ACCOUNTING FOR SOCIAL VALUE

It is a great thing to provide a person in need with a house or flat, but furnishing it makes it a home. Furniture Resource Centre is a social enterprise that helps people to achieve this, using their finance team to create an innovative process of measuring the social value of the work they do.

THE BUSINESS

Furniture Resource Centre is a registered charity and social enterprise, founded in Liverpool as a community-led response to grassroots poverty. This organisation runs large-scale social businesses, known collectively as FRC Group, offering practical solutions to alleviate furniture poverty. It also has a campaigning arm, ‘End Furniture Poverty’, which raises awareness of the problems of either going without essential furniture and white goods or using unsustainable borrowing to buy these items.

FRC Group incorporates Furniture Resource Centre and Buckingham Interiors, social businesses that both sell new contract furniture to social housing providers to create good quality furnished accommodation. Meanwhile Bulky Bob’s is a collection, reuse and recycling operation that donates preloved furniture to people in need.

Through all of its activities, FRC Group creates training opportunities for long-term unemployed people. One notable example is The Driving Change programme, a 12-month salaried training programme that prepares people for a career in the logistics industry as a professional driver, with an HGV Class 2 licence as the end goal.

THE IDEA

FRC Group’s winning project focused on developing and embedding a system of measuring the social value (the change in peoples’ lives) it has created in its work. This was achieved through following the principles of financial reporting in order to manage social value performance. Being able to measure and value social change enabled the management team to make more informed business decisions.

In order to do this, FRC Group developed a system of budgeting for social value, reporting live actual data for management and strategic governance purposes, analysing variances and setting performance improvement plans based on robust forecasts. The organisation has also fully integrated its public reporting, and in 2014 produced one of the first integrated social and financial reports in the UK.

Finance was involved at every stage of the process and now reports the value of social impact generated as part of our monthly management accounts reporting programme.

This integrated report includes an audit report by BDO (FRC Group’s auditors) on its social outputs for the year in addition to the audit report on its financial accounts. Whilst FRC Group quantifies its social impact for internal use, it is currently working towards publishing this social impact in its integrated report and having it audited.

THE INNOVATION

The impetus behind the project comes from a commitment to optimising social value creation. FRC Group’s management say they believe it is all too common in the social enterprise and charity sectors for organisations to treat social value creation as something so obvious that it does not need to be robustly accounted for, or simply to reflect on actual
performance and celebrate what has been done, rather than consider whether it is an acceptable outcome for the investment of time and resources that the organisation has made.

In contrast to this, FRC Group seeks to bring the same level of professionalism and rigour to the social value it creates as it does with managing its financial performance. In developing social value budgets, FRC Group has been able to understand better the level of social value that each of its businesses generates and can express this in terms of social value generated per £1 invested. This then led the Head of Finance Tony Rowan to recommend to the board of trustees that they should invest further in those businesses which create a greater social value return and thereby maximise the overall social value created. To date, FRC Group has developed and implemented social value budgets for its three main programmes:

• Driving Change – an intensive 12-month salaried training programme preparing people for a career in logistics as a heavy goods vehicle driver.

• Launch Pad – a flexible volunteering programme that enables people to develop the personal qualities needed for work and to acquire some basic skills in warehousing, administration, retail and recycling.

• Bulky Bob’s Furniture World – a preloved furniture store that sells at low-cost to low-income shoppers and donates packages of furniture to people in need.

FINANCE FUNCTION LEADERSHIP

Critically, the project enjoyed the support of Tony Rowan, which resulted in a management accountant being assigned to the effort. This brought financial expertise to the project and saw FRC Group’s models incorporate elements such as accruing for the value created as a result of their Driving Change training programme.

Given the long-term nature of the benefits that the programme aims to create, the models accrue value for a period of time after the end of the training programme (presently up to two years).

‘This provided rigour to the process and has enabled the development of more robust quantification techniques which can be applied to the various social outcomes generated,’ says Tony Rowan. ‘Finance was involved at every stage of the process and now reports the value of social impact generated as part of our monthly management accounts reporting programme.’

The group does not just have a single bottom line (ie, financial profit) but a double bottom line with the inclusion of social impact.

POSITIVE LONG-TERM IMPACT

‘The critical factor in our win was the fact that we’ve successfully embedded our ability to quantify social impact throughout the organisation,’ says Rowan. ‘Reporting social impact performance is part of our financial reporting process and is understood by colleagues and trustees alike; and is also used as a tool to evaluate future projects. Now, the group does not just have a single bottom line (ie, financial profit) but a double bottom line with the inclusion of social impact.’

WHAT THE JUDGES SAID

FRC stood out for the judges; not only have the finance team helped to develop new approaches to measure social impact, but these are being used in practice to analyse their performance and make decisions at board level that maximise social capital.

In addition, a project like this requires support at the top of the organisation. FRC Group found the quality of the work it was producing – and the speed of progression – improved dramatically once it secured the support of the Head of Finance.

‘I would urge organisations looking to do similar work to get the right people from the team involved at the beginning,’ says Rowan. ‘A multidisciplinary team has been very effective in the progress of the project, mixing people from frontline project delivery, finance and social value specialists.’

In line with FRC Group’s financial targets, social value budgets were approved by the board, with actual results being reported against them at set points in the financial year. Meanwhile further social value budgets are in development – one for a new social enterprise and one for the outcomes of a campaign, both of which will launch later this year.

LESSONS FROM THE CASE STUDY

Rowan recognises that getting support for the strategy from across the business is critical: ‘Get people involved in the process at an early stage of development in order to get their buy in and embed it within the organisation,’ he says.

‘Once the basic principles of what you’re trying to achieve are accepted, this can then be built on and you end up taking people with you on the journey rather than trying to impose something at a later date.

‘In addition, we would strongly advise other organisations to do more in this area – the process has enabled us to target our resources to areas where we can have the most impact. Only by measuring social impact has this been possible.’