



Social Return on Investment Report

Series Report No. 1

July 2007



Executive Summary

This is a Social Return on Investment report on Six Mary's Place Guest House, a social firm based in Edinburgh and managed by Forth Sector. It presents an analysis of the social added value delivered through the funding investment in Six Mary's Place.

This report is one of a series of SROI reports resulting from a pilot programme undertaken through Social Economy Scotland, supported financially by the EU Equal Programme and Communities Scotland's Social Economy Unit. The pilot has been managed by Forth Sector.

The report shows how the social firm is making a real difference to the people with mental health problems who work and train there, but demonstrates it is also doing this in a cost effective way that benefits its stakeholders as well as society as a whole.

The analysis shows savings to mental health and support services in Edinburgh of over £420,000 per annum, and savings on welfare benefits and gains in employment income and tax income of almost £50,000 per annum. Social added value per participant is almost £25,000 per annum, for an investment of £3,500.

This report demonstrates that for the period under study, for every £1 invested in Six Mary's Place Guest House, almost £6 is returned in social added value.

The study presents a powerful argument for investment by the NHS and associated Government agencies in further social firms support and development.

Report produced by

Sheila Durie
Haldane Associates

and

Lee Wilson
Forth Sector Development

Contents

	Page Number
Introduction	3
Strategic context	5
Six Mary's Place Guest House activities, aims and objectives	6
The trainees at Six Mary's Place	8
The methodology	9
Stakeholder analysis	10
Impact map	14
Mental health measurement tool	19
Information collection	20
Financial indicators	21
Deductions from social added value due to deadweight and drop off	23
Results	25
Sensitivity analysis	27
Conclusions and recommendations	28

Acknowledgements

The authors would like to thank the trainees and staff at Six Mary's Place Guest House for their honest and open contribution to this study, and to the staff team at Forth Sector for providing the necessary information on which this study is based.

Introduction

Forth Sector is one of the UK's leading social enterprises, with over 15 years' experience in setting up and managing social firms. Forth Sector's core purpose is to provide supportive employment to people with mental health issues through running business ventures. Forth Sector currently supports some 80 people living with mental health issues through its portfolio of social firms and training and support programmes, based in Edinburgh.

"Forth Sector's central aim is to create work. It is through work that most of us find our way of contributing to the world we live in." Andy Hunter, Founder and Chair of Forth Sector.¹

During the year prior to the period under review in this study, Forth Sector hosted around 70 people within its social firms at any one time, and helped achieve the following outcomes:

- 12 people back into mainstream employment
- 7 people into further education and training
- 1 person promoted into a staff position within Forth Sector.

Six Mary's Place Guest House is its flagship business. Opened in 1992, it offers Three Star guest house accommodation to tourists and business travellers to Edinburgh, and hosts small meetings. Following refurbishment in 2001 to provide full en-suite facilities for guests, Six Mary's Place has sustained consistently high occupancy levels,² and outperforms its competitors. The high quality of service was rewarded in 2004, when the organisation received a prestigious Visit Scotland Thistle Award for Customer Care.

For some time, Forth Sector has wanted to investigate the impact it was having on the local economy and on statutory services. Anecdotal evidence suggested that by participating in work and training in a supportive environment, individuals were gaining a range of benefits that led to improved recovery from mental illness. Reports from people with mental health problems working in the social firms suggested that there could be an impact on local mental health and social services, where fewer interventions were required to support individuals working in social firms.

Social Return on Investment was considered an appropriate method to use to explore these impacts.

Social Return on Investment is a process and a method for understanding, measuring and reporting on the value that is created by an organisation. It examines the social, economic and environmental benefits arising from the organisation's work, and estimates a value for its social and environmental impacts

¹ Further information can be found at www.forthsector.org.uk

² Currently running at 85% against a national average of 59%

in the same language, and using the same accounting and investment appraisal methods, as are used to determine financial value.

SROI analysis assigns a monetary value to the social and environmental benefit that has been created by an organisation by identifying indicators of value which can be financialised. Comparing this value to the investment required to achieve that impact produces an SROI ratio. It takes standard financial measures of economic return a step further by capturing social as well as financial value.

SROI was developed in the USA, but has been extended and adapted for a European and UK context.³ By developing an understanding of the organisation, how it meets its objectives, and how it works with its stakeholders, an organisation can create its own impact map, or impact value chain, which links inputs and outputs through to outcomes and impacts.

The SROI study of Six Mary's Place Guest House is one of a series of SROI studies undertaken through Social Economy Scotland - the Equal Development Partnership. Funding to support the study has come through the Equal programme, with match funding from Communities Scotland's Social Economy Unit. The aim of the work overall has been to learn how SROI might be used in assessing the social added value of a range of different social enterprise and social economy activities, and to appraise the returns made through funding these activities.

³ The researchers are members of the European SROI Network, established in 2003.

Strategic context

People with mental health issues are amongst the most disadvantaged groups in the labour market, and now constitute the largest single group of claimants of Incapacity Benefit.⁴ This is despite research which shows that people want to get back to work, but it appears that for many, the barriers are too great.⁵

The Government has announced its intention to move 1 million people off Incapacity Benefit and into work, and is currently engaged in a process of welfare benefits reform, and restructuring of the support services, to achieve this. The Department of Work and Pensions' Pathways to Work pilot demonstrated that with the right support, and inter-agency working between health and employment services, more people with disabilities, including those with mental health issues, can be employed.

Social firms are one response to the employment exclusion experienced by people with mental health issues, offering support to engage in meaningful work. This can mean work within the social firm, or it can lead to a move into mainstream employment. Social firms can provide the missing link in the current landscape of support, by working with those who are furthest from the labour market, and giving them the time and support to become more employable through working in a realistic commercial environment. There has been a body of research in Scotland and the UK over the last 5-10 years which demonstrates the value of social firms to people with mental health problems and other disabilities.⁶

In Scotland, the Workforce Plus initiative and other statutory agencies are working to address the barriers for people with mental health problems, and there are a range of national and local initiatives to tackle stigma and discrimination and offer training to employers in how to better support people with mental health issues at work.⁷

⁴ This group make up 40% of all IB claimants. Further discussion on the Edinburgh context can be found in S. McMurray and C. Nicol, 2006, 'Benefit Claimants in Edinburgh', Capital City Partnership Working Paper 2

⁵ For an introduction to policy and research findings, see S. Durie, 2005, 'A mental health and employment policy for Scotland: the evidence base for change', Scottish Development Centre for Mental Health, Edinburgh

⁶ For research and policy reports, visit www.socialfirms.org.uk, the website of Social Firms Scotland

⁷ Through the Scottish Executive's National Programme to Improve the Mental Health and Well-being of Scotland's Population, which can be visited at www.wellscotland.info

Six Mary's Place Guest House activities, aims and objectives

The guest house is based in a Georgian townhouse located in the Stockbridge area of Edinburgh. It offers accommodation in 9 en-suite rooms, and can host up to 17 guests. It has a dining conservatory, and a residents' lounge which can also host small meetings.

In line with Forth Sector's policies, the guest house is not marketed as a social firm, and guests are not told of the mental health and employment aims of the business unless they enquire. In practice however, Six Mary's Place has had such wide exposure, and has such a strong reputation, that many people actively use it because of its social aims, and therefore word of mouth is now the main marketing method.

The guest house employs 4 full-time supervisory staff, two of whom have lived experience of mental health issues. Supervisors work shifts, and sleep over on a rota basis. While on shift, they are responsible for all aspects of running the guest house, including support of trainees with mental health issues.

The Manager is responsible for staff recruitment and support, standards of customer care, marketing the business and ensuring its smooth running, in partnership with the central services unit of Forth Sector, which provides marketing, training, personal development support and financial and bookkeeping support to the business. Essentially, the central support unit provides those business functions which the Manager cannot fulfil, due to the requirement to support and train people with mental health issues, in order to fulfil Forth Sector's mission.

Another 20 training places are offered to other individuals with mental health issues on a part-time basis. The nature of welfare benefits rules makes it impossible at present to employ people on a part-time waged basis, and therefore trainees are limited to £20 earnings per week for up to a maximum of 16 hours work experience per week.

The guest house offers trainees two main opportunities: breakfast shift and housekeeping shift. The breakfast shift requires an early start (7am) which is challenging in itself for people with mental health issues. Trainees cook and serve breakfast, clear away, do the shopping and prepare food for later in the day if required. Housekeepers start later, cleaning rooms and communal areas, changing beds and undertaking any other necessary tasks.

Forth Sector has established a very strong network of referral agents. There are 30/40 core referrers, with another 170/180 making occasional referrals. Forth Sector has a vacancy page on its website, sends out regular information to referral agents and organises occasional events. The main referral agencies are:

- Community Psychiatric Nurses (26% of referrals)
- Occupational Therapists (20%)
- Support/housing/key workers (23%)

- Other NHS personnel (9%)
- JobCentre Plus staff (8%)
- Self-referrals and unknown referral agents (14%)

All trainees complete an interview and application form. They are then offered a taster day at their chosen social firm, during which they are able to make up their mind as to whether they would like to work there. If so, then they enter a probationary period during which they are engaged with Forth Sector's Training and Support Team in creating their own action plan, involving goal setting and identifying any training needed to help them meet their aspirations.

All staff and trainees have a set system of review and support, including quarterly supervision, annual appraisals, training and on-the-job coaching.

Trainees also get personal development planning support for moving on, access to social activities to encourage natural support from peers, and individual support around key issues such as welfare benefits.

Training at Six Mary's Place will involve on-the-job coaching in customer care and cooking, as well as undertaking the REHIS Elementary Food Hygiene certificate

Forth Sector also runs the Workspace and Restart programmes which provide more focussed support, more in depth personal development planning to create a pathway towards a job, training in job finding skills, managing health and stress issues and managing mental health using cognitive behavioural therapy (CBT) type tools. Six Mary's Place staff encourage trainees who are either ready and/or express interest in re-entering the labour market to be a part of these more intensive interventions.

Case study - getting people with mental health issues back to work

Sharon has been on placement in a Forth Sector social firm for just under a year. Sharon had done shop work in the past but her last job had been very stressful and had led to her becoming severely depressed. Sharon was unemployed for over 3 years before she decided the time was right for her to consider moving back into work.

Sharon was understandably very anxious about taking this step so decided to try a placement as way of getting back into work but in a more supportive environment. Sharon has used her placement as a way of getting used to work routines again and building up her stamina as well as regaining her confidence around being with other people before she starts applying for paid positions.

Forth Sector's Training & Support team are currently supporting Sharon to put together a C.V., look for suitable paid positions to apply for and help to work through some of the difficult feelings she has about returning to mainstream employment.

The trainees at Six Mary's Place

The 12 trainees surveyed at Six Mary's Place had been unemployed on average for nine and a half years before joining the social firm. Their average age was 39 years old, and there were 4 women and 8 men. Trainees had generally been with Six Mary's Place for under 2 years, with most having started less than a year previously.

On average, the length of time since they had first been diagnosed with a mental health problem was 14 years ago, with the shortest time since diagnosis being 5 years. Five of trainees had been given a diagnosis of schizophrenia, 2 had been diagnosed with severe depression, one was diagnosed with bipolar disorder and one with obsessive compulsive disorder. One person had no primary mental health diagnosis, but said they had a secondary diagnosis of autism, while the final person had an acquired brain injury with no secondary mental health diagnosis. Forth Sector's policy is only to accept referrals for people with a primary mental health diagnosis, so it is assumed that in the case of the last two individuals, their referring agent felt the supportive work experience at Six Mary's Place would be beneficial.

People reported a range of personal, social and emotional benefits from working at Six Mary's Place:⁸

'My sense of self-worth and self-esteem has improved due to my experience at Forth Sector. I am more comfortable in meeting and dealing with people. I have a sense of achievement instead of sitting at home all day'.

'I have a structure to my day. I meet people, have a variety of things to do but I am able to concentrate on one task and see it through. I have less self-destructive thoughts, less paranoia due to more social contact and my OCD⁹ is much better.'

'Six Mary's Place has helped me open out and experience new things, I am not just thinking about myself the whole time.'

'It has opened the door to a new future for me'.

⁸ From interviews conducted with Six Mary's Place Guest House during September 2006 to February 2007

⁹ OCD = Obsessive Compulsive Disorder

The methodology

The design and delivery of an SROI analysis involves set stages and standards, agreed at a European level based on practice from the USA:

Boundaries	<i>Defining the scope of the work</i>
Stakeholders	<i>Identifying and mapping objectives</i>
Impact mapping	<i>Analysis of inputs, outputs and outcomes</i>
Indicators	<i>Identifying the evidence base for impacts</i>
Data	<i>Collecting required information</i>
Model and calculate	<i>Financial modelling of social return</i>
Present	<i>Sensitivity analysis based on results, and report writing</i>
Verification	<i>Peer review</i>

In term of Six Mary's Place Guest House, this has translated into the following work:

- Review of business plan and funding applications to ascertain internal and external stakeholder objectives
- In the case of Six Mary's Place, Forth Sector was also engaged in undertaking a social audit at the same time as the SROI study. Much of the information was therefore already available on who the stakeholders were, and their objectives¹⁰
- Workshop with participants to identify impacts and scope issues
- Interview with main external stakeholder
- Impact mapping to identify indicators to test for actual outcomes
- Individual interviews with participants regarding their mental health supports, to identify changes in mental health interventions over time
- Desk research into financialisation of indicators of value created, and the evidence base to establish benchmarking data
- Collection of financial information
- Collation of participant records from Six Mary's Place Guest House
- Follow ups of leavers from the social firm
- Setting up a calculation spreadsheet
- Peer review of interim results
- Production of final report.

Agreeing the boundaries is the starting point for any SROI analysis. In an organisation such as Forth Sector, there are centralised activities which support individual businesses, and these need to be taken into account in terms of the investment needed to help Six Mary's Place deliver its outcomes and impacts. Forth Sector has a well-developed financial system, with cost centres for each of the social firms and central support functions, and finding such information was straightforward.

¹⁰ Although there are distinct differences between these two approaches, which will be explored in the final project report for Equal, due in September 2007

The study period chosen was April 2006 to March 2007, which coincides with Forth Sector's financial year.

It was decided to identify solely the social added value of Six Mary's Place Guest House, and not to attempt an economic appraisal of the business, although these figures were made available.¹¹ In effect, this SROI study examines the additional value created by the social firm, and calculates the social returns from the social firm which would not be created by a guest house in Edinburgh of similar size.¹²

¹¹ Previous work has established that the USA model is not workable in a UK context, as it requires detailed benchmarking of private business results against social business results and access to industry information which is not readily available. For discussion of this, see S. Durie, 2005, 'An appraisal of the use of SROI in measuring the value of social enterprise in Scotland using three case studies', Scotland unLtd and Communities Scotland

¹² So for example, the employment creation benefits resulting from 3 of the supervisory posts are not taken into account, as any guest house may create this level of employment, nor has the economic return generated through local spending been calculated, which it has been in other SROI studies

Stakeholder analysis

The stakeholder analysis undertaken for the social audit in June 2006 identified the stakeholders, which are presented in Table 1.

The main funders for Six Mary's Place were:

- City of Edinburgh Council Social Work, who administer a Mental Illness Specific Grant (MISG) which originates in the Scottish Executive, and who also provide core funding to meet a proportion of the central support costs incurred by Forth Sector
- NHS Lothian, with a small Service Level Agreement of which part is applied to Six Mary's Place
- ESF Objective 3 funds, which were received during the study period for and part of which were applied to Six Mary's Place

Only the MISG is dedicated to funding Six Mary's Place.

The main stakeholders for Six Mary's Place are represented in Table 1 below.

The stakeholders' aims and objectives were then analysed, through scrutiny of written papers and including an interview with the main stakeholder, and the inputs, outputs and outcomes are presented in Table 2 below.

Table 1 Six Mary's Place Stakeholders

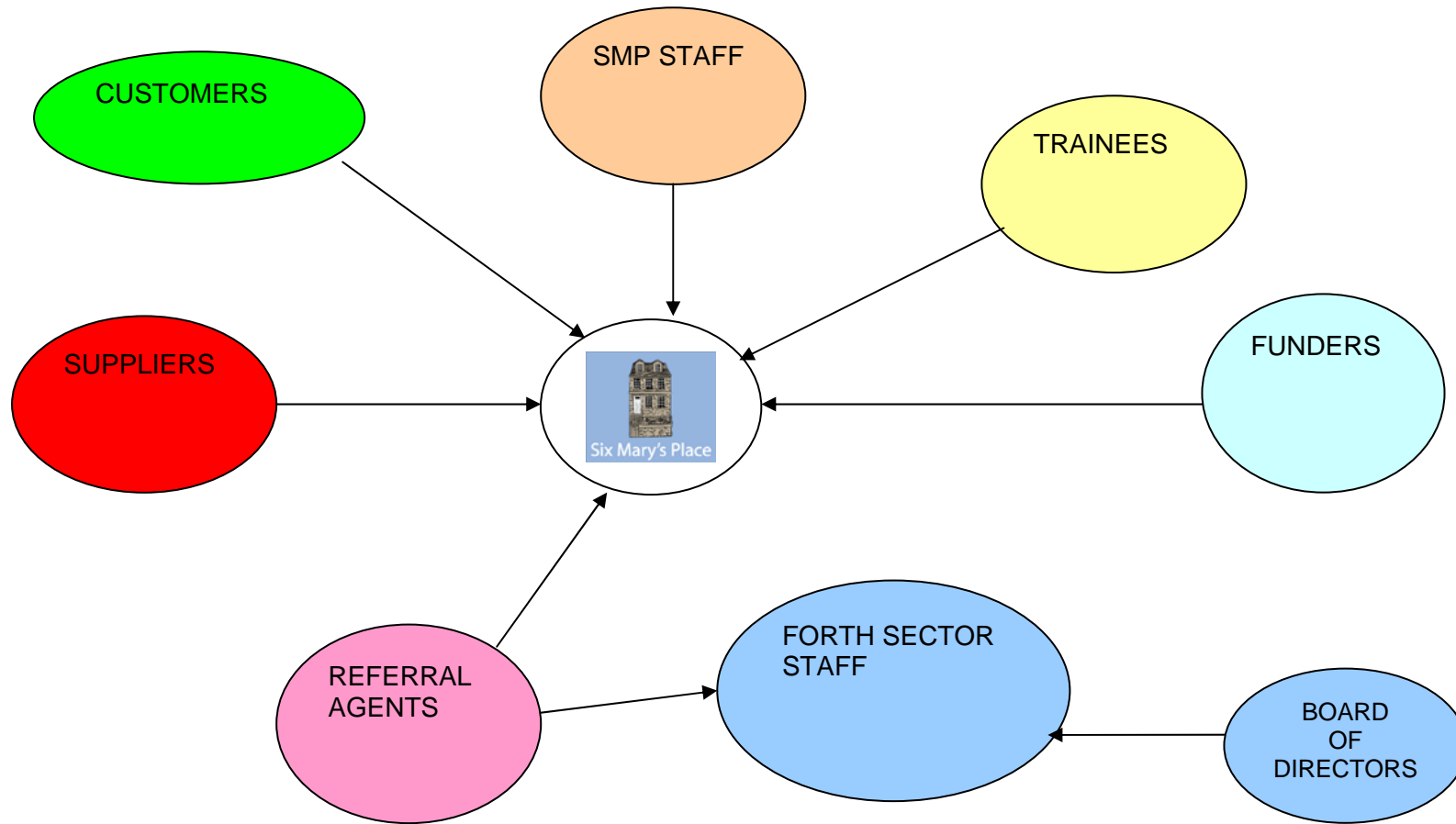


Table 2. Stakeholder Analysis of Six Mary's Place Guest House

Stakeholders	Inputs	Outputs	Outcomes (overall aims and objectives)
City of Edinburgh Social Work	Funding	1. 20 clients on placement 2. Supporting clients to move on 3. Timely submission of claims	1. Providing work placements for clients 2. Supporting people into work
Staff	Time Commitment	1. Good terms and conditions of employment	1. Job satisfaction 2. Achievement of Forth Sector aims and objectives
Trainees	Time Personal work	1. Up to 16 hours work experience per week 2. Updated CV 3. Increased skills and qualifications in customer care, food hygiene	1. Meaningful activity 2. Supportive environment 3. Training and opportunity to move on 4. Improved recovery and mental well-being 5. Improved social networks
Forth Sector central support unit and Board	Staff time and resources	1. Grant claims submitted on time and accurately 2. 20 trainees maintained 3. 20 trainees trained 4. Supporting clients to move on 5. Smooth administration and communication across the organisation	1. Providing work placements for clients 2. Positive health impacts for clients 3. Supportive work environment for all 4. Supporting people into work 5. Sustainable business 6. Enhanced reputation
Referral agents	Staff time	1. Offer of placements when clients referred	1. Providing work placements for clients 2. Positive health impacts for clients
NHS Lothian	SLA funding	1. Contribution to supporting up to 90 clients on placement	1. Providing work placements for clients 2. Positive health impacts for clients
ESF	Funding	1. Timely submission of claims 2. Meeting targets in application	1. Providing work placements for clients 2. Supporting people into work
Central Government	N/A	1. Reduced welfare spending on IB 2. Increased tax take	1. Move disabled people into employment
Customers	Not included		
Suppliers	Not included		

It was clear that none of the stakeholders who wanted to see outputs achieved on moving trainees from Six Mary's Place into the local labour market had set specific targets. Information from this study however, and the evaluation of the Restart

project, has given more detailed information on the employment outcomes that Forth Sector is delivering, benchmarked against national outcomes.¹³

The aims of Forth Sector's staff group who offer central support services are sufficiently similar to the Board's aims and objectives, as to be included as one stakeholder.

Customers and suppliers were not included in the analysis as no method could be devised at the time to collect information and estimate the value accrued to these stakeholders.

Central government was not included as a stakeholder in Forth Sector's own stakeholder analysis for the social audit. Although there is no direct input from central government to Six Mary's Place, government gains whenever an individual moves from Incapacity Benefit and into work, and there are a range of programmes and initiatives to achieve this effect, therefore government is included as a stakeholder for the purposes of the SROI analysis.

This analysis identified that the key aims of Six Mary's Place are:

- To improve the mental health of trainees
- To move individuals into the local labour market
- To provide a supportive working environment
- To manage Six Mary's Place as a sustainable business

The SROI analysis has focussed on the first two main aims, of mental health improvement and support for trainees to move on.

The provision of a supportive working environment in itself will be measured by monitoring the mental health gain experienced by participants. For a working environment to be supportive, it also has to be mentally healthy, and it has been assumed here that the two will correspond when measured.

Impact Map

The stakeholder analysis and analysis of the outcomes and impacts of Six Mary's Place leads to the construction of an impact map, as set out in Table 3.

¹³ 'Restart for Recovery', 2007, available at www.forthsector.org.uk

Table 3 Impact map

Stakeholder	Outcome	Indicator used	Financial Proxy used	Source of financial and monitoring information	Attribution	Benchmark for deadweight	Benchmark for displacement or drop off
City of Edinburgh Social Work	1. Providing work placements for clients 2. Supporting people into work 3. Positive health impacts for clients	1. Attendance 2. Number of participants moving into jobs 3. Medical/NHS costs saved	1. Trainee earnings 2. Increased earnings 3. Reduction in consumption of mental health services	1. SMP accounts 2. Participant records and follow up survey 3. Participant questionnaires and NHS unit costs	1. Shared with FS, referral agents and funders 2. Shared with FS, trainees and ESF 3. Shared with trainees, FS, referral agents and funders	1. N/A 2. Local and/or national statistics 3. National outcomes and incidence evidence	1. N/A 2. Retention rate in jobs 3. Trainees compared to average outcomes
Staff	1. Good terms and conditions 2. Achievement of Forth Sector aims and objectives	1. Improved attendance compared to industry 2. Not measured	1. Number of days sickness 'saved'	1. Number of days sickness 'saved'	1. N/A	1. N/A	1. N/A
Trainees	1. Meaningful activity 2. Supportive environment 3. Access to training and employment 4. Improved recovery and mental well-being 5. Improved social networks	1. Attendance 2. Measured under 4. 3. Increased earnings potential 4. Medical/NHS costs saved 5. Not measured	1. Trainee earnings 3. Average earnings in local area for desired occupation/job 4. Reduction in hospitalisation, GP appointments, secondary mental health services	1. SMP accounts 3. Desk research on local labour market 4. Participant questionnaires and NHS unit costs	1. N/A 3. N/A 4. N/A	1. N/A 3. Local and/or national statistics 4. History from participants compared to average outcomes	1. N/A 3. May be some displacement effect, depends on tightness of labour market 4. National outcomes evidence

Forth Sector staff and Board	<ol style="list-style-type: none"> 1. Providing work placements for clients 2. Positive health impacts for clients 3. Supportive work environment for all 4. Supporting people into work 5. Sustainable business 6. Enhanced reputation 	<ol style="list-style-type: none"> 1. As per CEC SW 2. As per trainees 3. Measured under 2. 4. As per CEC SW 5. Contained within business figures 6. Not measured 					
Referral agents	<ol style="list-style-type: none"> 1. Providing work placements for clients 2. Positive health impacts for clients 	<ol style="list-style-type: none"> 1. Reduced support time spent with clients 2. As per trainees 	Not measured				
NHS Lothian	<ol style="list-style-type: none"> 1. Providing work placements for clients 2. Positive health impacts for clients 	<ol style="list-style-type: none"> 1. As per CEC SW 2. As per trainees 					
ESF	<ol style="list-style-type: none"> 1. Providing work placements for clients 2. Supporting people into work 	<ol style="list-style-type: none"> 1. As per CEC SW 2. As per CEC SW 					
Central Government	<ol style="list-style-type: none"> 1. Move disabled people into employment 	<ol style="list-style-type: none"> 1. Reduced costs of IB and increased tax income 	<ol style="list-style-type: none"> 1. Weekly IB benefit costs, Housing Benefit savings, new tax income 	<ol style="list-style-type: none"> 1. DWP, CEC, HM Revenue and Customs 	<ol style="list-style-type: none"> 1. N/A 	<ol style="list-style-type: none"> 1. National stats for moving off IB 	<ol style="list-style-type: none"> 1. Project records

There are terms used in the impact map which need explanation:

- Deadweight
- Drop off
- Attribution
- Displacement

Deadweight

'Impacts' are the outcomes from an activity, less the deadweight. 'Deadweight' is an estimation of the social benefits that would have been created anyway, without the intervention. SROI analysis provides a method for estimating how much of the benefit would have happened anyway by making use of available baseline data, and subtracting this from the organisation's calculated outcomes.

Drop off

This is the proportion of outcomes which are not sustained. These can be calculated using benchmarking information or research evidence. An example of this is in moving people into employment, where a proportion of people drop out of employment in the near future.

Attribution

In some situations the organisation will be sharing the returns with other agencies, who for example have all been involved in supporting individual participants. In this situation, the value added has to be shared between agencies, and only that proportion of the returns being generated by the organisation should be included in the calculation of SROI.

Displacement

In some cases, the positive outcomes for stakeholders generated by an activity are offset by negative outcomes for other stakeholders. For example an employment organisation may place individuals with employers at the expense of other individuals who are seeking work.

The assumptions made for these four factors, and the detailed calculation of social benefits made for Six Mary's Place, are discussed in more detail in the financial indicators sector below.

Not all the outcomes identified were measured in the study. The main one omitted was social inclusion and increased social networks. Many trainees reported that this was a benefit they gained from working at Six Mary's Place, where they felt they made more constructive use of time now they had a structure to their day to build other activities around. A method was developed in the Equal pilot programme for measuring and financialising increase in social networks, and the more positive use of participant's time, but this was tested out in another pilot organisation.

The social value for staff from working in the supportive environment created by Six Mary's Place was not measured, mainly because benchmarking information for other guest houses could not be found.

A survey of referral agents was conducted, to assess their view of the mental health of clients who had been placed at Six Mary's Place. They were asked to estimate whether they were spending less or more time supporting clients, but the results from the 7 surveys returned was inconclusive, except that it backed up the trainees' perception that their mental health had improved, and it was attributable to Six Mary's Place.

Thus the social added value created by Six Mary's Place Guest House is likely to be higher than that calculated in this study.

Mental health measurement tools

Estimating the value of mental health improvements meant devising a new method for capturing the information and financialising it.

The study investigated a number of questionnaire methods. Some validated questionnaires which are regularly used in mental health studies could not be used, as they required qualifications to use¹⁴ or were expensive to purchase. Other questionnaires had been used, but had not been validated. A half way house solution was adopted.

In 1992, a study into Irish Social Firms developed a questionnaire to assess the mental health improvement of participants working in social firms.¹⁵ Their questionnaire was developed with input from mental health practitioners and did relate to the evidence base for mental health improvement. They reported a range of reductions in the use of mental health and other services by participants, although they did not proceed to financialise these reported savings.

The questionnaire used by the Irish researchers formed the basis of the questionnaire used with trainees at Six Mary's Place, supplemented by additional questions on skills, aspiration, any negative aspects of working at Six Mary's Place and attribution of mental health improvement to working there. This questionnaire was supplemented by before and after spider diagrams, to help participants think of themselves in relation to a range of different services.

The questionnaire and the spider diagrams allowed trainees to record the frequency of use and length of use of a variety of mental health and other support services, before joining Six Mary's Place, and after experiencing at least 6 months work at the guest house. The questionnaire also recorded patterns of hospitalisation for reasons associated with mental health.

As well as giving qualitative information, the questionnaire results also gave hard information on the change in the consumption of services attributed to working at Six Mary's Place, as well as information about people's diagnosis, time since diagnosis and length of unemployment.

¹⁴ Such as the General Health Questionnaire

¹⁵ McKeown K., O'Brien T. & Fitzgerald G. (1992), *Vocational Rehabilitation and Mental Health: the European Project on Mental Health in Ireland 1989 - 1991*, Azimuth: Evaluation report Summary 1

Information collection

The initial workshop with trainees was conducted by a researcher, with a group of 7 trainees. Open ended questions were asked, and trainees asked to describe how working at Six Mary's Place was benefiting them, and any other impacts they thought were occurring, including negative ones. This identified the key impacts reported by trainees, and that trainees attributed the improvements in mental health to the benefits of working at Six Mary's Place.

Forth Sector provided written evidence of activities, aims and objectives. The organisation keeps records of joiners, leavers and the reasons for leaving, and all records for 2006-2007 year were provided for analysis to the researcher.

The individual interviews with trainees were conducted by a member of Forth Sector's Training and Support Team at two points in time. In an ideal world, interviews would be conducted by a completely independent researcher, but budget constraints prevented this. The staff member however was not part of the management team at Six Mary's Place, and although they knew the trainees, they did not have significant contact with that particular business. 12 of the 20 trainees were interviewed, due to restrictions in shift patterns.

The interviewer was briefed by the researcher. They went through the questionnaire with trainees, and transcribed their answers. Trainees could either complete the spider diagrams themselves, or give responses which were transcribed by the interviewer.

Financial indicators

The impact map shows that there were 5 main financial indicators used in the study:

1. Trainee earnings
2. Increased earnings of trainees moving into jobs
3. Reduction in consumption of mental health/support services
4. Reduction in welfare benefit spend
5. Increased tax take

The data sources used for each were:

1. Six Mary's Place accounts
2. During the period under review, 3 individuals moved into employment. One was promoted to a supervisory post with Six Mary's Place, therefore their earnings were known. The trainee who moved into employment at Six Mary's Place did so after 9 months, and actual earnings increases in the period under study were only calculated for 3 months, even although in an SROI analysis, returns are projected over 5 years. Of the other two, they moved on at the start of the study and details of earnings had not been kept. It was assumed that both individuals were earning 60% of the Scottish average weekly wage, which in 2006 was £13,634 per annum. Edinburgh's labour market wages are generally higher than average, so this was seen as being a relatively conservative assumption, particularly given the high salary required to motivate long-term IB recipients to move into employment.¹⁶ All earnings increases were calculated net of previous benefit payments, reflecting the increased disposable income, and net of tax and National Insurance. It was assumed that no individual was entitled to claim Housing Benefit following a move into employment, which was checked out via online calculators.
3. Information on unit costs of different interventions in the NHS came from the NHS Cost Book for 2006.¹⁷ In addition, other savings were identified outwith the NHS. Some costs could not be identified for Scottish specific settings, and where this has been the case, a figure has been used from the annual survey of UK health and social care costs from the PSSRU Unit at the University of Kent.

Trainees identified changes in the frequency and length of time that they used mental health and other support services, before and after working at Six Mary's Place. The interventions against which they reported changes, and their associated unit costs, were:

¹⁶ Estimated by various sources as between £15,000 and £18,000 pa

¹⁷ Scottish Health Service costs are available online at www.isdscotland.org/isd/360.html

Intervention	Unit cost	Reference in NHS Cost Book
Medication (anti-psychotics)	£0.45 per dose	From ISD website
Medication (anti-depressants)	£0.42 per dose	From ISD website
Hospitalisation	£2,336 per week	RO25 I 22
CBT	£150.67 per consultation	Summary Health Board Specific C 13
Group psychotherapy	£180.58 per consultation	RO25 O 22
Individual psychotherapy	£798.03 per consultation	R340 O 21
Counselling	£798.03 per consultation	R340 O 21
Psychiatrist consultations	£180.58 per consultation	RO25 O 22
Day hospital	£123.53 per day	R340 L 21
Social worker	£120 per consultation	PSSRU 2006 ¹⁸
Hospital social worker	£120.00 per consultation	PSSRU 2006 figure plus sessional rate ¹⁹
Clinical psychologist	£150.67 per consultation	Summary Health Board Specific C 13
GP	£19.00 per consultation	Summary Health Board Specific C 5
Drop in centre	£20.00 per session	PSSRU 2006

The high figure for individual psychotherapy and counselling was queried with the Information and Statistics Division of the NHS who compile the Cost Book data. They agreed it appeared to be a disproportionately high cost, however they recommended use of this figure in the absence of any data to suggest that the standard for calculation of the unit cost was wrongly applied in this case. When the Cost Book is next updated, the figure can be checked and if it has been revised, the SROI calculation re-done.

4. The 3 trainees who moved into employment were all previously in receipt of Incapacity Benefit and Housing Benefit, and rates for 2006 were used to calculate benefits savings.²⁰
5. The tax take was calculated using NIC and PAYE tables for the salaries of those who moved on. The promoted trainee is not claiming Working Tax Credit, and it is assumed that the two other movers are also not claiming WTC, on the basis that they were single, and unlikely to be claiming Disability Tax Credit.²¹

¹⁸ PSSRU, 2006, 'Unit costs of health and social care', University of Kent

¹⁹ From Unison website, agreed sessional payment for hospital social workers

²⁰ For the promoted trainee, savings were 3 months rather than 12, even though value is predicted over 5 years.

²¹ People with mental health issues are unlikely to see themselves as 'disabled' despite their protected status under the DDA

Deductions from social added value due to deadweight and drop off

Deadweight for employment and tax benefits was assumed to be 5%, as people in the sample were long-term recipients of Incapacity Benefit.²²

Deadweight for mental health gain (i.e. the number who would have experienced improvements in mental health without intervention) was rather more difficult to establish. 1 person in the sample had no primary mental health diagnosis, and who may therefore have experienced a recovery without intervention. The value of mental health gains reported by this individual was therefore ignored. Of the other 11, all were taking some form of medication, and had been diagnosed for some time, and it is likely that gains associated with medication had been experienced before the study period. For most people with a serious mental illness, recovery rates are improved by medication, although this is a contentious issue in the mental health field.²³ The prognosis for serious mental health conditions suggest 25% of individuals recover within 5 years, however the average length of time since diagnosis of individuals was over 14 years, and they are therefore likely to fall into the category of individuals who need recurring support for a fluctuating mental health problem.²⁴ Recovery rates are known to be lower for people who are long-term unemployed, and the Six Mary's Place trainees appear not to have recovered sufficiently well enough in the past to work. For these reasons, the deadweight is estimated to be much lower, and a figure of 10% was used.

Drop off for employment was based on the actual experience of individuals who had moved on from Six Mary's Place. During the study, Forth Sector staff contacted individuals who had moved on in the last 3 years. A few individuals could not be tracked down, however, the survey showed that 3 years after leaving Six Mary's Place, 11 out of 14 individuals were still in employment, suggesting a 27% drop off rate, which is the figure used here.

Drop off for mental health gains (i.e. how many people will not sustain their mental health gains) were again more difficult to establish. A survey of mental health outcomes literature suggests that predicting mental health relapses from the characteristics of individuals and their diagnoses is uncertain, and that there is little information on the course of mental illness in the general population.²⁵ In general, one third of individuals with a major mental illness such as schizophrenia would not expect another episode of mental ill health, whereas this figure is nearer 15% for people diagnosed with bi-polar disorder.²⁶ About half of people with common mental health problems are no longer affected after 18 months, but poorer people, the long-term sick and unemployed people are more likely to be

²² The employment rate of people with a diagnosis of a severe and enduring mental illness is 4% (Perkins R.E. & Rinaldi M. 2002, *Unemployment rates amongst patients with long-term mental health problems: A decade of rising unemployment*, Psychiatric Bulletin 26, 295-298) and DWP statistics show only a 5% flow off benefits for people claiming IB

²³ The Mental Health Foundation website contains detailed information on the evidence base

²⁴ See the Mental Health Foundation for discussion of this issue

²⁵ 'Better Or Worse: A Longitudinal Study Of The Mental Health Of Adults In Great Britain', 2003, Office of National Statistics

²⁶ For information see the Mental Health Foundation's website at www.mentalhealth.org.uk

still affected 18 months later, than the general population.²⁷ From analysis of the leavers from Six Mary's Place during the year, 34% were found to have dropped out due to a recurrence of mental ill health, and this is the drop off rate that has been used here.

Both the deadweight and drop off assumptions for mental health gain are explored further in the sensitivity analysis.

Trainees earn an income from working at Six Mary's Place under Permitted Work rules within the benefits regulations. Given the length of unemployment, the fact that there are no opportunities to work under such a regime elsewhere in Edinburgh and no one reported having used Permitted Work in the past, it is reasonable to assume that there is no deadweight or drop off associated with the increased income to trainees.

All the trainees attributed their mental health improvements to working at Six Mary's Place, both during the initial workshop and in the interviews. Most individuals retained some form of external support however, and it may not be prudent to take these statements at face value. The survey returns from referral agents however did bear out the link between mental health improvement and working at Six Mary's Place, with most reporting that their clients' mental health had improved as a result, although the sample was a small one. The researchers took the view that the gains in mental health were as a result of working at Six Mary's Place, but that the sensitivity analysis should take account of possible attribution issues.

Displacement was not considered an issue, as no negative consequences for other agencies could be identified during the mapping phase, and because Forth Sector is the only agency in Edinburgh offering this type of service.

²⁷ Better or Worse op cit

Results

The SROI analysis predicts the end value created by investment in 2006 and calculates the returns over, in this case, 3 years. In the USA, SROI returns are calculated to infinity, which seems unreasonable. In Europe, SROI has generally been calculated over 5 years.

In the Equal pilot, in order not to overclaim value, and to offer conservative estimates of social added value, the research team decided to calculate value over 3 years. The sensitivity analysis shows the results if SROI had been calculated over 5 years.

The results below show the social added value created for the 12 months to March 2007.

Values for the 12 months are discounted to Net Present Values, as would be the case when calculating the financial return on investment in a commercial setting.

The agreed convention for SROI is to use a discount rate of 3.5%, which is the HM Treasury social time preference discount rate. 'Social time preference' is the value society attaches to present as opposed to future consumption.

The real value of the impact created by Six Mary's Place will be less in future years, and is therefore discounted to allow for risk factors, and for the fact that investment in Six Mary's Place does not allow for investment elsewhere and the investor may forgo interest on their capital by investing. The impact of Six Mary's Place is judged by the end value of benefits less adjustments for deadweight and drop off as discussed above.

	Year 1
Mental health savings	757,415
Deadweight	75,741
Drop off	257,521
Net benefits	424,152
NPV	409,809

	Year 1
Welfare benefits savings to state	20,586
Deadweight	1,029
Drop off	5,558
Net benefits	13,998
NPV	13,525

	Year 1
New tax income to the state	12,911
Deadweight	646
Drop off	3,486
Net benefits	8,780
NPV	8,483

	Year 1
Increased personal income of trainees	16,280
Deadweight	0
Drop off	0
Net benefits	16,280
NPV	15,729

	Year 1
Increased income of trainees who move on to employment	17,939
Deadweight	897
Drop off	4,844
Net benefits	12,199
NPV	11,786

Summary of NPV's	Year 1	Year 2	Year 3	Year 3 end value
Total net benefits	459,332	454,571	449,869	1,363,772

Thus over 3 years, Six Mary's Place Guest House will deliver over £1.3 million in social value.

The investment to create this value is £70,874 in the year under study, or £198,563 (NVP) over 3 years. In 2006-07, this investment was made up of:

Direct MISG Grant to Six Mary's Place from City of Edinburgh Council	£20,245
Apportionment of City of Edinburgh Council core grant to Forth Sector	£17,176
Apportionment of NHS Service Level Agreement	£500
Direct ESF grant	£10,221
Apportionment of ESF funds to Six Mary's Place for Training and Support Team	£22,732
Total	£70,874

The social added value of the project - the value created less the cost of creating that value - is £1,165,209.

The SROI index is calculated by dividing the added value by the value of the investment.

This provides a ratio of 1 : 5.87. That is to say, for every £1 invested in Six Mary's Place, £5.87 is returned in social added value, to stakeholders and wider society.

This equates to an average value added per participant of £24,593.

In terms of payback, another common method for appraising investments, Six Mary's Place repays its investment in under 2 months. In accounting and commercial investment terms, this would be considered a highly attractive investment.

Sensitivity analysis

The results are based on a number of assumptions, some of which are based on imperfect research evidence.

The purpose of a sensitivity analysis is to vary these assumptions, and to investigate how radically that changes the value created by the investment, and hence the return.

The researchers chose the following main assumptions as those with the most potential to affect the results:

1. Increasing the deadweight for mental health improvement from 10% to 30%
2. Increasing the drop off for mental health improvement to 66%
3. Increasing the calculation period to 5 years
4. Assuming impacts are shared with other agencies

The results were:

Item	Main assumption	New assumption	SROI
Main assumptions			5.87
Mental health gain	Deadweight of 10%	Deadweight of 30%	4.31
Mental health gain	Drop off of 34%	Drop off of 66%	2.13
Period	3 years	5 years	6.95
Attribution	None	50% of value is shared	2.43

Of all the assumptions, the deadweight one might be least robust, but is unlikely based on available incidence and episode onset evidence to be more than 30%.

The sensitivity analysis shows that if the already conservative assumptions made in the main analysis are reduced even further, the SROI index does not fall below 1 : 2.13. That is, Six Mary's Place is unlikely to return less than £2 for every £1 invested, even with very conservative assumptions.

During the study, the Department of Work and Pensions published research which suggested another sensitivity analysis for Six Mary's Place. David Freud suggested that as every person on Incapacity Benefit is likely to stay on it for an average of 8 years, when someone moves off Incapacity benefit, 8 years worth of savings should be taken into account in that year, not just one.²⁸

He calculated that one person moving off IB would save Government £62,000 (at NPV's). Applying this figure to the 3 trainees who moved on during the study year results in an SROI index of 1 : 8.23.

If the average savings per participant identified for Six Mary's Place were to hold across all the 80 places provided by Forth Sector for people with mental health

²⁸ D. Freud, 2007, 'Reducing dependency, increasing opportunity: options for the future of welfare to work', DWP, available at www.dwp.gov.uk

problems, then the overall social added value created by Forth Sector would be £1.97 million per annum.²⁹

In the current 2007/08 financial year however, Forth Sector has changed the basis on which it calculates its unit cost per place and apportions overheads. This exercise has indicated that the results from Six Mary's Place should not be extrapolated across the whole of Forth Sector.

²⁹ The value of calculated average after deadweight per participant scaled up to 80 places.

Conclusions and recommendations

Forth Sector's proposition is that by providing opportunities to engage in meaningful activity, in a supportive working environment, participants can make significant progress towards recovery, improve their mental health and reduce their dependence on services. The results of the SROI study would appear to support this.

For Forth Sector, these results suggest that the primary value they create as an organisation is in supporting recovery from mental ill health, and that within its social firms, the emphasis should be on maintaining a mentally healthy and supportive working environment.

Recommendations to Forth Sector for future work arising from this study include:

- Incorporate mental health gain measurement into the standard recruitment and review process for trainees, and institute it across all social firms
- Develop a method for assessing the benefits to customers of staying at Six Mary's Place³⁰
- Investigate the retention and attendance rates of full-time staff working with competitors in the guest house market and benchmark Six Mary's Place retention and attendance against this
- Based on the work done elsewhere in this pilot, introduce a study into the social inclusion gains being made by trainees, and examine further the role of social inclusion in improving mental health in the social firms setting.

Almost 90% of the social value created by Six Mary's Place comes from mental health improvement, and the estimated savings in services resulting from that.

The return to the NHS as an individual stakeholder is over £868 for every £1 they invest at present in Six Mary's Place.

Six Mary's Place has a good track record in moving people on - 15% of trainees have moved on, compared to a national rate of 5% for this client group - however the social added value of this to the state and the local economy is dwarfed by the estimated savings to the NHS.

If David Freud's approach is adopted however, the importance of Forth Sector to the labour market and the national economy becomes of greater significance, and a return of over £8 for every £1 invested becomes a highly desirable investment return.

The main stakeholder expressed the view during interview that the mental health savings were not real savings, as no beds would be closed as a result of reductions in the range of services used by trainees at Six Mary's Place.

³⁰ One option suggested is to measure the additional sales income Six Mary's Place receives over and above its average competitors, as increased occupancy rates could be said to reflect customer perception of value, and to research this through customer feedback forms

The trainee survey results however showed that 55% of the savings were from reduced hospitalisation.

At an estimated total annual saving of over £400,000, and a unit saving per trainee working in a social firm of £21,208 per annum, it does suggest that an increase in the level of support for social firms development and an increase in the number of participants working in social firms would ultimately lead to real savings in the NHS over time.

This is a powerful argument for investment by the NHS and associated Government agencies in further social firms support and development.