
- ◆ Exemplar case studies to demonstrate what can be done/achieved at different scales of size and complexity (local, national, international).

*Key considerations in the construction of the online toolkit:*

- Supports the identification and collection of the high quality data required to produce meaningful and reliable results;
- Promotes maximum independence and rigour in each individual approach to social value measurement, to inform high quality, evidence-based decision-making.

# Appendix 1: Overview of selected social value measurement tools

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## Results Based Accountability

The Results Based Accountability (RBA) framework is an outcomes model that offers a bridge between *activity measures* and *outcome measures* which are to become the standards for performance measurement, and are demonstrated by evidence. RBA differs from many other evaluation approaches by addressing two levels of accountability (Friedman, 2005):

- *Performance accountability*: where responsible parties are held to account for:
  - the performance of programs, agencies and service systems;
  - how well have these been run, what outcomes were achieved for the target population;
  - how they are shaped by a local set of outcomes;
- *Population accountability*:
  - where responsible parties are held to account for the wellbeing of populations in a geographic area, e.g. a community, city, state, etc;
  - accountability is referenced to macro-level outcomes; and
  - success relies on establishing broad partnerships and collective responsibility from the beginning of the process.

*This means that all program and agency managers, have two kinds of responsibility. They have a program management responsibility to produce the best performance for the services they administer. And they have a community leadership responsibility to bring together the necessary partners to make progress at the population level (Friedman, 2005: 23).*

A characteristic feature of RBA is that it starts with the desired result, and then works backward to understand what needs to happen to achieve this result. This works in the opposite direction to regular program logic models.

The RBA *From Talk to Action for Communities, Cities, Counties, States and Nations* process involves a number of steps (ibid.: 11):

- Step 1: What are the quality of life conditions we want for the children, adults and families who live in our community?
- Step 2: What would these conditions look like if we could see or experience them?
- Step 3: How can we measure these conditions?
- Step 4: How are we doing on the most important measures?
- Step 5: Who are the partners that have a role to play in doing better?
- Step 6: What works to do better, including no-cost and low-cost ideas?
- Step 7: What do we propose to do?

The RBA methodology is actively supported in a number of Australian jurisdictions. The NSW Department of Community Services, in partnership with NSW family Services Inc. (FamS) and Local Community Services Association (LCSA), endorses a RBA approach for accountability measuring and reporting. The South Australian Department for Communities and Social Inclusion is currently embedding the RBA framework into a number of programs and funding streams, working in partnership with Community Centres SA and organisations within the community services sector to develop and measure appropriate outcomes. RBA

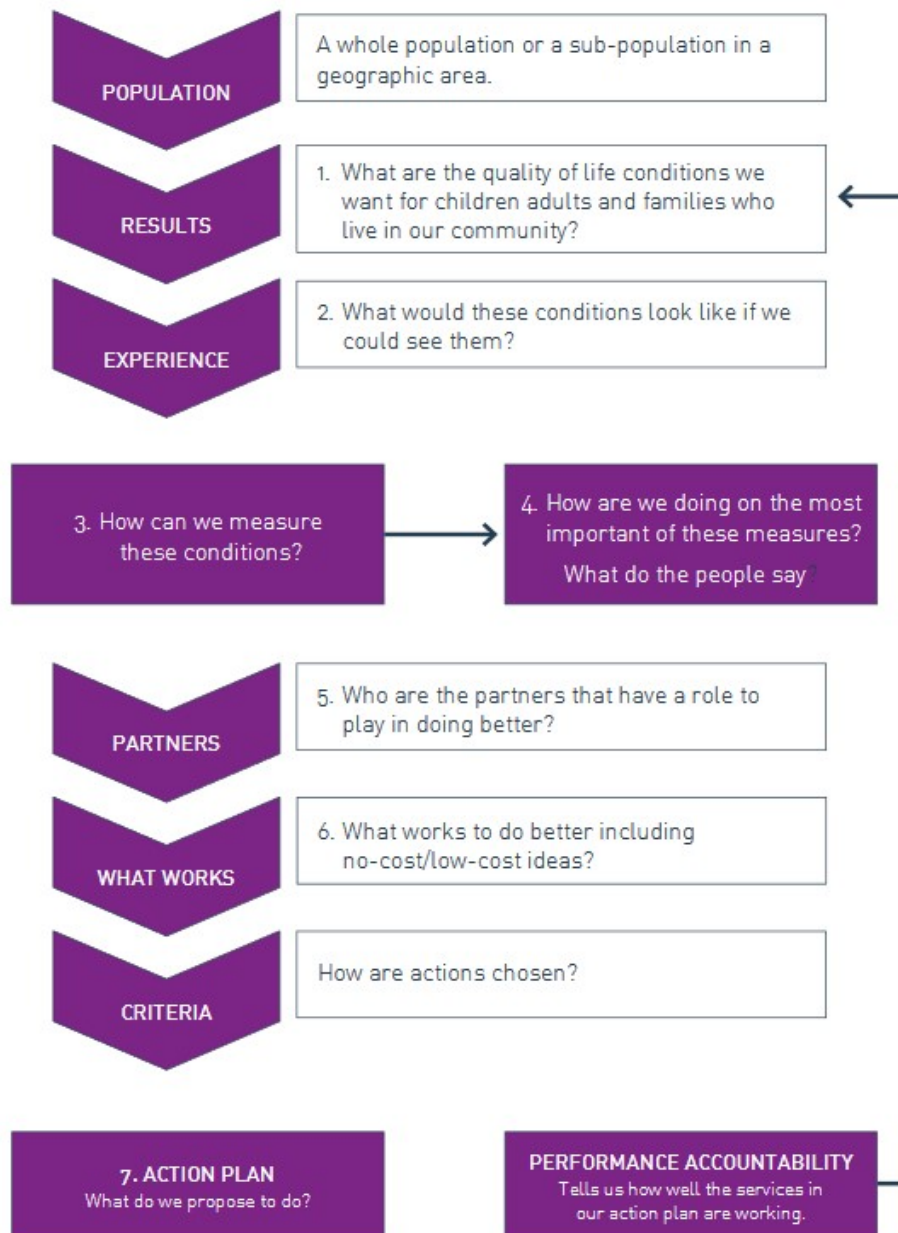




is also used by some community organisations, for example The Smith Family, as a tool for performance measurement in relation to programs and interventions.

The SA Department for Education and Child Development has developed the *Making a Difference: A Community Partnership Planning Resource* as a valuable tool for guiding readers through the RBA population and performance accountability process. The RBA process and population accountability questions are succinctly represented in Figure 3 below.

**Figure 3: The Results Based Accountability (RBA) process and 7 Population Accountability Questions**



Reproduced from *Making a Difference: A Community Partnership Planning Resource*, p 24.

A noted strength of RBA is that it provides an opportunity to engage stakeholders and program providers in building broadly shared visions of what program goals are important and what strategies are required to achieve them. It shifts thinking from more categorical program approaches to a more holistic approach. It also encourages the systematic collection of data and

monitoring of progress, and uses this information to improve the organisation's operations, services, and outcomes.

## Social Accounting and Audit (SAA)

The Social Accounting and Audit (SAA) aims to assess the social value generated by an organisation. The SAA methodology helps to plan and manage organisations as well as demonstrate what they have achieved. SAA has a threefold purpose to (Social Audit Network, 2011):

- *Prove*: account fully for and report on your organisation's social, environmental and economic performance and impact;
- *Improve*: provide the information essential for planning future actions and improving performance;
- *Account*: be accountable to all those you work with and work for.

SAA is a logical and flexible framework that enables organisations to build on existing documentation and reporting systems, including information collected for monitoring, reporting, evaluation purposes. The SAA process situates this information within a broader framework to better understand the organisation's impact on the local community. A systematic analysis is undertaken of qualitative and descriptive statistical data to assess whether the organisation is adhering to its stated mission and meeting stakeholder expectations - according to stakeholder views. A characteristic feature of SAA is stakeholder input into the data that are analysed for the accounting statement (Zappala & Lyons, 2009).

SAA has eight underpinning principles:

- *Clarity of purpose*: being clear about why the organisation is undertaking a Social Auditing process;
- *Defined Scope*: the values, objectives, and stakeholders involved are clearly articulated, and agreement is secured regarding what aspects the Social Accounting will cover;
- *Stakeholder engagement*: the identified stakeholders are adequately engaged;
- *Materiality*: there is a considered determination about what must be included in the social accounts to enable robust conclusions about performance;
- *Comparative*: use appropriate benchmarks, targets, external standards;
- *Transparency*: demonstrate that an honest, accurate basis has been used in determining findings;
- *Verification*: findings are verified by social audit panel;
- *Embedded*: the findings are embedded in the organisations' life cycle and practices.

The SAA methodology has three basic steps:

- *Step One – Planning*: clarify the organisational mission, objectives, activities and identify and analyse stakeholders;
- *Step Two – Accounting*: decide on the scope of the SAA, determine what will be measured, and agree on indicators, set up bookkeeping systems to collect relevant data (quantitative) and stakeholder consultation (qualitative)
- *Step Three – Reporting and Audit*: Interpret the data included in the draft Social Accounts; subject these to an audit by panel of impartial people; and issue the Social Audit Statement.



## Cost Benefit Analysis (CBA)

CBA involves a systematic and rigorous process of identifying all costs and benefits associated with a project, both direct and indirect (flow-on impacts), expected and unexpected; assigning a monetary value to each of these; and comparing the respective totals to determine whether the benefits outweigh the costs. It is the process of translating impacts into a single metric (based on a dollar figure) that enables users of CBA to be able to compare 'like for like' the relative merits of different projects.

CBA tends to be the preferred method of decision-makers working in government to assess the whether social benefits exceed their costs. The method allows governments to compare with a high degree of confidence, the relative merits of different proposals, and to allocate resources where they will produce most benefit to the community as a whole (Dobes, Argyrous, & Leung, 2016). Vardakoulias (2013) identifies CBA as:

*... the predominant tool used in welfare economics in order to assess whether an intervention – be it a project or policy – should be undertaken or not. The criterion for an intervention to be undertaken is that its benefits outweigh its costs.*

The focus of traditional CBA is on measuring economic costs and benefits associated with interventions, focusing primarily on simple monetary returns on investment. However, the method has been criticised for over-emphasising economic returns to the exclusion of important social and environmental returns. Social Cost Benefit Analysis is an extension of traditional CBA, involving adjustments to account for the full spectrum of costs and benefits – economic, social and environmental. While the scope is broader, it is still noted that Social CBA focuses on impact indicators that lend themselves to financial measurement, to the exclusion of 'softer' indicators (e.g. wellbeing) that are more difficult to quantify (J. Cox et al., 2012; Vardakoulias, 2013).

There are four principle steps involved in undertaking a Social CBA:

1. **Develop the framework:**
  - Set out underlying theory of change in form of a logic model; objectives -> inputs -> outputs -> short term outcomes -> long-term outcomes;
  - Consider all costs and benefits, including those having an impact on funders, participants, partners, the state, wider society.
2. **Calculate the costs** including:
  - Capital costs e.g. facilities, equipment etc.;
  - Revenue costs, e.g. staff costs and costs to participants as a result of taking part in activities;
  - In-kind costs – e.g. volunteer time (wage rate relevant to their level of skill).
3. **Calculate the benefits:**
  - Determine outcomes/benefits, feedback from participants and others involved in the project e.g. surveys, interviews, observational data. This can be linked to longer-term health and economic outcomes using secondary research evidence.
  - It may be difficult to attribute a monetary value to some benefits; one approach is to consider cost savings due to reduced demand on services/support;
  - Account for unintended outcomes (positive and negative).
4. **Complete analysis** (i.e. factor in underlying principles, adjustments):
  - Remove 'deadweight', referring to benefits that would have occurred anyway in the absence of the intervention;

- Consider substitution effects – account for some people gaining at the expense of others, however it is recommended that this is only done at the sensitivity analysis stage;
- Consider wider benefits – e.g. healthier, happier, more highly functioning community; base this on participant feedback re. impact on their lives and communities;
- Timing – CBA must account for variation in when benefits come to fruition, express in present values with weighting applied, discounting of future values;
- Analyse costs and benefits, calculate cost benefit ratio.

The CBA approach involves a number of key considerations including being clear and transparent about the assumptions made in the CBA and the data sources used. It is important to avoid 'optimism bias' which can lead to over estimation of the impact of the project, by using a 'conservative rule of thumb' when assigning values on benefits of an intervention. CBA summaries should detail each stage of the process and the rationale and not be a simple presentation of the CBA end-result. CBAs should be tailored to deliver the information of greatest interest to the intended audience, not attempt to be a 'catch all' (Ecorys & Big Lottery Fund, 2013).

This brief characterisation of CBA risks over-simplifying what is in practice a highly technical and complex process. The skills required to undertake a CBA include qualitative and quantitative capabilities; economic skills – in particular, a knowledge of the economic principles that must be factored into CBA calculations; the ability to conceptualise impacts and outcomes of project activity; and the ability to search for and input financial proxies.

### Social Return on Investment (SROI)

SROI has been used and/or adapted by funders, investors and organisations to provide 'proof of value' of social programs and projects. As with Social CBA, the method translates a range of social impacts into a common unit of measurement, often a monetary figure (values can be approximate and/or evidence based) in order to demonstrate the value or otherwise of projects seeking to address complex social issues. However, where Social CBA has attracted criticism for tending to focus on social impact measures that lend themselves to financial valuation, SROI responds to this limitation by attempting to account for the complex social conditions implicated in many social interventions - with stakeholder perspectives *essential* to the approach. As such, SROI explicitly seeks to value hard to measure factors such as individual and community wellbeing, connectedness and cohesion (Ecorys & Big Lottery Fund, 2014: 2):

*Social Return on Investment (SROI) provides a framework for measuring and accounting for the full value of your activities. It takes you through the process of estimating the economic, social and environmental value of an intervention and enables you to demonstrate that the investment made in a project is delivering a genuine return – not necessarily in terms of money or profit, but in terms of benefits that add real value to people's lives. It allows you to place monetary values on the non-financial returns to investment, which may be positive or negative, including the impact on wellbeing.*

Characteristic features of SROI include:

- Paying particular attention to consequential stakeholder engagement;
- Understanding and articulating what changes as a result of the intervention, based on a thorough evaluation of collected evidence;



- Valuing the things that matter; ensuring that the financial proxies used to value outcomes can be easily recognised;
- Pinpointing information and evidence that leads to a true and fair picture of the results (materiality);
- Not over-claiming: limiting claims to the value created exclusively by the organisation/activity;
- Transparency: presenting an honest and accurate accounting of the SROI process;
- Undertaking verification throughout the process, using triangulation or other means.

SROI analysis typically includes contextual information in quantitative, qualitative and narrative terms producing an SROI ratio which indicates that for every dollar invested into an activity, project or program a consequent amount (positive or negative) is generated for society.

The main stages of SROI analysis are (Ecorys & Big Lottery Fund, 2014; Social Ventures Australia Consulting, 2012):

1. **Establish the scope of analysis, identify stakeholders:**
  - Flesh out the why, when, and what of the exercise, and what level of resources is available (time, money, expertise);
  - Identify any people who will be affected (positively or negatively) by activities – participants, staff and volunteers, partners, local community etc.
2. **Map the outcomes, following a program logic approach:**
  - Inputs: project funding, volunteers (wage rate had they been paid), venues and facilities
  - Outputs: Number of participants, number of completions (if relevant), number of other outputs as relevant
  - Outcomes (change produced): experienced by participants and other stakeholders, including unintended positive and negative outcomes.
3. **Evidence the outcomes, assign them a value:**
  - Identify indicators (outcome measures) that can be quantified/valued. Use validated tools to measure outcomes such as mental health.
  - Source evidence (reflecting total change) from participants/stakeholders – use surveys, interviews, focus groups etc.
4. **Establish impact:**
  - Account for deadweight: Assess extent to which outcomes would have occurred in absence of intervention (ask stakeholders)
  - Account for drop off: Assess how long impacts likely to last (based on self-report or secondary evidence)
5. **Calculate SROI:** Add together total value generated by project, apply discount rates for value accruing in future years, divide by total cost of project.
6. **Report and embed:** describe the process (tell the story about how the social value was derived), be transparent about analysis and assumptions, use and embed results in the organisation.

The SROI method can effectively be applied on a small to a very large scale provided there is sufficient transparency about the methods used and any uncertainty reflected in the results. With appropriate skills, training and experience in stakeholder engagement, indicator identification and outcome measurement and evaluation, and in Microsoft Excel and basic accounting skills, it is possible to do SROI in-house.



## Subjective Wellbeing Valuation

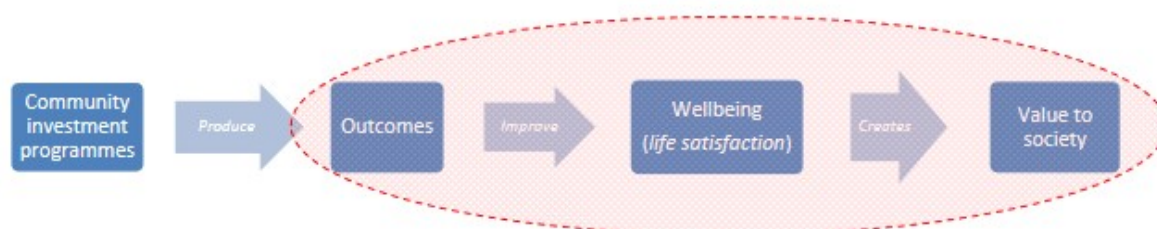
Subjective Wellbeing Valuation is a method for valuing non-market goods and services (intangible factors) that provides an alternative to using preference-based techniques for assessing social value (stated preference and revealed preference). These techniques are commonly used in Social CBA and SROI, however are increasingly being called into question for failing to provide 'an accurate description of someone's welfare based on what they choose or what they say they want' (Fujiwara, n.d.: 3). Subjective wellbeing (SWB) approaches follow a distinctly difference approach:

*Notice that the preference satisfaction and subjective wellbeing accounts of welfare represent very different ways of thinking about human welfare. If we wanted to know how much somebody likes or values living in a safe and quiet area in the preference satisfaction account we would ask them directly about how much they want or desire the safety and quietness. But in the SWB account we would look at how area safety and noise impact on people's self-reported wellbeing, say life satisfaction.*

SWB measures a person's quality of life by asking them their levels of, for example, happiness and life satisfaction and whether the things they do in life are worthwhile. The relevance of this in a social value measurement context relates to the development of the Wellbeing Valuation (WV) approach, which uses SWB data to attach monetary values to different goods and services: *'the Wellbeing Valuation (WV) approach estimates the impact of the good or service and income on people's SWB and uses these estimates to calculate the exact amount of money that would produce the equivalent impact on SWB'*.

Another way of phrasing this is that the WV approach uses econometric methods (statistical methods applied to economic data) to estimate life satisfaction provided by non-market goods and services and converts this to monetary figures by estimating the effect of income on life satisfaction. In the WV framework, the standard measure of SWB is life satisfaction, which has been validated as a robust measure of wellbeing (see Figure 4). The methodology includes technical mechanisms to reduce bias and potential for errors. It draws on large national survey data that includes people's responses to wellbeing questions and data on a large number of aspects and circumstances of their lives.

**Figure 4: Using subjective wellbeing to measure social value creation arising from community investment programs**



*Reproduced from: Fujiwara, D. n.d. p. 7.*

In the UK and Australia this type of data has been collected from the general public over a number of years. It facilitates the use of statistical methods to estimate how different interventions and activities impact on wellbeing. Monetary values for a wide range of non-market 'goods' and 'bads' have been estimated using the subjective wellbeing valuation approach.

Advantages of the Wellbeing Valuation method are that the data and values it yields can be used with good effect in both CBA and SROI analyses, subjective

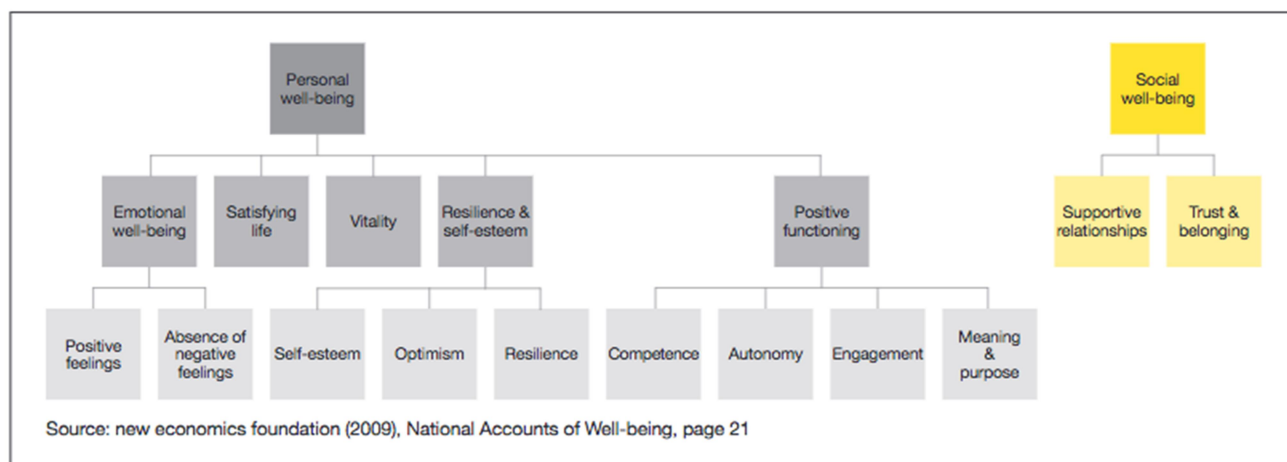




well-being can be measured in national surveys, that measures of this kind are valid and reliable, and they can inform policy making. However, the utility of the methodology depends on national statistics agencies collecting and publishing SWB measures, and ensuring that these are measured consistently and according to best methodological practice.

The National Accounts of Well-being framework developed by NEF in the UK is a robust and well-researched tool, based on a body of scrutinised evidence (the European Social Survey) that has been used across a range of interventions. It presents three levels of well-being broken down into components and sub-components (see Figure 5).

**Figure 5: Structure of the National Accounts of Well-being framework**



Equating well-being with mental health allows the use of healthcare economics to monetise well-being. This has been attempted by the Centre for Mental Health which placed a cost on mental illness through the use of QALYs (Quality Adjusted Life Years). While not considered an ideal proxy for well-being, this approach is considered an acceptable interim measure until more direct valuations of wellbeing have been devised (J. Cox et al., 2012).

SWB measures are currently used by a number of UK government departments including HM Treasury, Department for Work and Pensions, the Cabinet Office, the Department for Culture Media and Sport and the Department for Business Innovation and Skills. The Organisation for Economic Co-operation and Development (OECD) has adopted recommendations about how wellbeing data should be used in social value measurement. In the UK, an Arts and Humanities Research Council (AHRC) funded project is examining the social value of the Natural History Museum and the Tate, while the Australian Council for the Arts is examining the social value of a cultural activities (Fujiwara, 2014)

## Community Indicators Frameworks

The identification and selection of indicators and associated measurement methods is a key challenge for social value measurement. The Australian Community Indicators Network was established to address an identified need to:

- Set and measure clearly defined community goals;
- Apply social progress and wellbeing indicators, supported by the development of new and diverse local well-being indicators, recognising different priorities and perspectives;
- Merge these into a tool for community development and performance management purposes.

Key challenges have included securing access to quality data (in particular overcoming the problem of data being unavailable or poorly shared), and addressing the lack of resources for data development.

The Network has also focused on the development of a national community wellbeing measurement system based on a common outcomes framework and agreed indicators, based on best evidence and statistics. This involves building capacity and support for community indicators across all levels of government and in the community; and Investment in better local and small area data.

Community Indicators Victoria has spearheaded work in this area, providing a comprehensive framework of community wellbeing measured by local level data. CIV has published the *Indicators of Community Strength in Victoria: framework and evidence. Why social capital can build more resilient families and communities* report, which focuses on measuring aspects of people's ability to get help when needed, community participation, satisfaction with amenity in their local areas and select community attitudes (Pope, 2011). Community Indicators Queensland is similarly developing a framework, database and web interface to support the creation and use of local community well-being indicators. Community Indicators – City of Sydney developed a community indicators framework in 2011 in partnership with the Institute for Sustainable Futures (University of Technology, Sydney) and the McCaughey Research Centre (University of Melbourne). Included measures relate to primary data (collected via a residents' survey) and secondary data (drawing on open-data repositories and agency reports).



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