



An introduction to Social Return On Investment



Introduction

‘Social Return On Investment’ analyses combine a story about the difference we make with number values so things can be compared. An SROI analysis can be used for planning or evaluation.

Like any evaluation, SROI can be used outside or inside the organisation, to prove our worth or to improve what we do. Unlike other evaluations, SROI measures the knock-on effect of services, both beyond the obvious beneficiaries and into the future. It also accounts for what our partners contribute.

SROI analyses have six stages which we describe in this booklet. There is a set of principles to which accredited SROI practitioners work:

- Involve the people who matter
- Understand what changes
- Value the things that matter
- Only include what makes a difference
- Don’t over-claim
- Be clear and transparent
- ‘Verify’ the results

This introduction is intended to be a plain English guide to the six basic steps of the methodology:

- 1 Scope
- 2 Story of change
- 3 Evidence
- 4 Establishing our impact
- 5 Calculating the SROI
- 6 Using what we've learnt

We use a simplified example in the table throughout to illustrate the approach. An analysis needs a great deal of thought and careful work. For further information or accredited training go to:

www.sroi-uk.org

www.neweconomics.org

To discuss our approach, contact:

mandy@mbassociates.org, or www.mbassociates.org

Background

SROI was pioneered in San Francisco a little over ten years ago. In 2003 the new economics foundation (nef) began to develop the approach in the UK. An international SROI network was established, and a framework was agreed in 2005. The first guide was then published with the support of the Cabinet Office, and with strong input from the Treasury in tune with their *Green Book* guidance.

An updated guide has been published in 2012 which you can find at www.sroi-uk.org and the approach is being used more and more by both non-profit and private sectors.

“SROI is a complex and revealing methodology which avoids the imprecision of qualitative and blandness of quantitative evaluation”. Tony Butler, Museum of East Anglian Life

Pros and cons

SROI analyses show value for money in terms that go beyond the financial. They assess a 'triple-bottom-line' of financial, social and environmental returns and compare them with cash and other investments to create a ratio.

We have found the approach is very useful in the VCS because it supports collaborative working by consulting with partners and recognising their contribution. It also measures 'soft' outcomes, and evaluates the difference we make over the long term, including with preventative services. It is very effective in showing managers the strengths and weaknesses within a service.

However it's not easy. The methodology can be time-consuming, and it needs a systematic and thoughtful approach.

And there is also some scepticism about SROI – mostly where the final ratio is over emphasised – but also because we have to use proxy values where there is no obvious financial value.



1 Scope and the people who matter

What do we need to know?

We need to know who the people are who contribute to or experience the change. Are they relevant to the story? And is their influence significant? Later on we find out what happens to them. If we see then that they are not as important as we thought they were, we take them out of the analysis. There may also be other people who we need to talk but who are not part of the analysis.

Usually SROI analyses look at an investment period of a year, although the knock-on effects may last much longer.

Why do we need to know it?

The Social Return On Investment analysis adds *all* the ‘returns’ – what happens to the intended beneficiaries, but also knock-on effects on family and friends for example. There is usually an impact on ‘the State’ too – that is the rest of us who pay taxes or receive benefits via local or central government.

Sometimes people matter (are ‘material’) because of what they contribute rather than what they get out of the service.

Where and how do we get the information?

A starting point is to ask the people providing the service. When we go on to consult with the people that matter, they may also come up with new groups or sub-divisions of existing groups. Later in the process, when we take off what was due to others and apply values, the information may get refined again.

What do we do with the information?

The people who matter are the first entry in the ‘impact model’. The impact model is a table which summarises the whole picture. Here is our example:

Scope	Story of change		Evidence	Establishing our impact		Calculating the SROI					
The people who matter	Activity & Participation	The difference it makes	Results	Less what we can't claim	What was due to us	Value of investment	Proxy value of outcome	Value of return in year 1	Duration	Value of return in years 2, 3 & 4	Ratio
Young people in project											
Families											
The State											



2 Story of change

What do we need to know?

Having agreed the people who we think matter, we then need to find out what they contribute (inputs), what happens (activities and participation, or outputs) and the difference it makes (outcomes).

Later on we will see how much their inputs and outcomes are worth. For the time being this is all part of a story of change.

A step-by-step process is helpful and we can gather some information for future stages at this point too. For example an interview might be structured around the questions such as what do you contribute? what

happens? what difference does it make? how would you know? how long does it last? or who else is responsible?

Why do we need to know it?

Generally, we have a pretty good idea of the difference our service makes but asking the people themselves quite often highlights extra benefits – for example a service to improve employment prospects can also improve aspirations and lead to a happier personal or family life too. It makes the analysis much more real and complete.

Our SROI forecast for Carlisle Youth Zone identified more time for parents as an unexpected benefit, estimated at around 18,000 extra days for Carlisle parents to work, socialise, or just have a little time to themselves.

It also shows us if our services are failing to deliver, or even having some negative effect.

In some cases, services are not yet thinking properly about the difference they make but instead focus on what they do – particularly if they've been doing it a long time. SROI helps the delivery organisation to

remember that what they do is the means to an end, not the end in itself.

Where and how do we get the information?

Ideally we consult with the people that matter to find out what happens. There are many different ways of consulting with people. It's best to pick an approach that will appeal to the people we are consulting, but of course it also needs to be something that we can realistically do.

If we can't reach the people that matter we should try and consult with people close to them.

If neither of these is possible, we might find there is paperwork either from the delivery organisation or its partners which tells us what we need to know.

At this stage, what we need is a focus group to understand the story of change. We are basically just collecting information once. Later we need sample groups to collect our evidence, which have to represent all the people who matter. That normally means ongoing information collection.

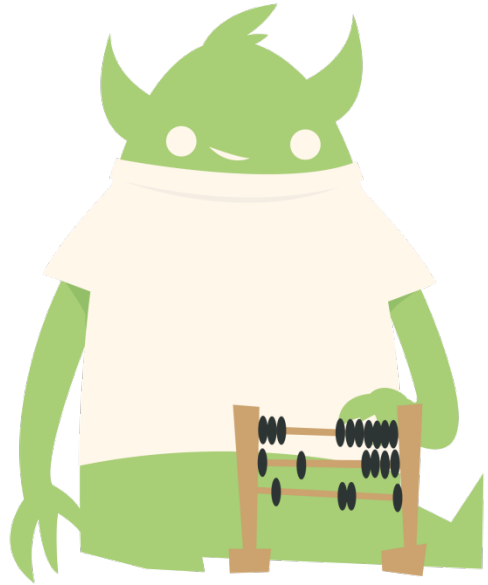
What do we do with the information?

What we do and the difference it makes are the next entries in the 'impact model'. These entries, along with the investments, make up the story of change which is sometimes called a logic model.

Understanding in more detail the logical link between inputs, outputs and outcomes is extremely useful, aside of the SROI analysis. Some organisations stop here.

The impact model now shows the people who matter, what happens to them and the difference it makes. Later on we include the value of what they invest.

Scope	Story of change		Evidence	Establishing our impact		Calculating the SROI			Duration	Value of return in years 2, 3 & 4	Ratio
	The people who matter	Activity & Participation		The difference it makes	Results	Less what we can't claim	What was due to us	Value of investment			
Young people in project	20 diverse YP get good quality service	Progress towards work									
		More hope for the future									
Families	20 families support YP to attend	Happier family life									
The State	Fund project	Welfare savings and tax income									



3 Evidence

What do we need to know?

There are two steps to this stage. We need to understand how we will know things have changed (indicators). We then need evidence for how much has or will change – either the results if this is an evaluation, or the forecasts if this is a plan.

The indicators might be easy to see, or they might be quite intangible, higher aspirations for example. We look for a range of feedback from different people, to cross-check what we are finding. In some instances the full outcome won't be achieved by the service, and we might need to understand 'distance

travelled'. For example, progression towards work might be initially indicated by volunteering.

In getting OnSide NW organisations 'SROI-ready' we've created a ladder of success for young people to judge for themselves how far they've come, coupled with data from partners to corroborate their feedback.

If we are planning, then it's easy enough to agree how we will collect the evidence over the year. If we are evaluating, then the evidence might be a bit harder to come by. There are probably two parts to this information, what is the 'quantity' of change, and what's the 'quality'?

Why do we need to know it?

Many services have stories of success, but they need to back those up with evidence from all (or at least a good sample) of participants. They also need to see *how much* difference they made, and the quality.

There is generally a balance to be struck between quality and quantity of a service. Sometimes making a little difference with a lot of people is all that's required. Sometimes, the project is only worth doing

if it makes an in-depth, long term change and so fewer people are targeted.

Where and how do we get the information?

How we know things have changed is best agreed as part of the story of change.

How *much* has changed is information that will need to be collected at the beginning of the service (the baseline) and at the end. It's often useful to collect information in between as well so we can check we are on course. If we expect the impact of the service to last into the future, information will need to be collected beyond the life of the project too by 'tracking' the people that matter.

What do we do with it?

Indicators and evidence (either results or forecasts) are the next entries in the 'impact model'.

Understanding the story of change and how we know things have changed is very useful to us, even if we don't go on to complete the full SROI process. Some organisations stop here.

The impact model now shows the people who matter, what happens to them and the difference it makes. It then turns that information into numbers.

Scope	Story of change		Evidence	Establishing our impact		Calculating the SROI					
The people who matter	Activity & Participation	The difference it makes	Results	Less what we can't claim	What was due to us	Value of investment	Proxy value of outcome	Value of return in year 1	Duration	Value of return in years 2, 3 & 4	Ratio
Young people in project	20 diverse YP get good quality service	Progress towards work	3/20 jobs 10/20 volunteer								
		More hope for the future	15/20 self-assess up scale								
Families	20 families support YP to attend	Happier family life	Quarter families report change								
The State	Fund project	Welfare savings and tax income	3 full, 10 part outcomes								



4 Establishing our impact

What do we need to know?

So far what we have done is the same as any good quality, outcome-focused evaluation, except that we have identified the knock-on effects on wider stakeholders, and may have consulted more broadly than the norm.

This stage is where the SROI process diverges. There are two main steps to research.

Having discovered the results (or forecast) already, we now take off what *we* can't claim. This includes what might have happened anyway (deadweight), or the bit that partners made happen (attribution). It

also makes sure we didn't just transfer the problem (displacement). The adjusted figure that we now have is *our* impact.

Secondly we agree how long the outcome will last, and how long it will take for our influence to drop off (duration).

Why do we need to know it?

This detailed thinking addresses the problem of things that are 'hard to measure' because they are part of a complicated picture. It makes our claims more plausible by making sure we don't over-claim and builds our relationships with partners. It also shows the long term benefits which are often missing from other evaluations.

Where and how do we get the information?

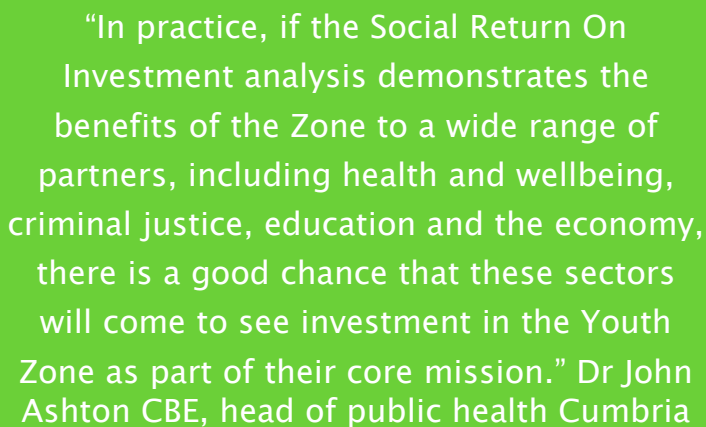
We can ask the people that matter about how long things last and who else might be responsible, or if problems have been transferred. We can back this up with the ongoing information we collect. But we also need to find out what would have happened anyway. For this, a 'control group' is useful, who don't receive the service, or if it's a new service, local

data on what has happened in the past can tell us what would have happened anyway.

What do we do with it?

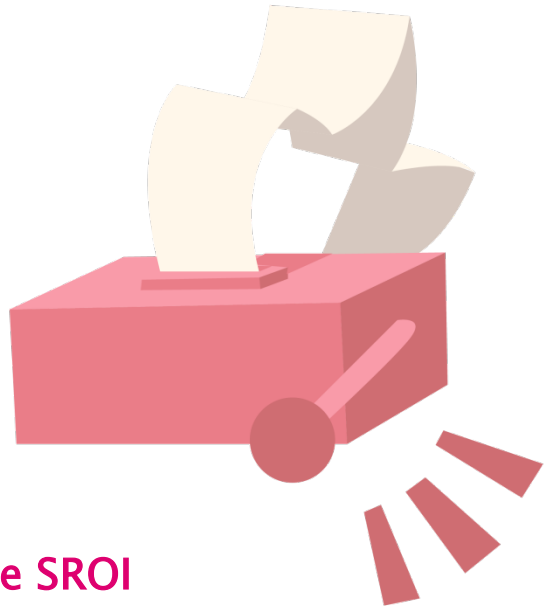
These steps provide all the information we need on outcomes. All that's left before the picture is complete is to value the inputs and outcomes and make the calculations in the next stage.

Here's an example of this fourth stage, taking off what we can't claim and predicting how long our impact will last.



“In practice, if the Social Return On Investment analysis demonstrates the benefits of the Zone to a wide range of partners, including health and wellbeing, criminal justice, education and the economy, there is a good chance that these sectors will come to see investment in the Youth Zone as part of their core mission.” Dr John Ashton CBE, head of public health Cumbria

Scope	Story of change		Evidence	Establishing our impact		Calculating the SROI			Duration	Value of return in years 2, 3 & 4	Ratio
	The people who matter	Activity & Participation		The difference it makes	Results	Less what we can't claim	What was due to us	Value of investment			
Young people in project	20 diverse YP get good quality service	Progress towards work	3/20 jobs 10/20 volunteer	Less what would have happened anyway; what's due to others & displacement	2/20 jobs 7/20 volunteer				3 more years as other factors take over		
		More hope for the future	15/20 self-assess up scale		10/20 move 50% up scale						
Families	20 families support YP to attend	Happier family life	Quarter families report change			Fifth of families change				1 more year as many other factors	
The State	Fund project	Welfare savings and tax income	3 full, 10 part outcomes		2 full + 7 part outcomes				3 more years as per YP		



5 Calculating the SROI

What do we need to know?

We want to know the value of the inputs and how that relates to the value of the impact (the returns).

We also want to know how various different scenarios (different numbers of people, better performance or different proxy values for example) will affect the value we create.

Why do we need to know it?

Many evaluations in the public sector find out all about the quality, or even the impact of the work, but don't compare that with the costs. At its most basic,

the ratio we calculate shows us the value for money of the project.

This is also where SROI attempts to address things that are ‘hard to measure’ because the results are intangible. It is where some people are sceptical about the claims of SROI, but we believe it is better than the alternatives. As Warren Buffet – the world’s most successful investor – says, “It’s better to be approximately right than precisely wrong.”

Finding a number value for intangible things means we can compare them with each other and see strengths and weaknesses. For example, is all the investment coming from one source? Are the people who benefit the ones who we thought would? Are the organisation’s priorities showing the highest return?

In some instances, it can show us examples of real cash savings.

Where and how do we get the information?

There might be four elements to valuing the inputs. Cash contributions are generally easy to work out. Cash spent that allows people to participate, but might not come into the services (such as for travel), is also easy to count. In-kind contributions such as volunteers’ time are slightly more complicated to

establish, but there is plenty of guidance around. Finally if the service depends on a big one-off expenditure, such as a new building we need to include an element of that too.

One way to find financial proxies for outcomes may well be to ask the people that matter how they might value the outcome. Alternatively, there is a recognised list of proxies being developed by the SROI network, and national, often academic, research.

In getting The Factory 'SROI-ready, we've identified 'personal resources' with value to young people. These build into 'achievements & effects' with value to the state using for example, the lifetime cost of NEET established by the University of York.

Now, we simply multiply the outcome value by the number of people affected (and a percentage, if only a part outcome is achieved) and add up all the different stakeholders' returns. This gives us our return in year one.

We have already researched how long our impact lasts, so we calculate the following years' returns showing this drop off. We then discount these

returns by 3.5% each year in recognition that money tomorrow is worth less to people than money today (a bird in the hand is worth two in the bush).

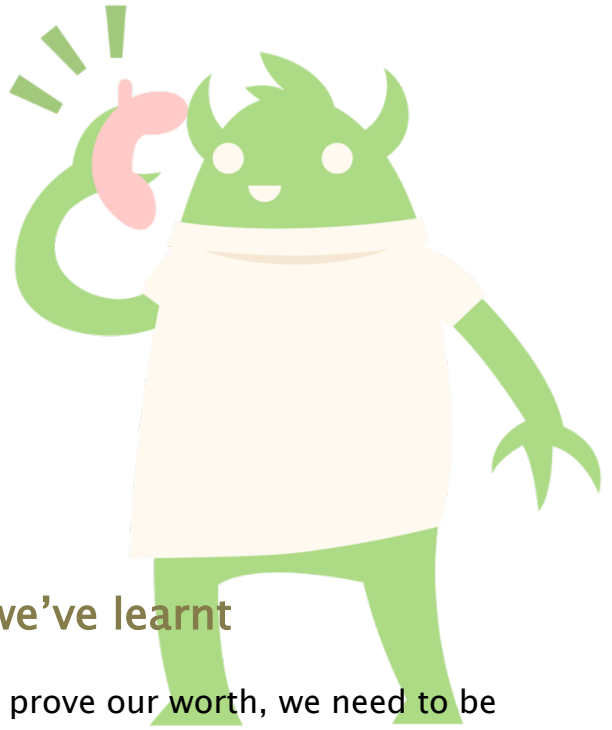
This total value is then divided by the investment to give a ratio, say 2:1. This means that £2 of value was created for every £1 of investment.

To see how we might improve the return, we ask various 'what if?' questions (sensitivity analysis). The impact model is a dynamic tool with all the elements linking to produce the final figures. We test different figures in the model to see how it affects the final figures. Deciding what questions to ask might depend on whether this is for an internal or external audience. If we are *proving* to external audiences, comparisons with industry norms might be interesting. If we are *improving* our service, then looking at our business plans might help us know which questions to ask. We might also test any negative outcomes too.

What do we do with it?

This information should lead to action. Overleaf is the finished impact model.

Scope	Story of change		Evidence	Establishing our impact		Calculating the SROI					
The people who matter	Activity & Participation	The difference it makes	Results	Less what we can't claim	What was due to us	Value of investment	Proxy value of outcome	Value of return in year 1	Duration	Value of return in years 2, 3 & 4	Ratio
Young people in project	20 diverse YP get good quality service	Progress towards work	3/20 jobs 10/20 volunteer	Less what would have happened anyway; what's due to others & displacement	2/20 jobs 7/20 volunteer	Travel costs = £600	Income of job over benefits	£8,000 x 2 and a bit = £20,000	3 more years as other factors take over	£15,000 £11,250 £8,438	129,381 return disc. for present value to 124,551, divided by
		More hope for the future	15/20 self-assess up scale		10/20 move 50% up scale						
Families	20 families support YP to attend	Happier family life	Quarter families report change		Fifth of families change	None	Value of 6 family meals out	£600 x 4 = £2,400	1 more year as many other factors	£1,200	60,600 investment = 2:1
The State	Fund project	Welfare savings and tax income	3 full, 10 part outcomes		2 full + 7 part outcomes	Project costs = £60,000	Welfare savings + tax income	£9,000 x 2 and a bit = £22,500	3 more years as per YP	£16,879 £12,656 £9,492	



6 Using what we've learnt

If this is a report to prove our worth, we need to be sure it's both plausible and understandable.

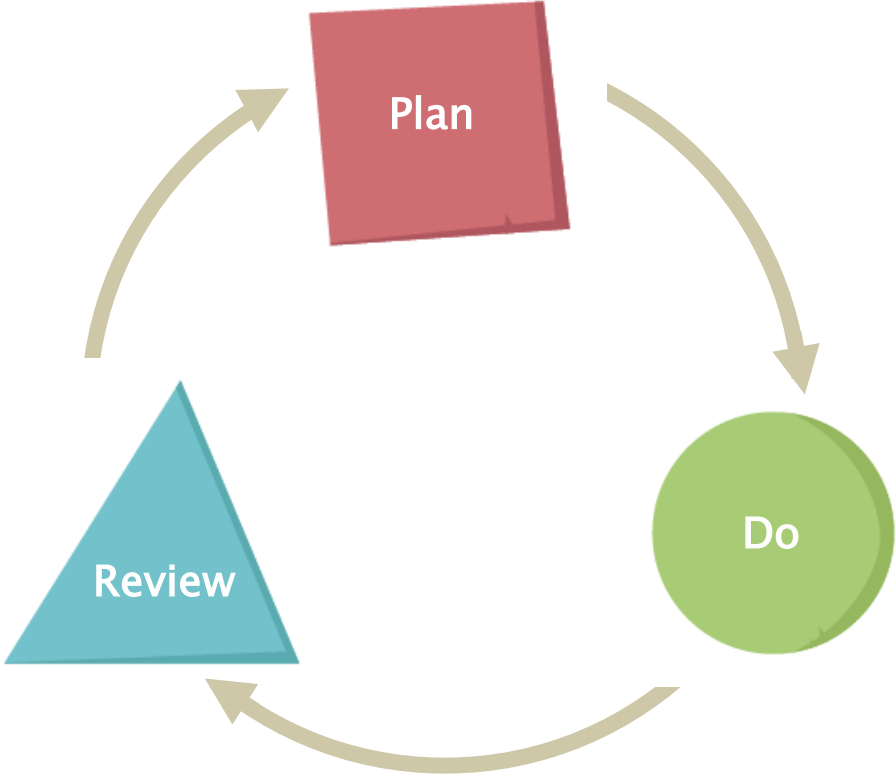
We need to test our conclusions with the people who matter and others. Ideally, we would check that the report has kept to the SROI principles by getting it 'assured' by the SROI network.

If it is to improve our performance, we need to see where we need to make changes to our delivery or target markets.

What we do with it depends very much on the level of 'buy-in' to the whole approach. Agreeing how public we will be, and how firmly we will act should be agreed with the people who matter right at the

beginning. Our view is that evaluation is part of a continuous cycle of learning and improvement.

So then of course, we start again...



SROI overview

Narrative report

Story of change

Agreed with partners

Collect or put in place

Final report

What is it that makes the difference?

Numeric model

Story of change

Including participation no.s

Evidence

Final impact model

Values and volumes

Scope

Who are the people that matter and why?



Story of change

What do we do and what difference does it make?



Evidence

How will we know things have changed?



Establishing our impact

How much of the change was due to us?



Calculating the SROI

How do we value the change? & What was it that made the difference?



Using what we've learnt

Who do we tell and what should we do?



Stages and technical steps

1	2	3	4	5	6
Material stakeholders	Theory of change:	Indicators	Deadweight	Proxy values	Consultation
Investment period	Inputs	Forecast or results data	Displacement	Discount to present values	Actions
What's in scope?	Activities		Attribution	Investment to outcome ratio	
	Outputs		Duration	Sensitivity analysis	
	Outcomes				

Published by www.mbassociates.org

© Mandy Barnett MBA FRSA 2012

