Foundation East

Social Return on Investment
a case for community financing

Lending to and supporting businesses in the East of England

About this Report

This report has been written by Virginia Idehen who was working with Foundation East seconded from EEIDB Ltd.

The Social Return on Investment[1] (SROI) framework was identified as an excellent robust tool to measure the social benefits and impact of the lending and business support services provided by Foundation East. This report follows the principles of the SROI framework and includes information on the methodology as well as the findings.

Thanks go to the whole team, employees and members of Foundation East, also Carol Deslandes for her assistance on SROI and all the stakeholders that contributed to the project and the final report.

It has not yet been assured by the SROI Network, we will be seeking accreditation by the SROI network in due course.

Contents

[1] The Social Return on Investment Framework will now be referred to as SROI for the remainder of this document. For more information on the framework www.thesroinetwork.org

Chief Executive's Overview

I am delighted to present the findings from our first Social Return on Investment report. More than ever in these uncertain economic times, the finance and support Foundation East offers to businesses continues to be so important. But as a mission-led and value-driven organisation, we were keen to undergo an objective and impartial evaluation, so we could measure the wider social benefits of our lending model – which hitherto have been anecdotal.

Accurate and relevant financial information has always been collected by Foundation East, but until now the social outcomes and therefore impacts of the service, had not been evaluated in any significant way. Many of these outcomes are qualitative in nature, and it has always been difficult to find a tool that would be able to accurately measure and place a value on the activity.

This report demonstrates that it is possible to quantify the benefits of community lending using the SROI framework. The report clearly shows that the impact of lending to excluded sections of society is an encouraging and significant one. Increases in confidence, improved business skills and the ability to access mainstream finance are just a few of the positive impacts the lending has had.

Katy Ford Chief Executive

For every £1 invested by Foundation East £3.79 of social and economic value is produced – £1 : £3.79

The success of these enterprises has also meant considerable safeguarding of jobs and new job creation which has benefitted not only the individuals and families concerned, but also the wider community, in less people claiming benefits and more individuals becoming economically productive and paying taxes.

This report will show how we know this and how we have arrived at our calculations.

It is a testament to the members, funders, executive board and employees that the support by Foundation East is shown to have much wider benefits than simply the awarding of loans. We will use these findings to help us inform our strategic decision-making in the future.

We believe that the work we do will continue to make a difference to communities in our region. If you want to be part of our vision, either as a member or as a potential loan recipient, we would love to hear from you.

Mission and Values Statement

To champion, support and sustain social inclusion and community enterprise by providing accessible financial products and services; and by engaging in property and land transactions that work to provide assets which benefit local communities.

We believe that the support of local economic growth will in turn create social value in the form of jobs, services and empowerment of individuals.

Our values

Foundation East's officers, members and board of directors all work in line with our agreed values:

- Honesty
- Service
- Respect
- Responsibility

We live by these values and ask you to do so too.

Here is our commitment to you

Honesty

- we value the truth
- we act with integrity, always
- we provide clear and transparent costings

Service

- we will be helpful, skilful and supportive
- we will all achieve more by working together
- we will offer you personal assistance in all your dealings with us
- we understand that things can go wrong and will take a realistic view if they do
- we believe that our business is built on your success

Respect

- we treat everyone fairly, with consideration and decency
- we respect your confidences

Responsibility

- we will be responsible and realistic
- we will give you an honest opinion about your business proposal
- we will only lend to you if we consider you can afford to repay your loan

Background

Foundation East

Foundation East was established in 2004 to help businesses in Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk to get the financial support they need.

It operates as a Community Development Finance Institution (CDFI) and an Industrial and Provident Society, owned and managed by its members for the benefit of the community. It provides small loans – up to £50,000 – to small businesses that have a viable business plan and cash-flow analysis but cannot obtain bank finance The loans also come with full business support from initial enquiry to completion of loan. It raises the capital it needs by selling membership shares in the Society, by obtaining grants from charitable and other grant-giving foundations and by borrowing funds from its own socially-minded bankers. The members include business people who understand how to grow a company, professionals with knowledge of finance, marketing and law, as well as companies that want to support the local economy.

It is the mission of Foundation East to champion social inclusion and community enterprise by providing accessible finance and adopting a people-centred approach to finance. This mission has become increasingly important in the current economic climate. It is no longer the case that only individuals with difficult credit histories are being refused credit on the high-street but also existing businesses and start-ups who previously would have been given credit.

The SROI framework

It was important for the Board to choose a tool that would allow Foundation East to measure in a more quantifiable way the impact that its lending has on both the individual and the wider community.

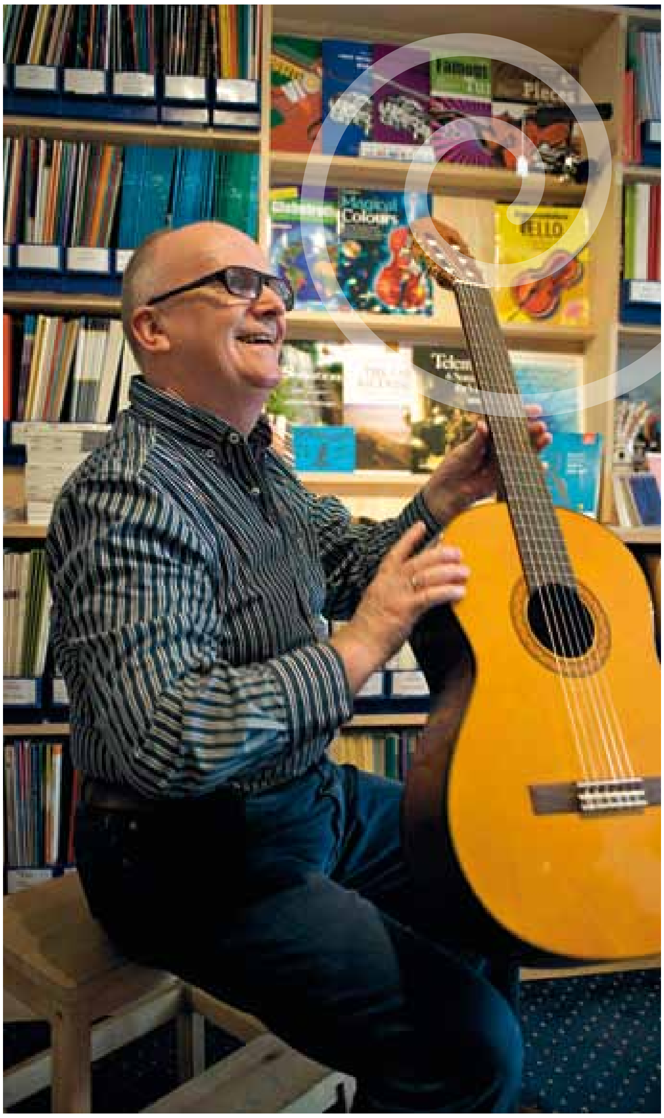
There are different tools for measuring social impact but the SROI framework was chosen as it has a rigorous set of principles, with a history and evidence of its usefulness (having been adapted by NEF, New Economics Foundation).

The seven principles of SROI are:

1. Involve stakeholders
2. Understand what changes
3. Value the things that matter
4. Only include what is material
5. Do not over claim
6. Be transparent
7. Verify the result

This is translated into the following methodology which has been followed during the course of this project.

- Establish scope
- Identify and engage stakeholders
- Map outputs and outcomes
- Evidence outcomes and put a value on them
- Establish impact
- Calculate the SROI value
- Report, use and embed



Methodology

Objectives and scope

The purpose of this report was to undergo an impartial and objective evaluation of the lending activity provided by Foundation East and as a result, to measure the social benefits and wider impacts of the financing model. It excludes the Community Land Trust element which is fairly new in delivery and will be the subject of a different evaluation in due course.

The report covers the period from April 2010 to March 2011 for which there are output records, financial records and ongoing contact with many of the relevant stakeholders. A robust loan application process exists (see Appendix 1) which means that there is historical information about the loan recipients already collected in various data management programmes.

The members, employees and senior management team were available at every stage as they recognised the importance of understanding the current social benefits of the service.

Annual investment input required for lending activity

Table 1 illustrates the total amount of investment required in order to fund Foundation East's lending activity. The figures are taken from the audited annual accounts for the year ended 31/03/2011.

A copy of these accounts can be downloaded from www.foundationeast.org. A full explanation of each input is provided below.

Using the annual inputs figure will allow for greater accuracy and a year on year comparison. However we have also incorporated this input and a change of interpretation into our sensitivity analysis to show what difference it would make to the final SROI calculation. See Appendix 2.

Value of volunteer/member time

The board and members (apart from the Chief Executive) are all volunteers who have invested between £100 – £20,000 to be involved in Foundation East. These members drive the organisation forward and provide many volunteer hours in doing so. The figure is a calculation of the hours of note e.g. committee and loan panels that take place throughout the year. This does not count additional hours spent, but it is only possible to accurately measure formal hours. The value that has been applied is of an equivalent project co-ordinator used in European Social Fund projects – £10.85 per hour[2].

Overheads

Attributable to the organisations lending activity only

Coaching

Each new start-up loan is offered on the proviso that the loan recipient undergoes coaching costing £150 per calendar month for 6 months. This cost is in addition to the loan. There were 20 coached clients in the in-scope year – this stipulation was not in place at the beginning of April 2010, but was started soon after.

Table 1 Inputs that make the activity possible

	Input	Explanation	£
1	Relevant income year ending Mar 2011	Excluding non lending costs associated with community land trust activity.	£307,121
2	Value of member/volunteer time	Members who meet fortnightly for loan panel, other committee and board meetings charged at ESF Project co-ordinator rate of 448 hrs @ £10.85	£4,860
3	Overhead costs including staff costs	Excluding items not related to the loan activity	£383,118
4	Coaching £150 for 6 months for each client	£150 for 6 months for each client x 20 clients from in scope list in the year concerned	£18,000
		TOTAL INPUT	£713,099

This figure includes interest and repayment income, revenue grants received for lending activity, loan arrangement fees and member contributions.

This does not include actual money lent as this is often recycled and from a variety of sources. It would be difficult to extrapolate where the income has come from and whether it is relevant to the clients in-scope. The guidance from the SROI network on loans suggests that current thinking is to look at the inputs for the year in question. Most loans provided by Foundation East are taken out over a period of three years on average.

Identifying stakeholders

Following the initial scoping exercise with the management and staff team, all the following stakeholders in Table 2 were identified. These are all organisations or people that are believed to have a "stake" in the organisation and its activities. However, upon applying the accepted SROI framework definition, it was found that many of these stakeholders did not benefit directly from these activities, and that their involvement was often from an input perspective (referral/funding) rather than being a material stakeholder.

[2] ESF Using volunteer time in ESF projects

They were more interested in the benefit to our included stakeholders as shown by the table below:

In some of the outcome research it was necessary to separate out loan recipients of existing businesses and loan recipients of start up businesses; and in other cases to include them together.

For example:

- Safeguarding jobs (only applicable to existing businesses)
- Job creation (applicable to all loan recipients)

A full summary of each outcome and which stakeholder it relates to starts on page 7. Also detailed is a full explanation of "unintended" outcomes, where applicable.

Table 2 Stakeholder involvement for the purposes of evaluation

Stakeholders	Inclusion	Reason
Loan recipients	Yes	Main beneficiaries of the access to finance
Existing businesses	Yes	Main beneficiaries of the access to finance
Start-up businesses	Yes	Main beneficiaries of the access to finance
Government	Yes	Significant impact expected
Family members of loan recipients	No	Significant impact expected, but unable to consult appropriately at this time and it is a recommendation to develop in future SROI assessments
Employees	No	No significant impact expected except job satisfaction
Banks	No	No significant impact expected apart from future clients with better credit histories
Grant-awarding bodies	No	Not material – the service helps to meet strategic objectives, but only through the impact on loan recipients
Organisations that support businesses and start ups e.g. accountants, business advisers, mentors, enterprise agencies	No	Not material as the impact is happening to the clients of these organisations
Members / volunteers	No	No significant impact expected apart from satisfaction in assisting the beneficiaries

Methodology

Engaging stakeholders

Telephone interviews were chosen as the best way of gathering qualitative evidence of the social impact to loan recipients. This was because engagement needed to be at least 30% of in-scope customers and we considered that questionnaires alone would not have resulted in a high enough response rate. Furthermore the candid conversations, and ultimately additional outcomes (including any negative ones) would only have been possible through telephone interviews.

45 businesses were identified as being in-scope and were emailed approximately a week before the telephone call to prepare them. The entire sample were happy to provide feedback on the impact of Foundation East services. The table below shows how we engaged with our individual stakeholder groups.

Table 4 illustrates the demographics of our stakeholders and their characteristics.

Table 3 Stakeholder engagement

Stakeholder	Anticipated Outcomes	Primary Research	Secondary Research
All loan recipients	Bankable in the future Minimal loss of assets Increased business skills Job creation	17 telephone interviews out of the 45 businesses in scope (38%)	Information held on all loan recipients in the period April 2010 to March 2011
Existing businesses	Safeguarded jobs Less stress/anxiety		
Start-up businesses	Increased annual income		
Government	Reduced costs of benefits and increased taxes paid Reduced NHS costs Wider job creation	No consultation required	Official data on issues around enterprise, employment and access to finance

Table 4 Loan recipient characteristics in scope	Number out of total of 45	% of total sample
18-25yrs	3	7%
26-49yrs	30	67%
50 yrs+	12	27%
Bankrupt	4	9%
CCJ	7	16%
Total difficult credit history	11	24%
Refused finance by a high street bank	45	100%
Existing businesses	23	51%
New businesses	22	49%

Key outcomes/outputs and establishing their impact

Having considered and looked at the evidence for impact and how it might be valued (financial proxy); it is necessary to make adjustments taking the following into consideration:

Deadweight
How much of the outcome would have happened anyway in percentage terms.

Attribution
What part (%) of the outcome can be attributed to Foundation East activities and what part to others.

Displacement
What % of other activities or services are replaced by what Foundation East is doing.

Drop-off
The decline of the outcome and therefore impact over time.

These adjustments are made to the outputs using either national data e.g. UK employment rate 2011 or BIS research on what percentage of businesses survive beyond three years, or from asking the team. These adjustments are tested in our sensitivity analysis in Appendix 2. As the SROI framework is pursued in 2012 and 2013 these adjustments will become even more accurate as additional data is collected to support the methodology.

The following is a summary of each output/outcome showing the rationale for deadweight, attribution, displacement and drop-off in each case.

An outcome is the change the loan recipients had or felt during the whole loan process.

OUTCOME 1

Future availability and cost of debt more favourable for further growth and improvement for loan recipients

Deadweight	0%
Rationale	The loan recipients of Foundation East have all been refused access to finance from traditional means and therefore are a group that are unlikely to get affordable credit from other sources
Attribution	50%
Rationale	Using our sample we found that 50% are either now accessing or feel they could access finance from high street banks. Therefore this is a realistic statistic to apply to the analysis. The sample also said that they would not have been able to start up or continue their venture if it had not been for the finance facility provided by Foundation East
Displacement	0%
Rationale	Nothing is lost
Drop Off	1/3 each year for three years
Rationale	That when applying for loan facilities most lenders will look at recent history which could be over the last three years
Proxy	Average loan £10,000 over three years compared to Foundation East Loan
Source	Natwest Commercial Division provided us with a quote based on a medium risk client and with an amount of £10,000 over a loan period of three years
Rationale	They would be able to access cheaper financial arrangements as a result of having a Foundation East loan, demonstrating they can meet the loan obligations and demonstrating that the business works. Average loan in 2010/11 was £10,000 over three years at an average of 17.8%

Key outcomes/outputs and establishing their impact

OUTCOME 2

Existing business owners will have minimal loss of assets resulting in less drastic outcomes such as homelessness

Deadweight	60%
Rationale	Before there is a loss of assets it may be possible to find funds from family or to negotiate a voluntary arrangement or in the case of a mortgage or a family home, to receive government assistance to pay for the property in the short term. The individual may be able to find alternative work immediately and be able to move into rented accommodation. However all of our existing businesses in the sample cited that without the Foundation East loan they would have had to wind up or become insolvent
Attribution	30%
Rationale	That although the case of losing assets such as a home or having an income shock is a well documented reason for becoming homeless, it is not realistic to expect that this will happen to everyone
Displacement	0%
Rationale	Very few places to turn to other than Foundation East
Drop-off	First year 75% second year 25%
Rationale	Will still have an impact in the second year, although most significance in the first year
Proxy	Annual state cost of supporting a homeless person back into mainstream housing is £26,000 according to the NEF
Source	NEF housing and homelessness report and homelessness code of guidance for local authorities
Rationale	"Homeowners may be at risk of homelessness if they experience difficulties in meeting their mortgage commitments, for example, because a member of the household loses their employment or suffers an income shock. Individual homeowners may respond in different ways when faced with such difficult circumstances" Dept of Communities and Local Government. Of the 45 in scope approximately 16 will go out of business over the course of three years (based on BIS government calculations). Of the 16 it is realistic to expect that two could be homeless

OUTCOME 3

Increased business skills as a result of intervention and coaching

Deadweight	15%
Rationale	For some start-ups in particular, this learning curve and skills increase (as seen in the interviewed sample) might have occurred anyway from other support provided or from simply learning from their own mistakes. However the primary research pointed to increases in all areas of business knowledge.
Attribution	85%
Rationale	The sample indicated that the increases in skills were from working hard in the preparation and visioning stage of application and also many saw the coaching as having been instrumental in up-skilling
Displacement	0%
Rationale	If Foundation East are helping to up-skill people then this is not being provided by consultants or training organisations. However it is unlikely that this group would have had the money to spend on this activity without Foundation East, therefore the displacement is zero
Drop-off	0%
Rationale	There will be a subliminal increase in a confident attitude to running a business and therefore no drop-off before the end of three years. Business skills do not go away, however they can get out of date
Proxy	Marketing, sales and finance course provided by a national training organisation Reed = £2550
Source	Reed Learning website
Rationale	The learning that they receive from business loans manager and coaching service for the start-ups is equivalent to paying for a couple of business courses at the very least

OUTCOME 4

Ability to safeguard jobs means that there are less recruitment costs to an existing business

Deadweight	80%
Rationale	As skills are retained within an existing business it would not be necessary to recruit new unskilled staff thereby reducing the cost burden. All the existing business in the sample said their businesses would not be in operation if it had not been for the Foundation East loan.
Attribution	30%
Rationale	Some of the businesses doing well and have increased their staff numbers as a result of having the Foundation East loan. others have recruited family and friends. Therefore the attribution to Foundation East is low because for some businesses the recruitment costs will have gone up rather than down
Displacement	0%
Rationale	There are no factors being replaced by Foundation East
Drop-off	100% in first year
Rationale	Any short term increase in income and subsequent safeguarding of jobs will be felt only in the first year of lending
Proxy	£2000 per new employee
Source	British Chamber of Commerce study found that the above was the average its members said recruitment cost per employee (2011) which included advertising and time for interviews and selection
Rationale	British Chamber of Commerce has many small businesses in its membership so it was considered to be a good proxy

OUTCOME 5

Less stress and anxiety for existing business owners

Deadweight	0%
Rationale	All of our sample had improved levels of overall satisfaction
Attribution	80%
Rationale	This is attributed directly to taking the pressure off the business owner. Not 100% as some interviewees, having received not all the loan they had requested, and therefore had extra levels of stress
Displacement	0%
Rationale	Other forms of finance were not available
Drop-off	100% over first year
Rationale	Those immediate feelings of relief that the business has been supported will normally have been overtaken by other concerns after 12 months
Proxy	NLP course on helping individuals deal with anxiety and stress at £720 for 6 sessions
Source	NLP Training
Rationale	To reduce stress would have cost the client at least £720 in a workshop environment

Key outcomes/outputs and establishing their impact

OUTCOME 6

Increased yearly income due to having a job over receiving benefits

Deadweight	10%
Rationale	This would not necessarily have occurred anyway as there were long-term unemployed amongst the sample and due to very high unemployment rates nationally at the present time. These are newly created jobs; however it is possible that some of these individuals may have found other ways to gain an income
Attribution	80%
Rationale	Would these individuals have got a job from somewhere else? Those who had been collecting job seekers allowance had been unemployed for more than a year so a larger part can be attributed to Foundation East
Displacement	0%
Rationale	No displacement occurring
Drop-off	100% in the first year
Rationale	Can only be relevant to the Foundation East loan in the first year
Proxy	Gross median wage – average taxes – average benefit = £8743 additional
Source	ASHE wages and income for East of England
Rationale	12 known people out of sample moved from job seekers to employment (may have been more but some businesses not recording where people came from). This is an area that is probably under counted

OUTCOME 7

Less individuals claiming unemployment benefit and council tax relief

Deadweight	70%
Rationale	If the businesses had failed, these individuals may have found new work straightaway, based on a current 70% employment rate in the UK in 2011
Attribution	100%
Rationale	The access to finance allowed the businesses to start and the safeguarding, according to the sample, was completely down to Foundation East's input
Displacement	0%
Rationale	Lender of last resort
Drop-off	Immediate drop off in year one 100%
Rationale	As individuals situations can change rapidly, we cannot really attribute Foundation East loan activity impact on this measure beyond the 1st year.
Proxy	Average council tax A UK £1,195 and average benefits £3,510 = £4705
Source	www.direct.gov
Rationale	31 move from job seekers and 72 avoided taking into account deadweight.

OUTCOME 8

Increased taxes from economically productive individuals

Deadweight	0%
Rationale	These are completely new jobs that have been created as a result of the access to finance
Attribution	100%
Rationale	This will be directly attributed via the sample when it comes to creating jobs with start-ups as was found in the research
Displacement	0%
Rationale	There is no one else affected as there is only a benefit
Drop-off	Immediate 100% in first year
Rationale	Although people may continue to be economically active after this date it would be very difficult to attribute this to the loan from Foundation East
Proxy	£5126 is the average tax and NI from an average wage earner
Source	Average earnings 2011 ONS survey and tax and NI calculator
Rationale	59 new jobs were created by the businesses in scope

OUTCOME 9

Less visits to the doctors due to increased feelings of well-being

Deadweight	20%
Rationale	Not all people who experience dissatisfaction will have resulting in bad health so we have allowed for this with the deadweight
Attribution	80%
Rationale	Most of this will be attributed to the loan, but clearly other life factors will affect how well people feel
Displacement	5%
Rationale	There is some displacement as some people would look to-over-the counter solutions
Drop-off	Immediate 100% in first year
Rationale	People generally do not remember feelings of well being and new issues will arise which may take them back to how they were feeling before they had the loan
Proxy	£32 per visit
Source	PSSRU data
Rationale	Based on an extra four visits a year due to anxiety, stress and dissatisfaction as cited in MEAL SROI.

Key outcomes/outputs and establishing their impact

OUTCOME 10

Indirect and induced impacts leading to wider job creation

Deadweight	30%
Rationale	The creation of wider jobs in the community as a result of our in scope job creation cannot be 100%
Attribution	90%
Rationale	We have already allowed for drop-off from job creation so the remainder will be attributable at 90%
Displacement	0%
Rationale	No displacement by this activity
Drop-off	Increase over three years
Rationale	The immediate effects of increased jobs in the local community is unlikely to feed down until we are two to three years in.
Proxy	Of 59 direct jobs created 57% = 33 new indirect (jobs created through the increased business for other business) jobs, and of direct jobs created 20% will result in 11 induced (created as a result of additional income and expenditure e.g. transport, childcare etc) jobs.
Source	LM3 Battey and Maddon in 2000
Rationale	Job creation that is deliberate will result in indirect job creation and induced job creation as explained above.

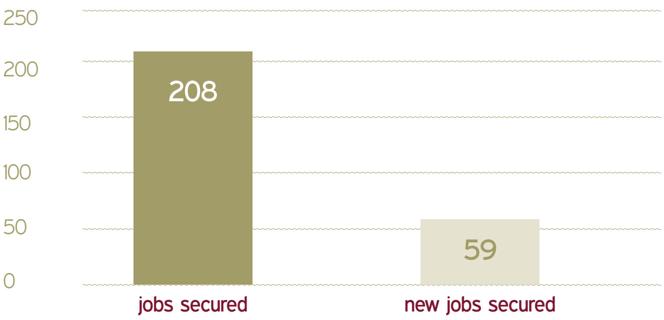
An output is derived directly from the lending activity.

OUTPUT 1

Safeguarding and creating jobs

This is an undercounted area. The sample 17 businesses noted jobs created as 56.5; however the information provided by secondary data says that for the 45 businesses 59 jobs were to be created. During the calculations we have kept to the 59 jobs created and this low number is almost certainly as a result of loan applicants being cautious in predictions on job creation. At the moment information on jobs created after the loan is not collected in a meaningful way. It is recommended that in future this data ought to be collected. This is an area that has been highlighted in the sensitivity analysis, see Appendix 2.

Figure 1
Jobs safeguarded and jobs created in the year ending March 2011



OUTPUT 2

Increased business skills

The sample were asked to rate themselves 1 – 5 (1 = I don't know where to start to 5 = I'm great at this) on a number of key skill areas, before the loan and after the loan. The following results are all provided in Figure 2 below.

The sample told a story of overall improvements in skills levels; particularly in the areas of book-keeping and marketing. Some of this up-skilling will have occurred at the loan application stage where the focus is on very clear plans and visions backed up by robust research.

For many existing and potential business owners this is a good discipline that they would not have used before. As well as up-skilling particularly with the coached clients, increased confidence and a change of attitude for some loan recipients when Foundation East, believed in them and the business idea.

Negative Outcomes

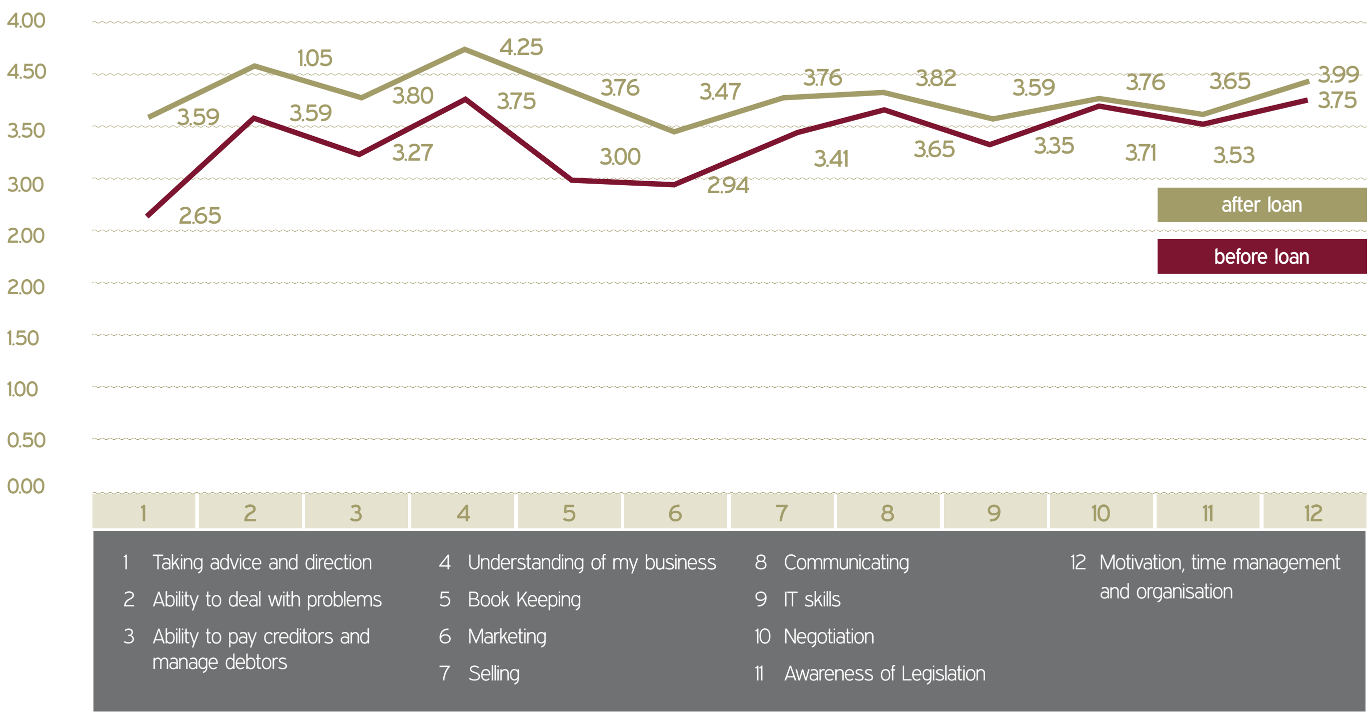
During the telephone interviews a negative outcome was mentioned by two interviewees. Although they were successful in gaining finance from Foundation East, the loan panel had made the decision not to lend all the money they applied for. This meant that in some cases stress was higher as a result of juggling a business, which in the opinion of the recipient, was underfunded from the beginning.

Despite this feedback, both interviewees were still very grateful for Foundation East in supporting them.

Immediate Value

The highest figures in measurement are those associated with job security and creation. This is probably to be expected in the instant impact of finance provided by Foundation East. Although the long-term benefits of being able to start a business or continue with an existing business are significant, Foundation East cannot really claim much over one to two years impact, and this has been reflected in the calculations

Figure 2 Increase in business skills, confidence and abilities



Calculating the SROI Value

The calculation of the social return is derived from dividing the impact value by the value of investment. The impact is adjusted to reflect the present value (PV) of the projected outcome value. This is to reflect the present day value of benefits projected into the future.

$$\text{SROI Ratio} = \frac{\text{Present Value}}{\text{Value of Inputs}}$$

In this value account, most outcomes are projected for a period of one year so the effect of present value discounting is small. Discounting is applied in those cases where value has been projected for longer than one year.

The basic rate recommended for discounting is recorded in the HM Treasury's Green Book at 3.5%. This discounting can be seen below.

Below is an extract from the impact map which shows the final present value totals for outcomes.

THIS MEANS THAT FOR EVERY £1 OF INVESTMENT MADE BY FOUNDATION EAST INTO BUSINESSES, £3.79 WILL COME BACK IN SOCIAL AND ECONOMIC VALUE.

£1 : £3.79

SROI Ratio = £2,699,714 = £3.79

Outcome	Value £	Year 1 £	Year 2 £	Year 3 £	Final overall present Value
1. Availability and cost of debt	12,127	4,042	3,905	3,773	11,722
2. Minimal loss of assets	49,920	36,173	12,057	0	48,231
3. Increased business skills	82,906	82,906	0	0	82,906
4. Less recruitment costs	24,960	18,720	6,028	0	24,748
5. Less stress and anxiety	13,428	13,428	0	0	13,428
6. Increased annual income	1,680,754	1,680,754	0	0	1,680,754
7. Less benefit claims	376,400	376,400	0	0	376,4000
8. Increased taxes	302,434	302,434	0	0	302,434
9. Less visits to GP	20,779	20,779	0	0	20,779
10. Indirect and induced job creation	142,092	35,523	34,321	68,643	138,488
				TOTAL	£2,699,714

Table 5 below sets out the value of investment required for the Foundation East lending activity.

Table 5 Inputs that make the activity possible

Input	Explanation	£
1. Relevant income year ending March 2011	Excluding non lending costs associated with property side of the organisation	£307,121
2. Value of member/volunteer time	Board members who meet fortnightly for loan panel, other committee and board meetings charged at ESF Project co-ordinator rate of 448 hrs @ £10.85	£4,860
3. Overhead costs including staff costs	Excluding items not related to the loan activity	£383,118
4. Coaching £150 for six months for each client	£150 for six months for each client x 20 clients from in scope list in the year concerned	£18,000
	TOTAL INPUT	£713,099

Building on the SROI Report

A return on investment in social and economic terms of £3.79 for every £1 spent is a very positive first measure. Foundation East is not only providing financial solutions to excluded segments of the community, but having a much wider impact on individuals, communities and the UK tax payer.

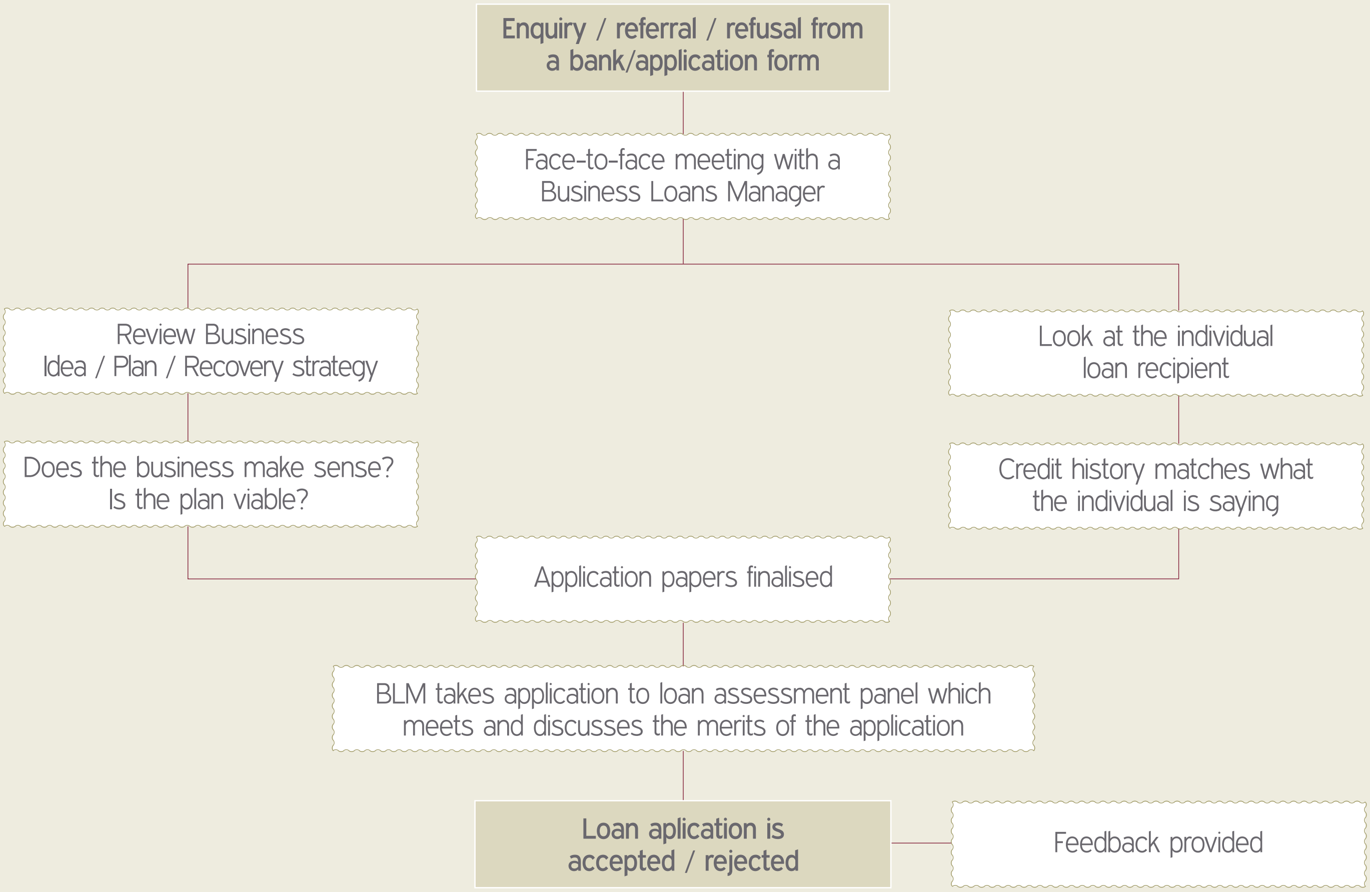
It is possible with additional concentration on the social and economic measures of the Foundation East service, that this impact can reach further. There is no doubt that the report is showing the impact of lending to excluded sections of society is a significant one. Some of these excluded individuals, who have genuine entrepreneurial potential, would be missing out without Foundation East's support.

However, of equal importance are the benefits to the individual loan recipients themselves. The increase in confidence found, coupled with the associated improvements in business skills, has been a significant factor essential in allowing them to grow their business.

This, recognising that Foundation East could be lending to more people within current overhead constraints, suggests that improvements to this ratio are completely achievable even from simple volume increases. It is hoped that the executive board will look at how they can maximise social impact.

Appendix 1

The Foundation East lending process



Business loans manager

Each loan recipient has a Business Loans Manager (BLM). This person helps them to get a suitable application together and they then act as the loan applicant's champion when presenting the completed application to panel.

After a loan application has been approved and funds disbursed, this close relationship continues. The BLM helps the business owner to manage the business, provides guidance, assistance and signposting including loan repayment advice, throughout the period of the loan.

Coaching

Start-up-businesses work with a business coach (an experienced business adviser) who is in regular contact with the client for a minimum of six months at the start of the loan. This service aims to intensively support client through any early teething problems. Although many people in the sample were pleased to have this support, some initially objected at having to take this support as part of the loan.

Foundation East has put in place a thorough evaluation process of the coaching service to ensure that this is being continually improved. However, based on telephone interview response there was an increase in skills for most people through a combination of BLM, coaching and simply "running a business", that all contributed to this overall up-skilling.

Appendix 2

Sensitivity analysis

A very important stage of the SROI framework process is to test the sensitivity of the calculations. The full results based on quantitative and qualitative evidence are available on request from Foundation East. The sensitivity analysis tests the effects of alternative adjustments, given that in some cases assumptions have been made, albeit of a conservative nature.

Therefore two analyses have been formulated, one where we have looked at the changes required to bring the ratio nearer to 1 : 1 and one where we are less conservative.

Nearly neutral

£0.96 : 1

- Reducing from 10% deadweight to 50% deadweight the numbers of people that have an increased income from having the loan from Foundation East
- Reducing from 70% deadweight (national employment figure) to 85% deadweight of less benefit claimants assuming even more people would have found themselves jobs.
- Reducing from 0% deadweight to 40% deadweight of those newly created jobs occurring anyway and therefore still bringing in revenues in taxes.
- Reducing from 20% deadweight to 50% deadweight those people that would have not visited the doctor more before attribution and displacement.
- Removing evidence of induced and indirect jobs in the community as a result of these new jobs being created.
- Increase in inputs, by also counting in the actual amount of money lent with all other inputs and loan repayments etc.

These changes are substantial and included are the areas where most social value has been calculated and yet the ratio still remains neutral. This shows the robustness of the report in its conservative findings.

The following sensitivity analysis is based on addressing the areas that may have been undercounted.

Less Conservative

£4.68 : 1

- Higher new job creation.
  A new estimate of 100 jobs created instead of 59 is not unreasonable considering the high numbers counted amongst our sample.
- Higher attribution for Foundation East of availability and reduced costs of future loan and debt from 50% to 65%

With greater data collection and confirmation it will be possible to confirm, or not, our less conservative framework and will also ensure additional counting and accuracy in a new measurement taken in 2012.

Appendix 3

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