

# ISSUES



*GMCVO's briefing on areas of policy, practice and the operating environment affecting the voluntary and community sector in Greater Manchester*

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## SOCIAL RETURN ON INVESTMENT

### What is SROI?

**Social Return on Investment (SROI) is an innovative way to measure and account for the value you create with your work. The methodology is relatively new to the UK, but it is attracting considerable interest from third sector organisations, government, funders, investors and commissioners because of its ability to tell a compelling story of change. As well as helping organisations account for their achievements and attract funding, SROI can also help organisations maximise their social impact and improve the lives of the people they work with**

SROI is a framework for understanding, measuring and managing the outcomes of an organisation's activities. SROI can encompass all types of outcomes – social, economic and environmental – but it is based on involving stakeholders in determining which outcomes are relevant.

There are two types of SROI. Evaluative SROIs are conducted retrospectively and are based on outcomes that have already taken place. Forecast SROIs predict how much social value will be created if the activities meet their intended outcomes. Forecast SROIs are useful at the planning stage of a project, or if you have not been collecting the right kinds of outcomes data to enable you to undertake an evaluative SROI. SROI was developed from social accounting and cost benefit analysis, and has a lot in common with other outcomes approaches. However, SROI is distinct from other approaches in that it places a monetary value on outcomes, so that they can be added up and compared with the investment made. This results in a ratio of total benefits (a sum of all the outcomes) to total investments. For example, an organisation might have a ratio of £4 of social value created for every £1 spent on its activities.

While the ratio is important, SROI is about much more than this. A good SROI presents a story of change, including both qualitative and quantitative findings, and provides information to

help organisations maximise their outcomes. The ratio should always be understood in the context of the whole analysis. There is an understandable fear that funders may use only the ratio to guide funding decisions. However, it would be a very unwise funder who made funding decisions simply on the basis of one number. It is also not recommended that you use the ratio to compare different organisations. Even if they work in the same sector, for example children's services will be working with different users with different needs, and may have made different judgements in calculating their ratio. As with any approach, SROI involves making judgements, but these should be well documented so as to be transparent.

### Why do an SROI?

SROI can help you improve services in a range of ways. It can help you:

- understand the social, environmental and economic value created by your work;
- maximise the positive change you create and identify and manage any negative outcomes arising from your work;
- reconsider which organisations or people you should be working with, or improve the way you engage with your stakeholders;
- find ways to collect more useful, better quality information.

Finally, and in part as a result of improving performance, SROI can help you promote your

work, attract new clients or bring in new funding or finance.

## Who can use SROI?

SROI can be used by organisations, investors and commissioners:

- As an organisation, SROI can help you understand and manage your work;
- As an investor, SROI can help you be clear about how your investments create value and help you support your investees in creating that value;
- As a commissioner, SROI can help define what goods and services you want to commission and how these contribute to your organisation's goals.

Implementing any new system can take time and resources. It is difficult to estimate how much time it will take, as this depends on the type of SROI, the scope you set for your analysis, the availability of good outcomes data and your existing skills and experience. Scoping the work and answering these questions will allow you to assess how much time you may need to carry out and implement the recommendations of an SROI analysis.

Organisations with skills in evaluation, outcomes, accountancy and Microsoft's Excel software will find it easier to undertake an SROI. Many people will need to undertake a training course on SROI, and some will also need external support. SROI may not be appropriate for all third sector organisations although you will need to think through the stages and principles in relation to your own organisation in order to make that decision. However, used wisely and appropriately, SROI is a very powerful option for assessing and demonstrating change.

For more information on resources to help you do SROI, please see *Sources of support* on the back page.

## The principles of SROI

There are seven principles of SROI that underpin how it should be used:

1. **Involve stakeholders.** Stakeholders should inform what gets measured and how this is measured and valued.
2. **Understand what changes.** Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
3. **Value the things that matter.** Use financial proxies in order that the value of the outcomes can be recognised.
4. **Only include what is material.** Determine what

information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.

5. **Do not over claim.** Organisations should only claim the value that they are responsible for creating.
6. **Be transparent.** Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported to and discussed with stakeholders.
7. **Verify the result.** Ensure appropriate independent verification of the account.

## The process of SROI

Carrying out an SROI analysis involves six stages:

1. **Establishing scope and identifying key stakeholders.** It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how. Often service users, funders and other agencies working with the client group are included in an SROI.
2. **Mapping outcomes.** Through engaging with your stakeholders you will develop an impact map (also called a theory of change or logic model) which shows the relationship between inputs, outputs and outcomes.
3. **Evidencing outcomes and giving them a value.** This stage involves finding data to show whether outcomes have happened and then giving them a monetary value.
4. **Establishing impact.** Those aspects of change that would have happened anyway or are a result of other factors are taken out of the analysis.
5. **Calculating the SROI.** This stage involves adding up all the benefits, subtracting any negatives and comparing the result with the investment. This is also where the sensitivity of the results can be tested.
6. **Reporting, using and embedding.** This vital last step involves verification of the report, sharing findings with stakeholders and responding to them, and embedding good outcomes processes.

[from: *Social Return on Investment – an introduction* published by the Cabinet Office (Sept 2009) as a supplement to *A Guide to Social Return on Investment* – see 'Sources of Support' on back page]

# Using the SROI process to measure the value of older people volunteering

## Stages 1 and 2

The charity speaks to its 'key stakeholders' – volunteers, people who donate money and those who benefit from the volunteering. It creates an impact map detailing what goes into running its services ('inputs' – staff time, rent etc), and benefits for different stakeholders ('outcomes'). It decides to focus on the older people who volunteer and the primary care trust (PCT). For older volunteers, the main input is time. The output is the number of hours spent volunteering. Outcomes are more interesting – many volunteers feel happier and mention the friends they have made. Some report improved physical fitness or mental health. The PCT funds the charity because it sees volunteering as a good way to reduce depression and improve physical health for older people. The charity then analyses which outcomes are different and which are part of a chain of events (eg improved physical health leads to improved fitness, so these outcomes must be considered together). It collects data to corroborate these outcomes. It gives a questionnaire to volunteers to assess their levels of well-being when they join the programme, and every subsequent year. A local doctor provides objective evidence that her patients show improvements after becoming volunteers. Putting some numbers on these inputs, outputs and outcomes is the next stage. For inputs, the cost per volunteer is low, around £150 per volunteer a year, so the charity decides not to value volunteer time as an input. With outputs, the charity's monitoring data indicates that its 200 volunteers devote on average 300 hours of their time a year.

## Stages 3 and 4

The charity wants to use the SROI analysis to

increase the amount of money it (and similar projects) gets from the local PCT. Ideally, it would like a robust 'willingness to pay' study that gives improvements to older people's well-being a financial value from a stakeholder perspective. In the absence of this, it goes back to the local doctor and asks her further questions. From this, the charity is able to estimate conservatively that hospital overnight stays have reduced by a third for its volunteers, and use of A&E departments has declined by almost a quarter. The charity is sure to ask the doctor what she thinks would have happened if her patients had not been volunteering.

## Stage 5

Using data on the rates of all of these outcomes for older people in its local area, and costs taken from local NHS data, the charity estimates a total saving of £48,000 over the past year. Comparing this to its total costs of £30,000, it calculates a social return on investment of £1.60, just considering these benefits. It also tests some of the main assumptions in the model. This is essentially a valuation from the perspective of the PCT.

## Stage 6

The charity writes a report on its SROI, which it uses to secure longer-term funding from the PCT. But the charity is also conscious that improvements in well-being, one of the main parts of its theory of change, have not been valued for the older volunteers. It plans to do a small 'willingness to pay' survey for next year's SROI.

[from: *Giving Insights* Summer 2010, pub by New Philanthropy Capital]

● **Infrastructure support organisations in Greater Manchester** will learn how to carry out an SROI analysis over two days of training in November. The course will help members of Greater Manchester Voluntary Sector Support to become trained practitioners and in turn to support local groups in measuring their own social value. Delivered through the SROI Network, the training is accredited by the Institute of Leadership and Management (ILM). [www.gmvss.net/sroi](http://www.gmvss.net/sroi)

# Rabid killer chipmunks – the data is out there

**Head for hills, lock up your kids, and grab the shotguns; thousands of killer chipmunks are heading from Russia and have dear old Blighty in their sights. There is nothing else for it; we must fight them on the beaches. *The Sun* alerted us to this dire threat in July last year; we ignored it at our peril as did one daring mum who ill-advisedly took a ciggie in her garden not a week later and was leapt on by one of the dastardly little critters**

Well we were warned and indeed one of the authors of this article can personally vouch for the fact that he received a very serious look from his garden squirrel as he chewed his nuts – the squirrel, that is.

Yes... you have probably guessed it. It's a 'silly season' story. They appear at that time of year, right now actually, when newspapers traditionally struggle for hot juicy news stories, mainly because Parliament is in recess and politicians are mostly on holiday. Where would we be without such delightfully teasing headlines as: crop circles and aliens, great white sharks in Cornwall, and the life-changing discovery of Victor Meldrew's head mapped out in the heavens! (Google '*The Guardian* – silly-season-in-pictures' for more.)

Of course, there is a smidgen of truth in the chipmunk story and who knows there may occasionally be white sharks off Cornwall, but we tend to make a judgement on the 'evidence' presented and act accordingly. Needless to say we did not turn up at Dover armed to the teeth. The strength of the evidence just did not warrant the cost of the train fare and the shotgun purchase. The question is: what makes us trust evidence enough to act on it – and how do we get it into that form?

## The data is out there

The data that we can use as evidence is out there; but it is not floating around in the air awaiting capture. It has to be perceived in some way and then organised. If we are to effectively influence others (including funders) and get them to trust what we say, our evidence must pass the "I'm prepared to trust it and act on it" test. And even when we have such evidence, unless we communicate it appropriately, the data alone will not do the trick. We need the services of the 'convince-me' fairy ("Is she related to any killer chipmunks?", I hear you ask). Seriously though, the 'convince me' fairy is really important for

success. Think of her as a critical friend, a trusted person, whose role is to ask constructive and thought-provoking questions.

## Consider the case of Ignaz Semmelweiss....

Ignaz was a passionate man intent on making a difference in the lives of Austria and Hungary's poor and needy in the 1840s. He worked out a way of saving the lives of literally hundreds of young mothers and their babies.

Within 10 months of being appointed to a Vienna maternity clinic, providing free services to pregnant mothers, the 27-year-old Ignaz introduced a new procedure: he insisted that the student doctors delivering the babies washed their hands in a weak solution of bleach before starting the delivery. In the following seven months his hand-washing had saved over 168 lives compared to the previous year. Similarly, in the following year following a tightening-up of hand washing procedures, he had saved over 400 lives and there was data to prove it. Ignaz's reward was mainly in his work. He had little patience or time for the political and bureaucratic environment which surrounded the medical world and his maternity clinic for the poor.

Colleagues, former students and the occasional establishment doctor did their best to make Ignaz's practices more widespread. But their words prompted no more action from the medical establishment of the time than *The Sun's* chipmunk articles. That was nothing short of tragic. Over the next 20 years, countless thousands of babies and young mothers died needlessly throughout Europe and beyond. What went wrong, why were lives not being saved by antiseptic usage for all that time? The genius of his simple idea was largely lost to the medical world. So what could Ignaz have done that would have made a real difference? Our new best critical friend, the 'convince-me' fairy, could have helped

Ignaz to get the recognition his breakthrough really deserved.

These are the top eight questions the 'convince-me' fairy would have needed him to answer:

- What are you trying to achieve – your goals?
- How do you know you're on course to achieve them?
- What is it that you're actually doing?
- How do you really know what impact you are having?
- Are the impact indicators and measures you are using valid and reliable?
- How worthwhile are your efforts? – who has benefited, in what way, and by how much?
- Have you had any surprises or unintended outcomes?
- How can you do better?

In essence, these questions form the basis of evaluation. They also lie at the heart of social return on investment (SROI). SROI helps us answer the question: "Is this worth doing?"....but it is also how Ignaz Semmelweiss could have helped turn his data into a convincing case for widespread change – and saved Europe from the countless thousands of mother and baby deaths. Plus, if his good practice had been widely adopted by hospitals for general surgical procedures then probably thousands more would have survived their operations.

SROI emphasises outcomes. It allows us – or society, or a prime contractor, or a local authority, or a funding body, or donors to answer the essential questions:

- Does this project or organisation get worthwhile results?
- If more resources were put into this work would more good be done?

But it also further demonstrates to staff and volunteers the importance of their efforts.

## What happened 20 years after Semmelweiss' discovery?

Joseph Lister rediscovered Semmelweiss' findings on the importance of antiseptics whilst working at Glasgow Royal Infirmary – using, in his case, carbolic acid rather than chlorinated lime. Lister used his knowledge of the importance of 'convince-me' questions to help present a compelling case for change. His findings were published in The Lancet in 1867. Lister's Lancet publication came out two years after Ignaz's death.

## The real value of social returns

The Ignaz Semmelweiss story demonstrates the *real value* of evaluation and SROI, that is: we must not lose the beneficial impact that even the smallest actions can have on the outcomes for society. This is why SROI really matters. It's about using a proven approach both to recognise the outcomes of your efforts and to convince others of their value.

There are in excess of 10,000 voluntary organisations in Greater Manchester – just imagine the range and scale of the outcomes that can be and are being routinely generated within this sector. The snag is, in the absence of frameworks like SROI, our imaginations are all we have to go on.

How many genuinely valuable lessons are dismissed as easily as the 'rabid killer chipmunk' story? How many Semmelweiss-type results are being regarded as interesting local anecdotes when they should be invested in as life-saving or life-changing developments?

Understandable, simple, and low-cost methods for routinely collecting credible outcome evidence are even more critical when government – central and local – and prime contractors want and need to invest in the third sector.

Your data is out there and the time to use it is NOW!

*John Rae and Harold Sharples*

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# Case Study: BASIC – the Brain and Spinal Injury Centre

This case study is one of four to feature in a short guide to SROI being written for GMCVO by *David Robinson*. The case studies are of organisations with an interest in SROI that are at different stages in applying the method

BASIC is a voluntary centre providing community-based rehabilitation for victims of illness and accidents. Based in Salford, it provides information, advice, social networking, complementary therapies, training and therapy. It also has a specialist gym.

## Scope

While the services provided by the organisation are inter-connected and the overall affect is greater than the sum of the parts, it is possible to separate the gym for simplicity because:

- The set up and operating costs are known
- Client throughput is recorded
- Some client benefits are recorded
- The chosen project is comparable to NHS provision
- The service provided can be compared to that offered by the NHS

The gym occupies one room of the centre and has permanent staffing and 17 pieces of specialist equipment.

## Stakeholders

Looking broadly, the stakeholders are not only people who have suffered an illness or accident and include:

Stakeholder	Changes
Clients	Quality of life improvement Money saving from more rapid return to earning
Clients' carers	Quality of life improvement Money saving from more rapid return to earning
Primary Care Trust	Reduced costs of health care
Social Services	Reduced costs of social care support
The Exchequer	Increased tax revenue from patients re-starting work sooner Increased tax revenue from carers re-starting work sooner

## Inputs and outcomes

The costs of the gym to set up and run are well established. The centre has started estimating the outcomes by firstly sketching a typical pathway taken by a client from their accident or illness through to recovery. Along the way, a client may generate costs for:

- Hospital care, initially as an in-patient
- Hospital care, subsequently as an out-patient
- GP visits
- Practice nurses
- District nurses
- Community psychiatric nurses (CPNs)
- Physiotherapists, occupational therapists etc
- Social services

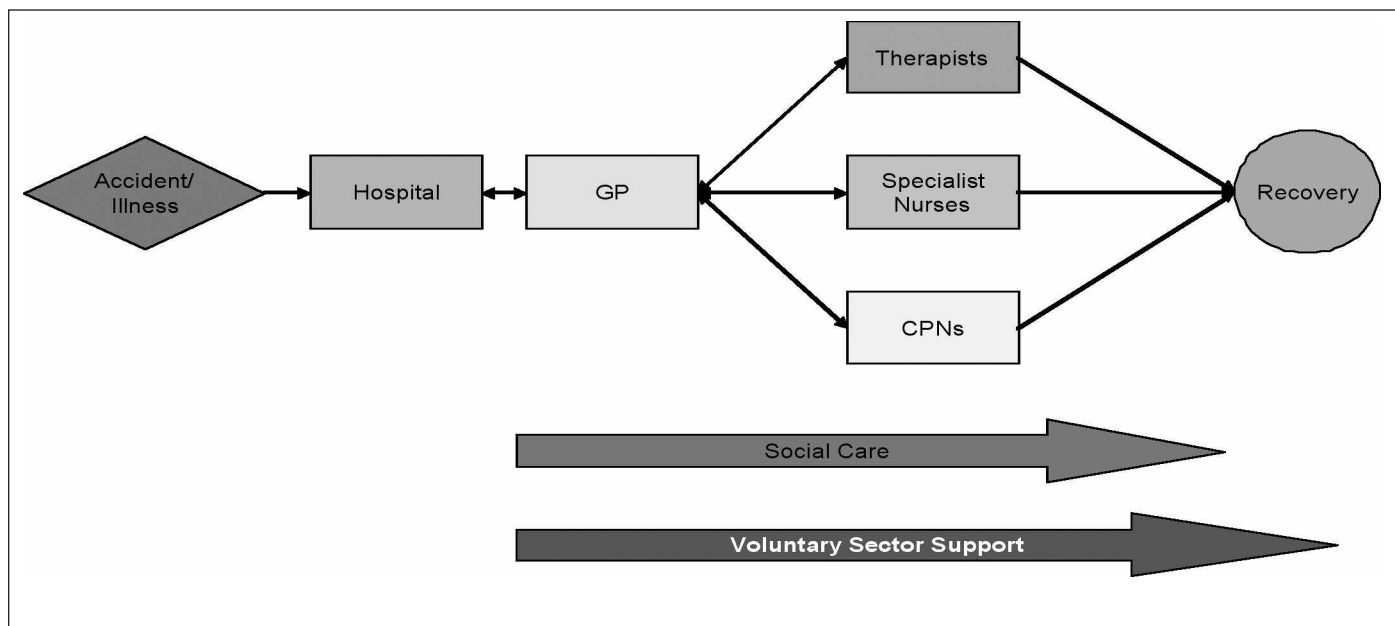
## Evidence

The evidence is from:

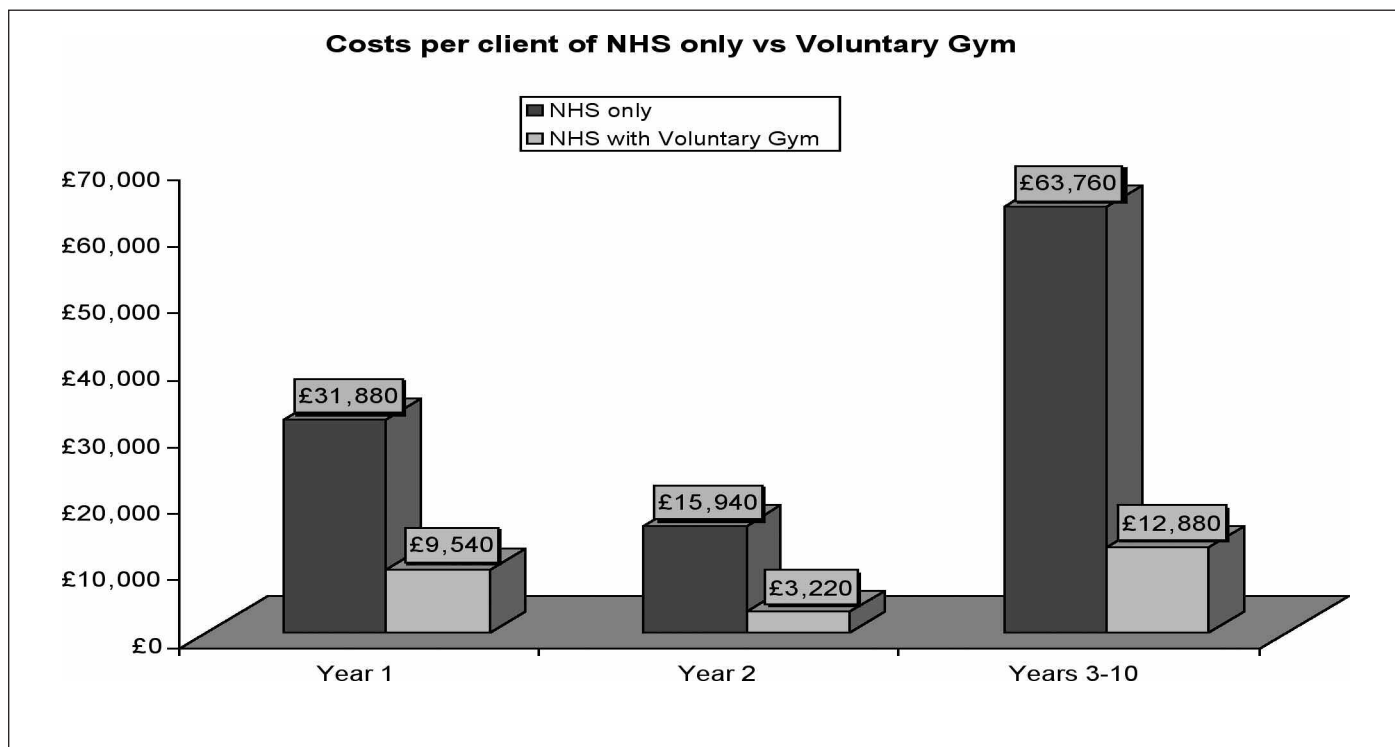
- Management accounts
- Gym client activity records
- NHS reference costs
- Comparison of NHS usage between gym clients and a 'control group' of similar patients who do not use the gym

As there is no comparable gym, the deadweight should be easily discerned. Gym users would rely solely on NHS provision, as do the 'control group'.

The simplified pathway can be shown thus:



Once a pathway has been drawn and the stages agreed, costs can be assigned to them. Fortunately, the NHS has published reference costs for each treatment “episode” so a first approximation can be made of the costs. The organisation has started to record how their clients use NHS resources and how often and compares to NHS usage by people not using their service. The estimated costs to the NHS are summarised in the chart below



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# Better quality evidence needed?

## SROI is being held back by the poor quality of evidence, according to a paper from New Philanthropy Capital

The paper, published in April, says that SROI had the potential to be "an incredibly useful tool for understanding and increasing charity effectiveness", but was held back by the low quality of the evidence in many SROI reports. Lucy Heady, head of measurement at NPC and author of the report, said many funders were sceptical about charities' use of SROI.

"There is far too much emphasis in the sector on producing a final SROI ratio showing how many pounds of effect are produced for each pound invested," she said. "Often it's used as a fundraising tool, rather than to actually measure impact.

"The Cabinet Office has produced very good guidance on how SROI should be used, but many

charities aren't following it. The Government is increasingly using SROI, and charities need to make sure they can meet its requirements."

The report says that charities can improve their SROI by becoming better at collecting evidence and developing financial benchmarks against which to measure that evidence.

Heady said it was important that the financial value placed on an outcome, such as an individual getting a job, was the same for all organisations. "Different charities are assigning different financial values to outcomes, and multiple charities are claiming success for the same outcome," she said.

[from: *Third Sector Online* 30th April 2010]

## Sources of support

There is a range of support available to help you use SROI, including *A guide to Social Return on Investment*, training, consultancy and an indicator bank. The following websites are useful sources of this support

- **The SROI Network** website contains a range of SROI resources including *A guide to Social Return on Investment*, a full description of the principles of SROI and details of SROI training courses. If you have an SROI report you would be happy to share, send it to the SROI Network and they will include it in their SROI library.

[www.thesroinetwork.org](http://www.thesroinetwork.org)

- **new economics foundation's** website contains a range of relevant resources, including information about SROI in commissioning and public policy.

[www.neweconomics.org/gen/newways\\_socialreturn.aspx](http://www.neweconomics.org/gen/newways_socialreturn.aspx)

- **nef consulting** provides SROI resources and consultancy for third sector organisations, including details of SROI training.

[www.nef-consulting.co.uk](http://www.nef-consulting.co.uk)

- **Charities Evaluation Services'** website contains a range of resources on evaluation and outcomes assessment in the third sector.

[www.ces-vol.org.uk](http://www.ces-vol.org.uk)

- **National Council for Voluntary Organisations'** website contains information and advice on strategy and impact.

[www.ncvo-vol.org.uk/strategy-impact](http://www.ncvo-vol.org.uk/strategy-impact)

- **New Philanthropy Capital's** website contains a range of resources relevant to measuring social value, including SROI, well-being, reporting to funders and full cost recovery.

[www.philanthropycapital.org](http://www.philanthropycapital.org)

- **Demos'** review of 30 charities and social enterprises found that most did not have the data or the expertise to measure their outcomes in the depth required by SROI. The authors of *Measuring Social Value: The Gap Between Policy and Practice* say that the sector should instead be examined using simpler measures of social effectiveness.

[www.demos.co.uk/publications/measuring-social-value](http://www.demos.co.uk/publications/measuring-social-value)

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GMCVO is the voluntary and community sector infrastructure organisation for the sub-region of Greater Manchester. It aims to strengthen the voluntary and community sector, build bridges with other sectors, and influence local and national policy. GMCVO's work involves representing, promoting and developing voluntary and community organisations, and working in partnership with local, regional and national infrastructure. GMCVO is also the sub-regional lead body for ChangeUp.

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GMCVO is a Registered Charity no. 504542 and a company limited by guarantee no. 1223344. GMCVO is grant-aided by AGMA (the Association of Greater Manchester Authorities).

