Social Return On Investment in community empowerment:

a worked hypothetical example

Contents

About this document

The SROI Network has developed this briefing paper on Social Return on Investment (SROI) for Local Government Improvement and Development (LG Improvement and Development). It contextualises and illustrates how SROI could be used by councils in the evaluation of community empowerment initiatives and in informing business cases[1]. A glossary of the terms used in this document can be found in Annex A.

1 Local Government Improvement and Development (then called the IDeA) worked with the Network of Empowering Authorities (18 local authorities) to support, share and develop good practice around community engagement during 2008-10. As part of this project *The ideal empowering authority: an illustrated framework* (see www.idea.gov.uk/empowerment), was developed, one of the three pillars of which is mainstreaming, and includes that councils will build evidence of, and business cases for, community empowerment. Some interest was shown by the participating councils in how Social Return on Investment (SROI), as a stakeholder-informed approach, could be used to support a business case.

Introduction

Social Return on Investment (SROI) is:

- a framework for measuring and accounting for the value and impact of initiatives

- designed to measure change that is relevant to the people or organisations experiencing it

- a way to analyse 'value' beyond its financial cost (although some of the value SROI captures may have been paid for).

SROI is based on seven principles which are:

- involving stakeholders

- only including what is material

- understanding what it is that changes

- valuing what matters

- not over-claiming

- transparency

- verifying results.

A standardised methodology for SROI analysis, based on the principles outlined above, is captured in A Guide to Social Return on Investment, Nicholls et al (2009), and was produced by a Cabinet Office funded project called Measuring Social Value[2]. It is available for download from www.thesroinetwork.org

2 See www.thesroinetwork.org/component/option,com_docman/task,cat_view/gid,29/Itemid,38/ That guide is referred to later in this document by the page number on which a particular reference may be found.

Community empowerment

Community empowerment in this context is defined as those activities that councils and their partners are carrying out with a specific aim to involve or empower citizens. This document has been based on desk research on the materials available under the community empowerment heading in the knowledge section of the LG Improvement and Development website (www.idea.gov. uk/empowerment), including case studies of community empowerment initiatives.

Community empowerment is described as:
"the outcome of engagement and other activities. Power, influence and responsibility is shifted away from existing centres of power and into the hands of communities and individual citizens".[3]

The implications of which are:

• it is the outcome of an activity and

• it occurs where there is a transfer of power and influence to communities and individuals.

Both of these points suggest that SROI will be a particularly useful approach since SROI identifies outcomes – the changes that occur as a result of activities. Use of SROI will identify outcomes that can be labelled empowerment outcomes, but it will also identify other outcomes. Furthermore, since SROI analyses change from the perspective of relevant stakeholders, its use will identify where the balance of power has shifted; if this shift resulted in material change for the group to whom power was shifted, or the group from whom it was shifted (or both). Use of SROI will also help to be clearer about which groups of stakeholders within a community experience change.

Community empowerment has been the subject of a considerable emphasis in policy and legislative terms for the last few years, most particularly as a result of the Duty to Involve, and will certainly continue to be important, given that one of the three strands of Big Society is community empowerment. It is worth noting there are many possible approaches to community empowerment, as documented on the LG Improvement and Development website. It is also likely to be the case that councils face competing policy priorities and limited resources. Therefore a more widespread use of SROI to evaluate or forecast change and value that change is likely to be useful to improve community empowerment initiatives and to decide how to target resources.

3 The ideal empowering authority: an illustrated framework, LG Improvement and Development (2010).

Why use SROI to evaluate community empowerment?

1. It supports an understanding of the real difference community empowerment initiatives make to communities.

By involving stakeholders in developing an understanding of change, the use of SROI would help to build a bottom-up evidence base of the most significant outcomes that council initiatives are creating, whether empowerment-related or not.

Furthermore, by subdividing stakeholder groups to measure change relevant to them, it would create an understanding of which specific groups within a wider group or "community" of residents and workers in a local authority area had been affected by an initiative.

2. It seeks to understand change from the perspectives of all relevant stakeholders rather than to evidence the agenda of the powerful stakeholder.

This is particularly apt in the context of community empowerment and avoids the potential disempowerment that evaluations could cause if they ignore changes that occur to other stakeholders and only focus on what is important to the organisation in power.

3. The analysis produced is helpful when developing businesses cases.

SROI bases its understanding of both the positive and negative effects of the proposed initiatives (benefits and disbenefits) on change - a causal link from the activities to their effects on stakeholders. It also supports debate about the relative value of changes for stakeholders by using a common approach to their valuation; using financial approximations of 'value'. Furthermore, applying the SROI framework well should prompt balanced business cases because of inbuilt checks and balances around identifying negative change, identifying who else contributes to change and what would happen without the proposed initiative.

This document explores these points in more detail using a worked example. For those planning to use SROI analysis to support business cases there is a further publication available, *Making the case for community empowerment: the connections between Social Return on Investment (SROI) and the Community Empowerment Business Case Tool*[4], which relates SROI to the Business Case for Community Empowerment Tool and Guidance (published by LG Improvement and Development in 2010, working with the Network of Empowering Authorities[5]).

---

4 Making the case for community empowerment: the connections between Social Return on Investment (SROI) and the Community Empowerment Business Case Tool, Inglis, The SROI Network for Local Government Improvement and Development (2010).
5 Business Case Tool for Community Empowerment, MacDonald and Barnes, Social Science Policy and Research Centre, University of Brighton, for the Network of Empowering Authorities and LG Improvement and Development (2010).

An illustration of using SROI to evaluate community empowerment

This document introduces each of the steps of the standard approach to SROI and at each point gives an example, in the boxed text, of how they might be applied in the context of evaluating community empowerment.

The main body of the text:

- notes the key features, including principles and benefits, of SROI and how these might apply in the context of community empowerment. Key features are shown by an exclamation mark **!**, benefits are shown with a plus sign **+**, principles are shown in pink text.

- illustrates these features and principles by means of reference to a fictitious example; Petersham young mayor initiative. These are shown in boxed text.

- shows how SROI analysis might contribute towards a business case. These points are indicated by a capital **B**.

It is important to note that this document is not a full guide to the use of SROI[6], therefore if councils and their partners are planning to use SROI to evaluate (or forecast as part of a business case) the results of community empowerment initiatives, they should download and work through the full guide[7] and consider attending practitioner training. Details of both can be found at www.thesroinetwork.org

A further document is available which summarises the relationship between SROI and the Business Case Tool and Guidance produced for the Network of Empowering Authorities[8].

---

6 In particular there is limited illustration and explanation of things like duration of change, drop-off and discounting.

7 A guide to Social Return on Investment, Nicholls et al, Cabinet Office (2009) www.thesroinetwork.org/component/option,com_docman/task,cat_view/gid,29/Itemid,38/

8 The Business Case for Community Empowerment Tool and Guidance was prepared by Dee MacDonald and Marian Barnes, Social Science Policy and Research Centre, University of Brighton and is available at www.idea.gov.uk/empowerment The comparison with SROI was prepared by Jenni Inglis, SROI Network for LG Improvement and Development and is available at www.idea.gov.uk/empowerment

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Introduction to the case study - Petersham young mayor

Please note any resemblance to a real life example does not indicate that this description, or the subsequent analysis, accurately reflects what happens in real life. It is a fictitious example presented for the purposes of illustrating key aspects of SROI as it relates to evaluating community empowerment initiatives.

Key facts

- Petersham is a council area with a population of 250,000.
- It is one of 12 councils in England that have chosen to have an elected mayor with executive functions.

The project

The young mayor project was established several years ago and has received a lot of interest from other councils, some of whom have replicated the initiative. A Young Mayor's Network has also been established independently to share practice and support the growing number of young mayors round the country. Other possible forms of youth participation in democratic processes include the UK Youth Parliament.

The young mayor is elected by people aged 11-18 who live or are educated in the council area, with the council's electoral services team running the election in secondary schools, in the same way they do for adult elections. Candidates for the position of young mayor must live or be educated in the council area and be between 15 and 18 years old. They have to be nominated by their peers and attend training.

The first-placed candidate becomes the young mayor, the second becomes deputy young mayor and the third, fourth and fifth-p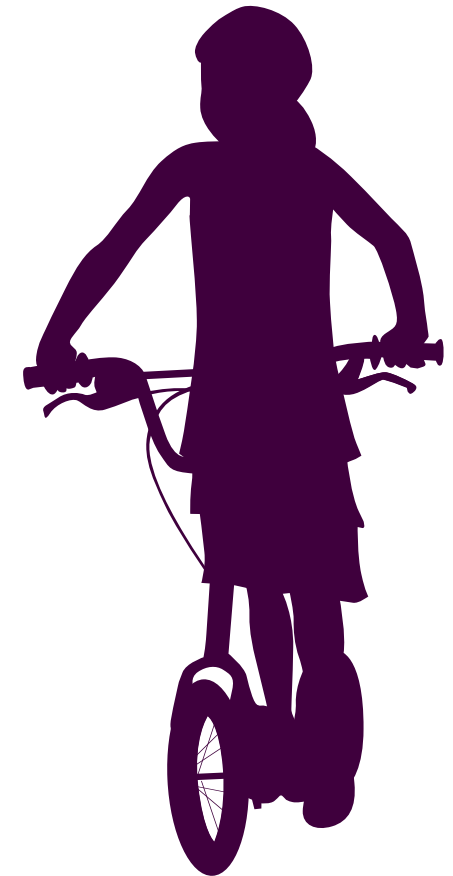laced candidates serve as three of 25 young advisers. It is hotly contested with around 30 candidates in each of the last two years.

The young advisers mirror the role of cabinet in the council. As already mentioned, three of them are elected from the election for young mayor and the other 22 are elected to represent specific area–based, and other, sections of the young community. The advisers come up with ideas for spending the budget, can represent the young mayor at events and undertake other functions such as contributing to strategy, corporate assessments and even recruitment relating to youth and children's services. They get involved in sharing practice nationally and internationally, meeting counterparts from other European countries, and attending relevant conferences.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

There is also a young panel of around 800 people aged 11-18 and its members are invited to participate in exercises such as peer evaluations of council services and to give their input to specific consultations. Around half of them will participate in one of the twelve face-to-face meetings over the course of the year and there are also several online fora.

The total annual cost of the project in its established form is around £175,000, of which £150,000 relates to staff costs to run elections and the two full-time posts that support the position of young mayor, leaving £25,000 which the young mayor has at their disposal for project work to deliver their objectives.

Each year the young mayor's fund supports different things, but in the example illustrating how SROI might be used, we have assumed the young mayor's fund supported three voluntary organisations; one which developed a skate park, one running a youth centre and one that supported a campaign against young people carrying knives.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Stage 1: Establishing scope and identifying stakeholders

"The scope of an SROI analysis is an explicit statement about the boundary of what is being considered. It is often the result of negotiations about what is feasible to measure and what you would like to be able to improve or communicate". (pp 18)[9]

! Implicit in this statement is that you have a choice to make about what to analyse. You may want to build support for taking a particular course of action to empower communities, because, for example, it is under threat. You may want to improve the results of your activities to enhance value for money. You may want to make a more informed decision about which of several community empowerment initiatives to invest in. Any of these may drive your choice about where to start using SROI.

In any case once you have decided what to focus on, you will need to document the scope (pp 18-20). An example of how this applied to Petersham young mayor is shown in box 1 overleaf (remember that this case study is fictitious!).

9 A guide to Social Return on Investment, Nicholls et al, Cabinet Office (2009) available at www.thesroinetwork.org Page numbers from now on refer to that publication.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 1: Example of scope

Purpose of analysis: The young mayor project had generated a lot of national level political interest and support and the intention was to continue it. However it was felt by some elected members to be expensive and they wanted to understand and improve the value for money it offered. The audience for the analysis was therefore the elected members. The mayor had initiated the young mayor project with three aims:

- to increase participation of young people in the decisions that affect them so as to improve services for them

- to encourage young people to vote as adults

- to improve engagement with under-represented sections of the community (black ethnic minority communities are more represented in the under 18s than the adult population of the council area).

The members appreciated that using SROI would provide them with an analysis of what had actually happened as a result of the activities of the project, rather than starting with those objectives as research questions.

It was decided to evaluate all of the activities of the young mayor's project over a one year period, coinciding with the academic year, but a financial year or the term of a mayor could also have been used. A member of staff (one of the young policy advisers in the young mayor's office) was tasked with leading the analysis.

+There may be a question in your mind about how you can analyse the impact of an ongoing activity, for example running a committee on a particular issue. SROI offers you the opportunity to deal with this by selecting a time frame for the analysis, such as one year, as a way to draw a boundary round it.

The next part of stage 1 is to identify relevant stakeholders and to decide how to involve them.

The principle in SROI that is applied at this stage (and in the next two stages) is "involve stakeholders: inform what gets measured and how this is measured and valued by involving stakeholders". (pp96)

However, before stakeholders can be involved they need to be identified; a step which may be completed by the lead analyst alone or together with anyone else that has a good overview of the project.

The example in box 2, on the next page, shows who the stakeholders in the young mayor project might be; those groups who were likely to experience change and the rationale the analyst had initially for including or excluding them from the analysis. It also shows how the analyst decided to involve them in informing what gets measured.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 2: Example of identifying stakeholders and deciding how to involve them

The young policy adviser met with some colleagues and developed an analysis of the stakeholders who were likely to experience change as a result of the young mayor project. This was developed in a table as shown below:

Stakeholder	What the analyst thinks changes for that stakeholder	Included	How to involve stakeholders to inform what to measure
Young mayor campaign teams (in schools)	Gain interest in politics	Y	Focus group
Other young people aged 11-18 in schools		Y	Focus group
Young mayor and deputy	Increased self-confidence, increased power and the chance to make a difference	Y	Talk directly to them
Young cabinet		Y	Focus group after advisers meeting
Young panel		Y	Focus group
Mayor and councillors	More dialogue with young people, better decisions, and increased workload	Y	Focus group
Young policy advisers (in young mayor's office)	No change, since they would have had a similar job anyway	N	n/a
Family of the young mayor and deputy young mayor	Provide extra support, increased pride in their child; the family taking part more in civic life	Y	Telephone interviews
Voluntary organisations supported by young mayor fund	Increased income leading to service starting or improving	1 out of 3	Telephone interview with chief executive
Young people using services supported by young mayor	Use new facilities rather than 'hanging around' on the streets	Y	Go to facilities and talk to young people there
Residents near new services supported by young mayor	Feel safer due to fewer young people hanging around on the street	Y	Focus group
Petersham children's services (project funder)	Services improved; spend budget effectively; improvements to relevant policy and strategy	Y	Talk directly to the head of children's services and policy team

Immediately the policy adviser and colleagues found that thinking of stakeholders as groups of people who experience some kind of change provided focus. For example, they decided to split young people into stakeholder groups according to their level of engagement with the project, anticipating that the change they experience might vary in scale and nature. They also decided to focus on only one of the three voluntary organisations that the young mayor had supported, since the other two would have been funded by the council without the young mayor's fund decision. They also decided not to include the young mayor office staff since nothing material had changed since their last jobs where they had similar pay, conditions, responsibilities and job satisfaction.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

There are a few things to be aware of in the context of community empowerment:

! The way that SROI identifies relevant stakeholders is to ask whether they are likely to either experience change as a result of the activity, or affect the activity in some way. How significant the change created by the activity from their perspective would be taken into account. An important consequence of developing an analysis that focuses on exploring change from the stakeholders' perspective is that the analysis is not based solely on what is important to the organisation leading the analysis. Contribution to meeting policy objectives or changes in cost or income to the council may be exposed by the analysis where these are a significant change for the council as a stakeholder. Nonetheless the analysis is not going to focus on evidencing these outcomes because its purpose is to understand what actually changes for people from their perspective and to value that change.

+ By identifying and involving relevant stakeholders in choosing what to measure, the standard SROI methodology builds in an approach to ensuring that the analysis is focused on evidencing relevant change for stakeholder groups. This also means that resources employed for the analysis will be targeted.

+ Stakeholder groups should be split according to the type of change they experience. This means the analysis will produce a good understanding of which particular groups within a community of residents (or workers or councillors) of a local authority area are affected. Your understanding of how stakeholder groups experience change, and therefore where they need to be divided for the purposes of analysis will develop as the analysis builds up so the groups you start with may need to be changed later.

! Community engagement activities have the potential to involve or affect large numbers of people. At this stage we are trying to determine what to measure so we will be planning involvement with the purpose of finding out how and what changes for which groups of people. From here, we can go on to design systems to monitor outcomes in the rest of each group of stakeholders and on an ongoing basis.

Stage 2: Mapping outcomes

At this stage "we build an impact map informed by…stakeholders. This details how the activities use resources (inputs) to deliver activities (measured as outputs), which result in outcomes for stakeholders… sometimes the relationship between inputs, outputs and outcomes is called a theory of change". (pp29)

The relevant principle is "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". (pp97)

So, to start building an impact map, we have to first identify inputs and activities that are within our scope before we can go on to consider what has changed as a result of these activities. The example in box 3 illustrates inputs and activities for the young mayor project. There are a lot of stakeholder groups in the example used in this document so only extracts have been presented. An example of a full impact map is available at www.thesroinetwork.org

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 3: Example of mapping inputs and activities

The inputs to the project were the investment by the council and the time of the young mayor and young advisers. Since the project wouldn't have gone ahead in the same way without the time they put in (they are volunteering to make it happen) their time was valued using the minimum wage for under 18s. The time other stakeholders put in (such as the candidates attending a day of training) was not valued in line with current SROI convention that beneficiary time is not valued (pp31).

The activities of the project were then clarified and quantified as outputs. In the year under consideration these included:

- a one-day training session for young mayor candidates

- twenty meetings of the young advisers, young mayor and deputy

- fifty appearances at events by the young mayor

- ten meetings between the young mayor and mayor

- twelve meetings of the young panel

- development of one skate park.

These inputs and activities were entered onto the impact map against the relevant stakeholder who contributes them and takes part in each activity, for example:

Stakeholder	Input	Activity
Young mayor candidates	-	Participate in a one-day training session
Petersham's children's services	£195,000	All of the activities of the young mayor's project

We have started to develop our theory of change by mapping inputs and activities; next we describe outcomes. We cannot understand outcomes, and therefore complete the outcomes column, until we have undertaken the planned involvement of stakeholders, as per stage 1. This is because we are finding out what actually changes from the perspective of each of the stakeholder groups at this stage. The examples in box 4a and 4b explore some of the things that stakeholders might actually say.

Box 4a: Example of describing outcomes

The following are extracts from interviews and focus groups with young people as stakeholders. The stakeholders were prompted to explain what had changed as a result of their involvement in the young mayor project, not just what they had done, and they were asked how they had demonstrated that change.

"I've not been able to make a difference to all of the things I campaigned on but I have been able to get funding for a new skate park, so what's changed for me is me - I've learnt, sometimes the hard way, to listen to other people and to keep going. How would I demonstrate that to you, well I suppose it's things like which universities I applied to – I started asking my family for their opinions and also I dealt ok with it when my top university turned me down".
Young mayor

"It's been a brilliant experience for me, I got to stand in for the young mayor twice at important events - I've met a government minister and someone from a top anti-bullying charity. What's changed for me is that I believe I can do something now to improve things. I've changed my mind about what I'm going to do next year and I'm really going to challenge myself".
Young adviser

"My friend didn't get in as young mayor but I still think the young mayor project is good, it gave us all something positive to focus on. My mum told me she didn't believe voting made any difference but I can see now that this isn't true and I'll always vote".
Member of a campaign team

"I've never really had the chance to do anything outside of school before so participating in a group that's trying to improve things was exciting to start with. At times though I've found it hard to say what I wanted to say and I'm not sure whether I want to continue".
Young panel member

"I initially suggested one of the ideas for the young mayor's fund which has ended up happening. It wasn't quick and not everyone agreed, but for me the young mayor's project made me realise that sometime things take a bit longer and you need to not give up".
Young panel member

The comments from the young panel were split according to whether or not they had felt confident to participate, and to some extent whether they had been listened to. The analyst decided to split this stakeholder group on the impact map to reflect these differences.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 4b: Example of describing outcomes

The following are examples of what other stakeholders said.

"Well it's not been too different really from our previous schedule, he's always been involved in something or other, of course we feel very proud of him but we've not done anything differently ourselves".
Parent of deputy young mayor

This reflected comments from all the parents so the analyst decided to take them off the impact map because they hadn't changed in a way that was significant to them.

"The new skate park's been a nightmare, it creates a lot of noise with high spirits, the kids used to hang around a couple of streets away so it didn't used to bother me but now I've had trouble getting to sleep and even had to call the police once".
Resident near the new skate park

"The skate park's brilliant - I'm so pleased to see the kids enjoying themselves and it's so exciting to know that they decided on it themselves and took such an active role in its development, it's really changed my view of the young people and I'm thinking I might go and help out".
Resident near the new skate park

The views of what had changed for nearby residents as a result of the skate park were a bit of a surprise to the analyst, particularly that some residents didn't welcome the change. Since the experiences were so divided she decided to split the stakeholder group up into those that lived within one street of the new skate park and were most likely to be bothered by increased noise and those that lived between one and five streets away.

Importantly, the example shows how, following the involvement of stakeholders in understanding what changes for them, the decision about which stakeholders to include and what the groups looked like was revised.

! An outcome is something that changes as a result of an activity. We find out what changes by talking to our stakeholders and start the conversation with "what has changed for you as a result of x activity?" This open-ended approach means we focus on how they experience change by drilling down to find tangible effects for each stakeholder group, rather than imposing our views of what significant change is. Indeed SROI requires consideration of positive, negative, intended and unintended change. Negative and unintended change is often missed when asking questions that only reflect what the analyst considers important. This means SROI systematically picks up where things did not go so well and things that might be a surprise. SROI differs from approaches that measure change using pre-selected indicators of outcomes that may tend to focus on positive and intended outcomes. Empowerment may result in negative outcomes for the organisation from whom power has shifted, for example

supporting people's development may ultimately lead them to leave a deprived area.

+ The use of an impact map enables a common format for developing our theory of change. It is built up stakeholder by stakeholder, so that in contexts where, for example, one stakeholder has a transfer of power to them and hence another stakeholder has a transfer of power away from them, we can see the extent to which that shift created a significant change for each of them, side-by-side.

+ Informing what gets measured, by involving stakeholders in understanding what changes for them, is particularly apt in the context of evaluating initiatives intended to empower people, since it could be disempowering to fail to ask people how they had been affected by a project.

+ Without using SROI the relationship between a particular initiative and the wider result of "community empowerment" per se may be difficult to evidence for a number of reasons. SROI takes a bottom-up approach building a picture of change for each stakeholder group using chains of events. This enables:

- outcomes that are not specifically about being empowered to be captured and

- changes that are the result of being empowered to be captured.

Therefore using SROI will help to build up a picture of what actually changes as a result of a community empowerment initiative. The relationship between what an SROI shows and higher-level measures of change (e.g. performance indicators) may then be investigated. For example, if an SROI analysis found that older people felt more confident to state their views and this was reflected in the number of suggestions received from them but not in changes to an empowerment indicator 'the percentage of people who feel they can influence decisions in their locality', then further analysis would be needed to find out why not. It could be that the indicator had bias away from older people or it could be that another initiative had cancelled out the effect of the activity. Without the analysis from the level of the activity and its stakeholders the outcome would either be invisible or it would be hard to unravel.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

B Some initiatives for community engagement are still in development, therefore what works and what does not work for some approaches is relatively untested. With that in mind applying a framework (SROI) that has built in principles around understanding positive, negative, intended and unintended change may be particularly useful.

The example has so far shown the sorts of things that our stakeholders might say when asked "what changes, what do you do differently as a result and how would you show me that change?". In talking to our stakeholders we are trying to find out the changes that were significant from their perspective. They might tell us a story of how one part of the change relates to another. In order to analyse that story we might use "chains of events" to identify the point on the chain that will be included as outcomes on our impact map. The example in box 5 shows how this might work for the young mayor project.

Box 5: Example of describing outcomes using chains of events

For several of the stakeholder groups the change that they experienced seemed to have a few elements to it. For example the young mayor and deputy, and the young advisers said things like:

"I feel more confident; I've seen I can make a difference; I've had to learn how to argue my case; I've had to learn to listen to others; I'm pushing myself more now; I don't give up as easily as I used to; I'm trying new things; I believe in the power of people to change things; I've got more experience than my friends; I've had to fit more in; sometimes I've spent less time studying or hanging out"

The analyst used her judgement to separate these statements into three chains of events for the young mayor and young advisers including:

- increased awareness of the potential to affect change, leading to
- feeling more confident and less likely to give up, leading to
- increased ambition - attempting more challenging things.

From the balance of the comments made, the analyst made the judgement that the increased ambition of the young people was the thing that was most relevant so this is the outcome used on the impact map.

And for the negative outcomes:

- more things to do, leading to
- increased time pressure, leading to
- less time spent studying or hanging out.

These were shown in the impact map as follows:

Stakeholder Group	Activities	Outcomes
Young mayor and advisers	Twenty meetings of the young mayor and panel	More belief in their ability to effect change, leading to increased tenacity and increased ambition
		Busier and under more pressure leading to less time studying or hanging out

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

The analyst will need to use their judgement when dealing with chains of events to consider how significant the change at each point is to the stakeholder, and in doing so the "so what" test can be helpful. For example "so what that their awareness of their potential to effect change had increased if they did not try more challenging things" suggests that trying more challenging things is the significant point on the chain. This needs to be balanced with an assessment of how credible it is that the chosen point on the chain is as a direct result of the activity. Sometimes the analyst will need to use their experience or draw on other sources to extend the chain beyond what stakeholders have said, particularly when dealing with young people.

There is also judgement required in deciding which of the outcomes our stakeholders told us about should be developed further in the analysis. The principle in operation here is "only include what is material" (pp97). What is material is informed not only by the significance of the change to the stakeholders but also by your organisation's policies and objectives. Further guidance is available on this in *A Guide to Social Return on Investment* (pp34) and in a separate guidance note on materiality due to be published at www.thesroinetwork.org

! You may note that the worked example shows changes that relate to the empowerment of the young mayor and young advisers, but that the outcome is expressed in terms of what changed for them as a result of being given the power to make decisions.

It was also the case that the mayor and councillors experienced a loss of power because they had genuinely passed some authority to the young mayor and advisers. However this apparently or immediately negative outcome was part of a chain of events that led them to positive outcomes, such as that they feel they made better decisions. (The better decisions themselves are analysed as a change relevant to the council).

Stage 3: Evidencing outcomes and giving them a value

"In this step we develop outcome indicators and use these to collect evidence on the outcome that is occurring". (pp37)
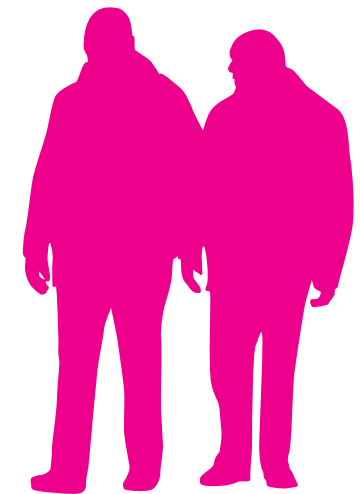
The principle at work here is still "understand what changes".

To start with we are developing indicators, or "ways of knowing that change has happened" (pp38). The example in box 6 shows how this might be done.

! SROI requires that indicators of outcomes are found for all changes that are significant to stakeholders. This means that the basic criteria for whether or not something is measured is that it is important to measure, not that it is easy to measure. In the context of measuring the effect of community empowerment initiatives, use of SROI therefore ensures that our analysis properly takes account of changes for stakeholders who may be less powerful than the analyst.

SROI recommends that stakeholders are asked how they would demonstrate that the change they have experienced has happened. This step can actually make it easier to find an appropriate indicator of change.

The example in box 6 illustrates the way the SROI recommends increasing confidence that change has happened, which is to include both a subjective (self-reported) and objective indicator.

Key to symbols: ! key features, + benefits, B how SROI analysis might contribute towards a business case, principles

Box 6: Example of choosing indicators

For the young mayor and deputy, and for the young panel, the way the outcomes had been expressed immediately gave some clues as to how that change could be measured.

When asked how they would show that they were attempting more challenging things and were less likely to give up, the young people talked about how their career choices had been affected, how they had done charity fundraising or were planning new challenges. The indicators that were chosen for "attempting more challenging things" were therefore:

• the number of the group who report a change to a more stretching career ambition

• the number who take on or plan a significant new challenge.

Both of these are subjective (self-reported) indicators, however our confidence that they have occurred can be improved if necessary by talking to teachers and parents.

For the residents nearest the new skate park when asked what they did differently as a result of the "increased noise and bother" they said things like I sleep at the back of the house now, I've had to go out and try to calm things down, I had to phone the police. The indicators chosen were therefore:

• number of noise-related complaints to the police and

• number of residents reporting changes to sleeping patterns.

The first is an objective indicator and the second is a subjective indicator (pp38). When an objective indicator is used alone we are less sure of the causal link between the activity and the outcome; when a subjective indicator is used alone we are less sure that the change happened. When both are used together it provides better evidence that the change happened and it was as a result of the activity.

Key to symbols: ! key features, + benefits, B how SROI analysis might contribute towards a business case, principles

Next we collect data about whether or not change has happened, the extent to which it has happened and how long it will last for (pp40-44). The example in box 7 shows how this might be done.

Once we have collected evidence of change we develop financial proxies or approximations of value (pp45-48). The principle at work here is "Value the things that matter - use financial proxies in order that the value of the outcomes can be recognised." (pp97). As the wording in the description of the principle suggests, we are going to value all the outcomes that we have included because they are material to the account we are preparing. This is done in order that the value of the outcomes may be drawn to the attention of decision-makers.

Box 7: Example of collecting data about outcomes

Once indicators had been selected for all of the outcomes for all of the stakeholders that experienced a significant change, the analyst considered how they were going to collect data about the outcomes.

For the smaller stakeholder groups, such as the mayor and councillors, enough evidence of change had already been collected from the focus group, which had included 73 per cent of that stakeholder group.

For the larger stakeholder groups, such as the young panel and residents near the skate park, brief surveys were designed to establish the number of people who reported an indicator having occurred and/or the extent to which it had occurred as appropriate.

For the young people using the new services supported by the young mayor's fund, the voluntary organisations running them were asked to add some questions to their normal monitoring processes.

Once this data was collected it was entered into the impact map in the "quantity" column next to the relevant indicator, for example:

Stakeholder	Activity	Outcome	Indicators	Quantity
Young people using community centre	Young panel advise council on improvements to community centre which are made	Young people feel they have somewhere good to go leading to them making more use of the centre instead of hanging around on the street	Increase in number of uses of the centre	200
			Number of young people who report their views were taken into account	400

In this example there is a subjective indicator (number of young people report views taken into account) and an objective indicator (number of new proposals). The quantity of change was taken as 400 young people report their views are taken into account and the objective indicator was used to provide additional confidence that this change had occurred.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

For some of these outcomes, a cost or income change will be experienced by the stakeholder to whom the outcome is relevant. For example, as a result of getting a job, a previously unemployed person may experience an increase in their overall income (taking into account loss of benefits and having to pay tax)[10]. As this example illustrates, changes to income or costs may not be straightforward to work out. Furthermore there is another category of outcomes that do not result in changes to income or costs for the stakeholder that still need to be valued. These are outcomes that do not result in changes to cost or income, and are often the ones that are not traded in a marketplace directly, such as increased self-confidence. This last category is called "non-market impacts" in HM Treasury appraisal guidance (the "Green Book")[11].

The example in box 8 overleaf shows a few approaches to valuing cost and income changes and non-market impacts. It highlights that there are different issues with respect to dealing with cost changes and valuing non-market impacts. Where

you have identified possible cost savings resulting from the initiative, you need to be particularly careful about whether they are really cost savings and what you claim about this.

B SROI guidance prompts analysts to be careful about what is claimed as a 'saving' to the council or the public purse. The case study shows an example of this. However, as it also shows, if the purpose of the analysis is to better manage the activity under consideration, the relative value of the outcomes may be more important than being accurate about cost savings and unit costs may be an appropriate way to approximate value.

B The fact that non-market impacts may have historically been ignored in appraisal of smaller-scale initiatives, such as community empowerment initiatives, does not negate the principle that they should be considered; indeed HM Treasury recommends their valuation be attempted.[12] Use of SROI, with the "value the things that matter" principle may therefore prompt more consideration

of non-market impacts than is generally the case. For the outcomes of activities such as community empowerment where there has historically been less evidence of the benefits of these activities, valuing the things that matter can be an important way to build support. It can also be crucial when deciding between community empowerment initiatives in the context of scarce resources, since it offers a different perspective compared with attempting to decide which of many policies is most important.

+ An online indicator and financial proxy database is being developed as part of a Scottish Government funded project and will be available at www.sroiproject.org.uk One of the learning points from working towards this database is that indicators and financial proxies are highly context-specific and it is important to stress that it will not be possible to do an SROI analysis without talking to stakeholders about what changes for them. With respect to choosing indicators of outcomes, the young mayor project example in this document highlights how the activity's own stakeholder groups are the best place to start, however the indicator bank may offer some useful comparisons and alternatives. With respect to financial proxies you may find that the database offers you some valuations that

---

10 It is important to note that the cost or income change may not always be a good approximation of value to that stakeholder and care must be taken over understanding the change and valuing it adequately. Particularly in the case of a small increase in income from gaining a job at minimum wage, this is unlikely to sufficiently value the change for someone who has been long-term unemployed.
11 www.hm-treasury.gov.uk/d/Green_Book2_03.pdf - see Annex 2 pages 57-68
12 Green Book Annex 2.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

can be used in discussion with stakeholders about the relative value of the change they experience. You will need to take care when using the proxies in this database, for anything other than a discussion about relative value, to ensure that they are applicable to your situation. This means that you may need to do further research into unit costs that are claimed as savings, or you may wish to build greater consensus about non-market valuations.

Box 8: Examples of valuing outcomes

The most significant outcome for the council was that they had met one of their National Indicator (NI) milestones, NI 110 (young people's participation in positive activities). This achievement had resulted in a change in income to the council through the local area agreement reward scheme. They had 40 NI milestones to meet with a potential maximum reward of around £1,000,000 so they in fact received £25,000 as a result of meeting this NI milestone. This represented a real change in income.

The outcomes for the young people involved as young mayor and on the young panel were:

- increased ambition
- increased life experience
- reduced leisure time.

'Revealed preference' methods were used to value these as follows. The young mayor's project had produced these outcomes of increased ambition and enhanced curriculum vitae (CV) and these are not directly traded in a marketplace. However a valuation may be inferred by looking at the price of a related market-traded good. The analyst came up with a list of things that could be bought for young people that might increase their ambition and increase their life experience and asked the young people and their parents to say which of these represented the value of the change they experience. A gap year volunteering abroad was considered to achieve a similar change in ambition and CV for a similar group of people, so websites showing the price of these were consulted and an average value of £4,800 was used. These two outcomes were therefore valued together. The negative outcome of reduced leisure time was considered to be comparable to taking on a part-time job. The minimum wage for young people was used to value the reduced leisure time outcome.

Stakeholder	Outcome	Indicator	Quantity	Value	Source
Young advisers	Increased life experience and increased ambition	Number of young panel who report their career aspirations increase	23	£4,800	www.gapadvice.org/young-people/studies-into-gap-years/
		Number of young panel who add to their CV based on experience with young mayor's project, verified by careers advisor as significant			

One of the uses of the young mayor's fund had been to run a campaign in a school to reduce the incidence of young people carrying knives. The police had been involved in that campaign and had subsequently reported a significant reduction in the number of calls they had received about young people exhibiting threatening behaviour in the vicinity and also the number times they had initiated a 'stop and search' of young people in the vicinity. As a result of this an outcome for the police of reduced demand on police resources had been included. Initially the analyst thought this was easy to value because the police were able to quote unit costs per call out at £500 and per 'stop and search' at £350. However on closer inspection it was found that these unit costs included overheads that would not vary with the reduction in number of cases that the project had been able to achieve. The calculation required to be accurate about the saving was disproportionate to the saving that would be claimed, so a proportion of the unit costs was used as an approximation of the value to the police, recognising that this was not a real cost saving but rather an instance of resource reallocation.

The skate park had produced some positive and some negative outcomes for different stakeholder groups. The focus of this SROI was on finding ways to improve the value that the young mayor's project creates and it was possible to identify a way to reduce the negative outcomes for the residents right next to the skate park at a low additional cost. The analyst therefore decided to use revealed preference again to value the outcomes for the residents right next to the skate park and for those nearby. The method used involved examining house price differentials. Had these outcomes been a significant part of a business case to continue, change or stop the young mayor's project then the analyst would have considered doing a willingness to pay/willingness to accept study to gain a wider evidence base of the range of values stakeholders might attach to these outcomes.

Key to symbols: ! key features, + benefits, B how SROI analysis might contribute towards a business case, principles

Stage 4: Establishing impact

This stage is designed to "assess whether the outcomes you have analysed result from your activities". (pp55)
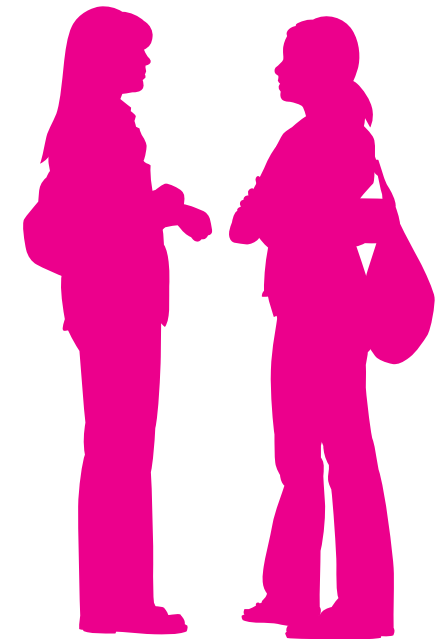
To do this we take into account the following:

- deadweight; requiring consideration of what would have happened anyway

- displacement; the extent to which the outcome has been shifted from elsewhere

- attribution; the extent to which it is down to others, and

- drop-off; the extent to which outcomes that last beyond the intervention reduce in effect over time,

and then calculate the impact by making an allowance for those that reduce the value claimed.

The principle at work here is "do not overclaim".

Box 9 explains how this worked for some of the outcomes in the young mayor example.

B This emphasis on considering the extent to which the value created by an activity is actually down to others, or would have happened in any case, is important when it comes to developing credible business cases.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 9: Examples of establishing impact

The analyst considered the extent to which the outcomes on the impact map were affected by deadweight, displacement and attribution.

Examples of deadweight
The young people involved as young mayor, deputy and advisers had clearly benefited significantly from this involvement. However the analyst considered the extent to which these young people would have been motivated to develop themselves in the same way without the project, for example by doing significant volunteering or starting a Duke of Edinburgh award. She found some research online that suggested around three per cent of young people in a similar area did significant volunteering so 97 per cent of the outcome achieved was claimed as down to the young mayor project.

The calculation of value for this line on the impact map was therefore (with reference to the table in box 8) 23 x £4,800 x 0.97 = £107,088.

Three voluntary organisations had benefited from the young mayor's fund; however a decision had been taken early-on that two of them would have been funded by the council in any case, so the young mayor's project had not resulted in significant change for them. For the one for whom an analysis of change has been taken forward, a view was taken in consultation with the voluntary organisation that there was an 80 per cent chance they would have been able to fund the project from other sources, so only 20 per cent of the outcome was claimed as the result of the young mayor's project.

Example of displacement
In this case the major area of displacement had already been uncovered; the shifting of an anti-social behaviour issue in one set of streets, into a noise issue centred on the new skate park. This is already taken account of because the positive value for those in the streets that used to experience the problem has already been included.

Example of attribution
The outcome for the local authority was that they would meet a National Indicator (NI) milestone relating to young people's participation in positive activities. However the analyst went and talked to the team in children's services and discovered that whilst the young mayor's initiative was the major cause of this it was not the only contributor. Together they decided that two other projects had contributed 20 per cent of the outcome being achieved, therefore the attribution of value to the young mayor's project was 80 per cent. Therefore for the increase in income (£25,000) that the young mayor's project had achieved by contributing towards the NI milestone being met, only 80 per cent of this was attributed to the young mayor's project.

Example of drop-off
The police estimated that the effect of the reduction in knife-related issues near the school that had benefited from the campaign was likely to last for two years, based on previous experience, but that in the second year the problem would start to build again. The outcome related to this was therefore reduced to 50 per cent of the value in the second year.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Stage 5: Calculating the SROI

"The basic idea is to calculate the financial value of the investment and the value of the social costs and benefits. This results in two numbers and there are several different ways of reporting on the relationship between these numbers". (pp67)

At this stage we will use the analysis we have developed so far to reflect on the impact that the intervention has had and to consider how sensitive it is to changes in the assumptions that we have made as we have developed the analysis. This is illustrated in box 10.

! This analysis allows a debate about priorities based on what the analysis has made transparent; including who the stakeholders are, the change they experience, the value of the change and the relationships between these elements.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 10: Example of calculating the SROI

The total value of the investment in the project was £175,000 plus £2,000 of significant in-kind contributions made by the young people themselves and the police.

The value of all the outcomes for each stakeholder group, after deductions for deadweight, displacement and attribution were totalled up. Where outcomes lasted for more than one year, their value was reduced in the second and subsequent years by any drop-off. The net value of the outcomes per stakeholder group was as follows:
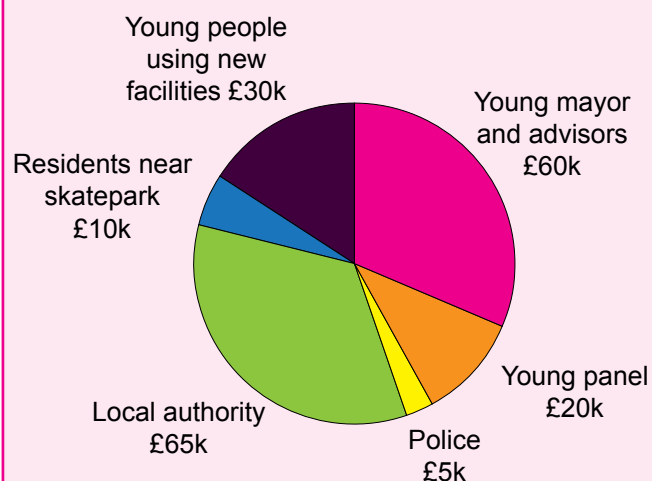
This made a total of £180,000, which means that the social value achieved by the project, and therefore the benefit over above the project being properly delivered, was around £1 for every £1 invested.

By way of a sensitivity analysis, the analyst went through their assumptions and estimates and varied these in the spreadsheet impact map that had been built up. In particular she checked how the estimates of attribution and deadweight affected the value that the project created and found this was not an area of sensitivity. She next considered sensitivity to the financial proxies chosen. The value to the young mayor and advisers was based on a comparison with a market value for achieving the outcome by another means and a third of all the value claimed was down to this. She decided to put in place a system of measuring the change in the young people's ambition and skills so that this could be better benchmarked with the outcome the comparator achieved in future.

She also discussed the relative values with stakeholders. She managed to get some representatives of each stakeholder group together and discussed the valuation of the outcomes in the context of the changes that each stakeholder group had experienced. The participants at this meeting thought that the negative weighting on outcome of 'increased noise of the skate park' was not sufficient to reflect the outcome for those affected, so it was revised upwards.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Stage 6: Report, use and embed

"SROI aims to create accountability to stakeholders". (pp74)

"An evaluative SROI should result in changes to your organisation". (pp76)

Also in operation here is the principle "verify the result", which requires appropriate independent assurance of the result. The analysis needs to have followed all of the other five principles set out through this document plus "be transparent" in order to be suitable for assurance. You may not wish or need to publish the full SROI analysis but submitting a report of your analysis which makes transparent the decisions you took along the way about what was material, which stakeholders were relevant and so on, will give you assurance that you have reflected the principles of SROI. The principles of SROI are the principles of "accounting for value".

Box 11 offers an illustration of how this might have been applied in our case study example.

B Whilst the results will be useful to inform a business case there is clearly also a lot of evaluative information that will be helpful to improve the activity under consideration. Reflecting on how it compares with what was expected and with the objectives of the organisation funding the activity can be useful.

+ Once an SROI analysis has been done to understand what actually changes, those changes can then be classified according to whatever system is felt to be appropriate. In the context of community empowerment; one way to categorise the success of community empowerment initiatives is in terms of the effect on participants involved

in the process, the effect on communities and the effect on decision-making[13]. SROI analyses will make clear, by means of understanding change for these different stakeholder groups; one or more groups of direct participants, possibly several groups of the wider community and definitely the change in terms of decisions that the public sector takes.

The hypothetical example in this document was written to illustrate a few of the key points of SROI analysis in this context. It is not a comprehensive guide to doing SROI analysis. Councils wishing to use SROI to understand and manage the value that community empowerment initiatives create and destroy should download the full guide to SROI and consider attending practitioner training.

---

[13] Empowering communities to influence local decision making, Pratchet et al, CLG (2009)

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Box 11: Example of report, use and embed

The analyst prepared an internal report that showed: the value created per stakeholder in the context of the original objectives of the project; opportunities for improving value; and opportunities for improving monitoring systems for the young mayor's project and presented it to the mayor, councillors and senior staff.

Highlights of the report included:
"The project does have a significant effect on council decision-making and on services for children. It also creates significant positive value for the direct participants in the project - the young mayor and young advisers. There are some negatives for more marginalised young people involved in the young panel and these are exactly the young people it was hoped that the project would engage; action should therefore be taken to change the way the project supports these young people. An original aim of the project was to encourage voting amongst young people when they reach the age of 18 but this is only an indicator of the extent of involvement with civic life, and the value of voting, in itself, to a local authority or to the young people themselves,

is limited. The group of stakeholders who reported this sort of change (increased engagement in civic life) to any extent were the campaign teams of the young mayor candidates (the candidates were already inclined to participate in civic life and the wider pupil group did not report being any more inclined than previously). The council should consider how to maximise the effect of this increased civic engagement on this group and to spread it to into the schools".

The group receiving the feedback was surprised that they had not had as much impact on groups who are not directly involved in the project as they would have expected and hoped, and that most of the value created was for the direct participants in the project. They decided to make some changes to how the project operated to create change for other stakeholder groups. For example they decided to host a series of evening events for parents of the young mayor, advisers and young panel where the young people tell their stories and the parents are encouraged to consider how they might participate in adult civic life.

They were surprised by how the skate park had created some negative change for the particular stakeholder group of nearby residents but could also see clearly who had

been affected and how they might deal with the situation. They decided to talk to the existing young mayor about making some changes to the decision making process for the young mayor's fund in order to avoid this sort of thing happening again.

They also particularly appreciated the opportunity to make the young panel work better for young people who have less experience of participating in extra-curricular activities; the ones who stand to benefit the most but who are most prone to lacking confidence.

They could see how they could improve information systems so it would be easier to understand the difference that the young mayor's project has in future, for example they decided to introduce a feedback session at the end of every young panel meeting.

They also decided to publish an article in the council newsletter that explained briefly what they had found and the improvements they were making. Even though they decided not to publish the full report they submitted a technical report for assurance to the SROI Network. This was because they wanted to be sure that they had followed the principles.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Annex A: Glossary

Attribution	An assessment of how much of the outcome was caused by the contribution of other organisations or people.
Deadweight	A measure of the amount of outcome that would have happened even if the activity had not taken place.
Discounting	The process by which future financial costs and benefits are recalculated to present-day values.
Displacement	An assessment of how much of the outcome has affected outcomes happening elsewhere.
Drop-off	The deterioration of an outcome over time.
Duration	How long (usually in years) an outcome lasts after the intervention, such as length of time a participant remains in a new job.
Financial proxy	A monetary approximation of the value of the outcome.
Impact	The overall outcome for stakeholders, taking into account what would have happened anyway, the contribution of others and the length of time the outcomes last.
Impact map	A table that captures how an activity makes a difference: that is, how it uses its resources to provide activities that then lead to particular outcomes for different stakeholders.
Indicator	A piece of information that helps to determine that a change has taken place. It is a sign that can be measured. SROI is concerned with 'outcome measures' (such as the increased confidence in people who have been on a course) rather than 'output measures' (such as the number of people attending a course).
Inputs	The contributions made by each stakeholder that are necessary for the activity to happen.

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

Materiality   Information is material if its omission has the potential to affect the readers' or stakeholders' decisions.

Outcome   The changes resulting from an activity. The main types of change from the perspective of stakeholders are unintended (unexpected) and intended (expected), positive and negative change.

Outputs   A way of describing the activity in relation to each stakeholder's inputs in quantitative terms.

Outcome indicator   Well-defined measure of an outcome.

Revealed preference   An approach to approximating the value of an outcome to a stakeholder by inferring the value of an outcome that doesn't have a market price from something that does have a market price.

Scope   The activities, timescale, boundaries and type of SROI analysis.

Sensitivity analysis   An assessment of the extent to which an SROI model is affected by changes to assumptions about variables.

Social return ratio   Total present value of the impact divided by total present value of the investment.

Stakeholders   Groups of people or organisations that affect the activity being analysed or that experience change, whether positive or negative, as a result of the activity.

Stated preference   An approach to approximating the value of an outcome by asking stakeholders directly what it is worth to them; typically by asking how much they would be willing to pay (for a positive outcome) or willing to accept (as compensation for a negative outcome).

Key to symbols: **!** key features, **+** benefits, **B** how SROI analysis might contribute towards a business case, principles

The Local Government Group
is made up of six organisations
which support, promote and
improve local government.