Good Practice Guide: An introduction to Social Return on Investment

Client:	**BigLF**
Project:	**Fulfilling Lives: Supporting people with multiple needs**
Date:	March 2015
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This guide has been prepared by the University of Sheffield and CFE Research for the local partnerships delivering projects as part of the Big Lottery Fund's Fulfilling Lives: Supporting people with multiple needs initiative. It outlines some of the key principles of Social Return on Investment (SROI) and issues for consideration when applying this methodology. The information available on conducting SORI is extensive and this guide acts as an introduction to the topic. Further sources of information are given at the end of this document.

Introduction

Partnerships delivering projects funded by the Big Lottery Fund's (BigLF) Fulfilling Lives: Supporting people with multiple needs initiative are expected to carry out local evaluation of their activities. These evaluations will take place alongside a national evaluation undertaken by CFE Research and the University of Sheffield. Many of the local evaluations are considering some form of economic analysis. SROI offers one methodological approach.

What is SROI?

SROI is a methodology which can be used to measure the amount of value created by an organisation or service. Whenever an organisation carries out an activity it will be making an impact in the world around it or, in other words, creating change. These changes may be positive, negative, intended or unintended, and they may or may not have a financial value. A key feature of SROI is to apply proxy financial values to non-traded outcomes so that total social, economic and environmental value is expressed in monetary terms.

"SROI is about value, rather than money. Money is simply a common unit and as such is a useful and widely accepted way of conveying value"[1]

SROI can therefore be summarised as an aggregation of the economic value of the costs and benefits that arise from an activity, which is expressed in a return on investment ratio. The ratio allows an organisation to say: "For every £1 we spend we generate outcomes worth £xx."

Another important feature of SROI is stakeholder engagement. This enables the organisation to understand which groups contributed to or experienced the change that resulted from the activity. It is only through successful stakeholder engagement that we can reliably claim outcomes which are relevant to beneficiaries, and that the organisation's theory of change is aligned with stakeholder experiences.

The seven principles of SROI

SROI has been derived from social accounting and cost-benefit analysis. It has seven principles[2] which are:

1. *Involve stakeholders – Stakeholders are those who experience change as a result of an activity. Involving them is crucial to both value and measure change.*

2. *Understand what changes – It is important to understand how change is created and whether it is positive, negative, intended or unintended.*

3. *Values the things that matter – Financial proxies are used to give a value to outcomes that are not traded in markets so do not immediately have a monetary value.*

4. *Only include what is material – This principle involves a decision as to whether or not the reader would draw a different conclusion about the activity if a particular piece of information were excluded.*

[1] http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012

[2] A Guide to Social Return on Investment - http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012

5. *Do not over-claim – This requires consideration of what change would have happened anyway and also who else has contributed to the change.*

6. *Be transparent – All decisions made and assumptions used to inform the model need to be clearly explained and documented.*

7. *Verify the result – Ensure appropriate independent assurance. SROI is a subjective tool which involves making judgements and needs to therefore be verified by an external individual in order to ensure a reasonable approach.*

The process of carrying out an SROI can be shown in six distinct stages:

Cost benefit analysis or SROI: what's the difference?

There are similarities and differences between SROI and cost benefit analysis. Both methods look at applying monetary values to outcomes which may or may not have a financial value therefore giving them a common unit which allows for comparison. Both methods also seek to understand all the costs and benefits of a particular programme or intervention; these might be intentional or not, positive or not.

One of the key differences between the cost benefit analysis and SROI lies in stakeholder engagement. Although a cost benefit analysis will look for evidence to underpin the model it does not have at its core the same emphasis on stakeholder engagement. SROI has a fundamental focus on the theory of change and stakeholder engagement. It seeks to consider all possible stakeholders and meaningfully engage with them in order to ask the critical question "what changed". Central to SROI will be a theory of change map which gives readers the opportunity to understand the chain of events which led to the change and the resulting outcomes. This emphasis on stakeholder engagement ensures a rigorous evidence base for the results that are produced. Some also argue that SROI takes into greater consideration the wider social and environmental impacts of a programme.

Potential challenges with an SROI

— *Data collection: The robustness of the evaluation depends on having good quality outcomes data. Outcomes data is being collected for all projects already and hence this reduces or completely removes the need to embark on more time and resource intensive data collection. However, there* *is an inherent wider challenge around data collection in this instance owing to the nature of the lives of the people the projects are engaging.*

- *Assumptions: As with all economic models there will always be assumptions made which underpin the results. These assumptions will include a board range of topics including how to put a value on resources or outcomes such as volunteer time, increases in confidence or more positive relationships. In order for credibility and transparency these assumptions need to be made explicit so that they can be challenged by the reader and the robustness of the model can be verified.*

Benefits of SROI in the context of Fulfilling Lives: Supporting people with multiple needs' projects

There are a number of reasons projects may have chosen to conduct SROI, such as:

- *SROI can be a very useful influencing tool. Commissioners are increasingly more familiar with SROI and with the concept of demonstrating social value. In 2012 the Government passed the Social Value Act: "An Act to require public authorities to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes."[3] This resulted in an increased awareness of the need to understand the impact of services beyond easily measureable outcomes. Many commissioners now look for some form of social and environmental accounting to ensure these issues have been considered.*
- *It can be helpful internally in understanding the unintended consequences of a programme. As SROI attempts to identify all outcomes to all stakeholders it may pick up on some benefits that were previously hidden or some negative impacts.*
- *It can assist with the internal evaluation of separate programmes or interventions. SROI may assist an organisation or partnership to decide where best to allocate scarce resources.*
- *In considering issues like displacement (meaning how much the outcome displaced other outcomes) through SROI a discovery might be made that the problem has not been resolved but simply displaced. The SROI Guide[4] provides an example: "A project supporting ex-offenders into employment counted the contribution to economic output, decreased benefit payments and increased taxes in its analysis. From the point of view of the state these benefits would have a high displacement rate as these are most likely jobs that are now denied to someone else that could have made similar contributions. This is irrespective of any other economic benefits to the individual or community that this project might produce." In the context of systems thinking which is central to so much of Fulfilling Lives, this is particularly pertinent.*

The question of attribution

Attribution is a topic highly relevant for the projects in Fulfilling Lives: Supporting people with multiple needs as partnership working is central to the programme. Traditionally for a SROI the practitioner will

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[3] http://www.legislation.gov.uk/ukpga/2012/3/enacted

[4] A Guide to Social Return on Investment - http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012

be looking at how much value is generated by a particular agency or intervention, the positive value that results can then be claimed by that agency, minus attribution. This essentially means that for every outcome which is valued a certain percentage of it will need to be attributed to another agency who played a part in generating that outcome. This offers unique challenges to Fulfilling Lives: Supporting people with multiple needs' projects who are working to break down barriers and increase partnership working. It may be that the better projects work together the harder it becomes to untangle the attribution question. This could also extend to work that is done in partnership with statutory agencies or bodies outside of the formal partnerships. It may however provide another opportunity to tell the partnership's story and strengthen the arguments around systems thinking and the interdependence of agencies when it comes to successful outcomes for the individuals.

This guide serves as an introduction to SROI. There is further information contained in the following resources:

The Social Return on Investment Network
http://www.thesroinetwork.org/

The Guide to a social return on investment

http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012

The Social Value Act 2012

http://www.legislation.gov.uk/ukpga/2012/3/enacted

The UK Government's green book, guide to appraisal and evaluations

https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

Demos, an independent think tank, have written a report entitled: 'Measuring social value – the gap between policy and practice'

http://www.demos.co.uk/files/Measuring_social_value_-_web.pdf