

'Where There's Muck There's Money!'

## **'Where There's Muck There's Money!'**\*

*(\*An Old English saying)*

**- Why seeing waste as a resource makes cents!**

**An SROI Evaluation of the Bairnsdale Tipshop for the financial year 2013-14**

**Prepared for Bairnsdale Recycling Enterprises Incorporated**

**By Harry Freeman and Partners, *HFP***

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# SOCIAL VALUE

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## INTERNATIONAL

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## Key Points of Report

- The Bairnsdale Tipshop is situated in Bairnsdale, a small city in the east of Victoria, Australia. The Tipshop operates at the landfill site run by the local council. It takes goods that would otherwise have been put into the landfill and sells them from a building on site. The Tipshop is operated as a social enterprise by a local community group called Bairnsdale Recycling Enterprise Incorporated (BREI).
- In early 2015 BREI requested the author to carry out a Social Return on Investment (SROI) analysis of their operation. This document reports on an Evaluative SROI for the financial year from 1 July 2013 to 30 June 2014 (it also provides a baseline to which the program can be compared in the future).
- This report shows that for every \$1 invested in the program nearly \$2.83 of social, environmental and economic value was generated. This is based on an overall input value of \$91 790 and an outcome amount of \$259 721
- The program has met the three targets originally set by the Committee of Management to **Create Jobs** and **Save the Local Environment** by **Reducing Waste**. In addition it has also produced considerable **benefits for the local community both economically and socially**.
- The main inputs have come from the time and expertise given to the program by the Committee of Management members. Another major input has come from the Operations Manager who was appointed to run the Tipshop in 2009. Their decisions have been crucial in building the Tipshop into the successful operation it is currently
- There have been a number of benefactors of the program, they include
  - the local East Gippsland Shire which has saved on the substantial costs which would have been needed to provide more landfill space;
  - the Federal government which no longer supports the people who were previously receiving benefits and, in addition, collects more tax income from the extra wages; and
  - the local community which saves on landfill tipping fees and benefits from low prices on items in the Tipshop
- The main individuals who the Tipshop has benefitted are the five staff now employed at the shop who were previously long term unemployed. The Tipshop has not only given them a regular income, it has also had broader impacts on their general well-being and prospects for the future.

## Executive Summary

### Introduction

**Bairnsdale Recycling Enterprises Incorporated** is a not for profit incorporated association which has established a social enterprise (trading as the **Bairnsdale Tipshop**) to tackle some significant social and environmental issues in its local area. It operates in Bairnsdale, a small city (population ca 13 000) situated in the eastern tip of the state of Victoria, Australia.

Like many other municipalities in Australia, Bairnsdale has a mounting problem in dealing with the waste that is created in the area. At the same time it is a region which at the time of the inception of the program had a higher unemployment rate than the average for the state. In particular, the local youth unemployment rate was, and remains, at disturbingly high levels (around 30%).

The original idea for a Tipshop was investigated by representatives of various organisations involved with the local community in 2007 following the construction of a shed at the landfill site by Sustainability Victoria (an agency of the Victorian State Government) and East Gippsland Shire Council. After negotiations with the council it was arranged to establish the shop in the building and the program commenced in 2009. After some modifications to the original concept, the Tipshop has been running in its present form since 2010 as a viable concern giving employment to previously unemployed local people. By the period of time analysed in this report (July 2013 to June 2014), the Tipshop was employing six people on a part time basis (including a business manager who was not long term employed) and generated an income of \$188 000 in the year covered by the investigation.

The Tipshop has developed a model which involves taking goods that would have otherwise been put into landfill and offering them for sale in the shop set up at the landfill site. An important part of the operation, which has been crucial in its success financially, is that many of these goods have value added to them. This has been achieved by checking (*testing and tagging*) electrical goods to see that they are safe for resale and repairing or servicing goods such as lawn mowers and bicycles which increases their resale value significantly.

Another aspect of the program is that many of the staff employed at the shop have brought some skills to the operation which are useful to it. This has meant that the program has been more selective in choosing staff than originally anticipated. Significantly, it has meant that a minority of the employees has been drawn from the original target group of the young unemployed (those aged between 15 and 24 years old).

### The evaluation

In February 2015, the BREI Committee of Management requested the author to carry out an evaluation of their operation using the Social Return on Investment (SROI) approach.

SROI is an internationally recognised methodology that seeks to understand, measure and evaluate the total impact of a project, program, organisation, business or policy. Using financial proxies, it puts a value on the amount of change created and compares it to the costs of creating them. Importantly, the approach values all aspects of a program including personal, social and environmental aspects for which there is not always an immediate value in monetary terms.

After initial discussion with the BREI committee, it was agreed to carry out an evaluative analysis of the impact of the program over the most recent financial year (July 2013 to June 2014). To do this, information was gathered from data collected by BREI together with interviews with a number of stakeholder group representatives and secondary research.

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The present report will also be valuable as a Baseline document to be referred to during any future evaluations as the program develops and expands into planned new areas.

## Investment

**The total investment in the program for the period studied was estimated to be \$91 790.** The majority of this investment has come from two sources.

Firstly, the cost of employing a business manager (who is separate from the long term unemployed target group and whose input has been vital in 'turning the enterprise around') was \$41 500.

The next largest contribution has come from the time and experience contributed voluntarily by the BREI Committee of management members. This has been valued at \$40 220.

(At times during the life of the Tipshop there has also been a significant input from the Federal Government who have subsidised the wages paid to some of the Tipshop employees and also paid local Job Service Agencies a fee for selecting these employees and supporting them in various ways. However, during the time period being investigated here the Government contribution was relatively small and totalled \$1 650).

## Outcomes

**The Tipshop has produced outcomes with a total value of \$259 721.**

The main recipients as originally anticipated by those planning the program are the Tipshop staff and the East Gippsland Shire Council (which has benefited most from the environmental savings of the program).

Tipshop staff have received benefits, mainly as extra income, of \$63 361; the outcome for the Council has come in the form of savings on landfill costs of \$67 500.

Other beneficiaries have been the local community, which has received benefits totalling \$41 500, and the Federal Government, with a positive impact of \$74 100.

## Value Creation

Based on the current analysis of the operations of the Tipshop in the year ending 30 June 2014, around \$2.80 of social, environmental and economic value has been created for every \$1 invested.

<b>SROI summary</b>	
Total Investment	\$91 790
Total value of outcomes	\$259 721
<b>SROI ratio</b>	<b>2.83 : 1</b>

## Insights

- **The Bairnsdale Tipshop** has been established as a successful social enterprise, operating as a viable concern financially and meeting the broad aims set out in BREI vision statements (**Create Jobs, Reduce Waste, Save the Local Environment** and **Generate economic benefits that flow into the community**).
- The Committee of Management has shown that it is able to operate flexibly in response to the unexpected outcomes and changing circumstances it has faced. This has allowed the program to first become viable and then to gradually expand over the period through which it has operated.
- Significant impact in monetary terms has occurred for many of the stakeholders in the program, including nearly all of the Tipshop staff, the local council, the local community and the Federal Government
- The success of the program has allowed the Committee of Management to successfully seek further funding for the next phase of their program
- The next phase of the program will involve a broadening of the program into new areas as well as an expansion of the program already offered. At the same time the latest vision statement includes as an extra aim '*to deliver targeted and strategic community education relating to both reduced waste and how to run a social enterprise*'; (this aim has been addressed in part in the most recent year (2015) by working with students from local primary and special schools).

## Table of Contents

<b><u>Title Page</u></b>	page i
<b><u>Key Points</u></b>	page ii
<b><u>Executive Summary</u></b>	page ii
<b>Full report</b>	
<b><u>Introduction</u></b>	page 1
<b><u>Social Return on Investment</u></b>	page 4
<b><u>Scope</u></b>	page 5
<b><u>Stakeholder engagement</u></b>	page 8
<b><u>Mapping inputs and outcomes</u></b>	page 10
<b><u>Inputs</u></b>	
<b><u>BREI Committee of Management</u></b>	page 13
<b><u>Tipshop manager</u></b>	page 15
<b><u>East Gippsland Shire Council</u></b>	page 15
<b><u>Job Service Agencies</u></b>	page 15
<b><u>Federal Government</u></b>	page 16
<b><u>Sustainability Victoria</u></b>	page 16
<b><u>Total Value of Input to the program</u></b>	page 16
<b><u>Outcomes</u></b>	
<b><u>Tipshop staff</u></b>	page 17
<b><u>BREI Committee of Management</u></b>	page 18
<b><u>East Gippsland Shire Council</u></b>	page 20
<b><u>Local community</u></b>	page 21
<b><u>Federal Government</u></b>	page 23



<a href="#"><u>Local environment</u></a>	page 23
<a href="#"><u>SROI filters</u></a>	page 25
<a href="#"><u>Allotment of SROI filters</u></a>	page 27
<a href="#"><u>Total adjusted value of outcomes of the program</u></a>	Page 31
<a href="#"><u>SROI Index calculation</u></a>	page 31
<a href="#"><u>Sensitivity Analysis</u></a>	page 32
<a href="#"><u>Verification of the Results</u></a>	page 34
<a href="#"><u>Appendices</u></a>	page 35

## Full Report

### Introduction

This report is an evaluation of a Tips shop program which operates from the landfill at Bairnsdale in Victoria, Australia. This program operates during the hours that the landfill site is open for 364 days of the year. The program takes goods which would have otherwise been thrown into the landfill and puts them on sale to the public, in many cases after first having had their value added to in some way. The Tipshop program has been operating in various forms for six years and has reached a stage where it is now on a sound financial footing and plans are being put in place for its expansion.

This evaluation has been carried out following the principals of Social Return on Investment (SROI). In this approach all aspects of a program are given value, both those that have a direct monetary value and those that do not. This means that the significance of each part of a program can be taken into account when assessing its overall value so that, in this example, the personal, social and environmental outcomes are compared with the direct cost/ benefit result for the program.

As explained a little later, this is an **Evaluative** report which considers the operation of the program over the most recent financial year (1 July 2013 to 30 June 2014). As a result the report gives both an assessment of the program as it operates currently and also offers a **baseline** to which the program can be compared in the future.

### Background to the Tip shop program

#### The location

Bairnsdale is the largest town in East Gippsland a shire which has a small population spread over a large area in the eastern corner of Victoria, Australia. The size of the population limits Council's rate base while the number of small communities dispersed over a larger area limit economies of scale for service delivery. This means, for example, that the Shire Council's present waste disposal arrangements place a large burden on the rates and rate payers and the Council has placed waste reduction as one of its main strategic goals.

Bairnsdale itself had a population of 13,240 as recorded at the latest census, nearly one third of the total population in the Shire. The population also score low on the Index of Disadvantage (SEIFA) being placed 17<sup>th</sup> most disadvantaged out of the 80 Local Government Areas in the State. This has a limiting factor of the Council and also has a bearing on the way that the Tipshop operates and the clientele to which it offers services.

#### Initial developments

The idea for the Bairnsdale Tipshop program began in 2007 from the suggestion of a work experience student in an off campus school program run by the local secondary college. The suggestion was taken up by a number of local community groups who saw the opportunity to develop a social enterprise which would have positive outcomes for local unemployed youth, the environment and the local community. The community groups then joined forces with the two job

## 'Where There's Muck There's Money!'

network agencies in Bairnsdale and the ensuing partnership began negotiating with the East Gippsland Shire Council to have access to a shed which had already been erected at the local landfill site.

After a further development stage, including visits to similar enterprises already operating at other sites around Victoria, the Bairnsdale Tipshop came into operation as a social enterprise in January, 2009. The Tipshop was directed and overseen by a Committee of Management whose members were drawn from the original planning group. The Committee registered itself as **Bairnsdale Recycling Enterprise Incorporated (BREI)** which trades under the name of the **Bairnsdale Tipshop**. (For the remainder of this document the program being reported on is called **the Tipshop**).

### **Further changes up to the 2013/ 2014 financial year**

Before reaching its present mode of operation, a number of changes have been made from the way that the program was originally conceived and set up. The main ones are:

- The program has been broadened to employ people of all ages, not only young people as originally intended
- In 2010 a manager with skills in business was appointed to make the business operate successfully. As no-one was found from the unemployed pool available, this person was employed specifically for this purpose
- The Committee of Management changed in 2011 to become an Incorporated Association which means it has taken over responsibility for all aspects of the program including issues dealing with employment, reporting and policies (some of which were initially auspiced to one of the Job Service Provider agencies)
- One of the main reasons the business has changed its results is because the manager was able to identify that the business had to add value rather than just resell goods that came in (this assessment was based on the fact that the local population only provides a relatively low volume of items to the shop, which by themselves did not generate an adequate amount of sales revenue)

### **The Tipshop as it has operated since 2013**

Before reporting on the SROI analysis of the program it will be helpful to give an overview of how the Tipshop program operates currently.

#### ***Day to day operations***

The Tipshop staff source their material in a number of ways; most are brought to the landfill, some are collected from the public or local businesses.

The items gathered are then assessed and sorted depending on the most appropriate method of handling them. Some are sold directly; others are checked and, if necessary, repaired before sale. Some of the waste material from businesses comes as wood offcuts which are bundled for kindling.

It can be seen that the result of many of these Tipshop operations is to *add value* to the items being brought in. The value added aspect of the operation comes from a combination of prior skills and

## 'Where There's Muck There's Money!'

training. The staff are employed with an eye to obtaining people with useful skills. Some further training occurs officially (three of the staff have received accredited training in Testing and Tagging electrical goods, for example); whilst other skills have been shared between staff members on a more informal basis.

Training has also been provided so that the staff can handle sales and maintain accurate sales records which show details of each transaction and keep a financial record of sales on a daily basis. This means that the Tipshop program is able to run flexibly in response to its current circumstances. For example, the number of hours worked by staff fluctuates depending on the level of business at any particular time.

### ***Overall outcome of the program***

Since 2011 the program has been operating so that the main aims set out in the Committee of Management's original and revised vision statements have been achieved, i.e.:

- To provide employment opportunities to the long term unemployed
- To reduce waste
- To save the local environment
- To generate benefits for the local community

## Social Return on Investment

### Introduction

**Social Return on Investment** is an approach to evaluation that has been developed to provide a way of valuing and comparing the social and environmental outcomes of a program as well as its economic impact. Over the last ten years or so work has been done to produce a consistent and systematised method of conducting such an evaluation. This sets out a clear set of *principles* and *stages* to be followed in an SROI investigation. A comprehensive introduction to the SROI approach is provided in '*A Guide to Social Return on Investment*'<sup>11</sup> produced for the SROI Network\* in 2012. The guide describes the seven principles and six stages of SROI as follows:

### SROI process

#### The principles of SROI

These seven principles underpin how SROI should be applied:

1. **Involve stakeholders.** Inform what gets measured and how this is measured and valued by involving stakeholders
2. **Understand what changes.** Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
3. **Value the things that matter.** Use financial proxies in order that the value of the outcomes can be recognised. Many outcomes are not traded in markets and as a result their value is not recognised.
4. **Only include what is material.** Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.
5. **Do not over claim.** Only claim the value that organisations are responsible for creating.
6. **Be transparent.** Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported to and discussed with stakeholders.
7. **Verify the result.** Ensure appropriate independent assurance.

Carrying out an SROI analysis involves six stages:

1. **Establishing scope and identifying key stakeholders.** It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how.
2. **Mapping outcomes.** Through engaging with your stakeholders you will develop an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes.
3. **Evidencing outcomes and giving them a value.** This stage involves finding data to show whether outcomes have happened and then valuing them.

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<sup>1</sup> available at

[http://www.bond.org.uk/data/files/Cabinet\\_office\\_A\\_guide\\_to\\_Social\\_Return\\_on\\_Investment.pdf](http://www.bond.org.uk/data/files/Cabinet_office_A_guide_to_Social_Return_on_Investment.pdf)  
accessed on 02/08/2015

## 'Where There's Muck There's Money!'

**4. Establishing impact.** Collect evidence on outcomes and monetise them, those aspects of change that would have happened anyway or are a result of other factors are eliminated from consideration.

**5. Calculating the SROI.** This stage involves adding up all the benefits, subtracting any negatives and comparing the result with the investment. This is also where the sensitivity of the results can be tested.

**6. Reporting, using and embedding.** Easily forgotten, this vital last step involves sharing findings with stakeholders and responding to them, embedding good outcomes processes and verification of the report.

\*Note: the former SROI Network is now known as *Social Value International* (details at: <http://socialvalueint.org/> )

## SROI investigation of the Tipshop program

### Outline

The Bairnsdale Tipshop program was investigated following the SROI steps outlined above. The result of that investigation is described below.

### Establishing scope

**Scope** At the commencement of this investigation preliminary discussions were held with key members of the program Committee of Management to establish a scope for the program. The committee were keen to gain an insight into how well the program had been running since it had reached a successful level of operation. At the same time they wished to be able to measure the impact of the new developments in the program which were to be implemented soon (and which were required to be evaluated by their main funding body).

As a result it was decided that the analysis would take the form of a **Baseline SROI** for the period of the most recent full financial year (1 July 2013 to 30 June 2014). The advantages of this approach were three fold:

- The analysis would be of the program when it was operating in a way which successfully met its main goals
- The analysis would also set a baseline from which the program could be assessed as it progressed (and developed) in the future
- The time frame of a year was also chosen so that the effect of seasonal fluctuations which occur in the program would be reduced in the overall analysis

In addition, although no rigid geographical boundaries have been set for the impact of the program, the main focus has been on the local council area and its community which are the main targets of the goals identified by the BREI Committee Of Management.

**Identifying key stakeholders** The initial consultations together with documents provided by the Committee of Management (including the most recent Chairman's report and Strategic Plan) were used to gain a picture of the scope of the program and the stakeholder groups which had an input into it and/ or benefitted from it. From this process the following preliminary list of stakeholders was drawn up:

- **Local long term unemployed/ Tipshop staff**
- **BREI Committee of Management members**
- **Job Service Agencies**
- **East Gippsland Shire Council**
- **Local environment**
- **Local Community**
- **Federal Government**
- **Sustainability Victoria**

These were then investigated further to establish which produced and/ or received a sufficient impact to be considered to have a material effect on the program as far as this analysis is concerned. This process involved a combination of interviews, surveys, investigation of financial and other reports and interrogating publicly available records.

## 'Where There's Muck There's Money!'

The stakeholder groups selected for inclusion in this analysis together with the rationale for including them and the methods of investigation are summarised in the following table.

The following table gives details of the types and extent of engagement that occurred with each group



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<b>Stakeholder Group</b>	<b>Rationale for inclusion in analysis</b>	<b>Method of investigation</b>
Tipshop staff –	<i>The Tipshop staff are the people who operate the program on a day to day basis; They consist of:</i>	
<i>(i) business manager (not long term unemployed)</i>	<i>The business manager who is important because he provides the business acumen and many of the skills which are essential for the program to operate successfully</i>	<i>Interview with operational manager; Investigation of annual financial report and Tipshop financial records</i>
<i>(ii) other staff (employed, work experience and trainee) (these are recruited from local long term unemployed)</i>	<i>The other staff, as well as contributing to the program, also receive benefits from it, including employment, training and experience</i>	<i>Individual interviews with Tipshop staff Investigation of annual financial report and Tipshop financial records</i>
<i>BREI Committee of Management (COM)</i>	<i>The COM contribute the strategic management of the program which has established it and maintained it as a viable operation. They have also instigated the future expansion of the program</i>	<i>Group interview with majority of COM; Surveys with rest; Individual interviews/ further contact with selected COM members Investigation of annual financial report, Chairman's report and other documents</i>
<i>Job Service Agencies (JSA's)</i>	<i>The JSA's have provided most of the staff for the Tipshop They have benefited from the program because it has helped them to meet the targets set them by the Federal Government from whom they receive their funding</i>	<i>Interviews with JSA officers dealing with Tipshop program</i>
<i>East Gippsland Shire Council</i>	<i>The Shire Council provides the premises for the program They benefit from the program because it saves them costs associated with landfill and it helps them to meet their targets of reducing waste</i>	<i>Interviews with Council officers in areas related to Waste Management</i>
<i>Local environment</i>	<i>The local environment benefits because there is less waste. The program also reduces the greenhouse gas emissions in various ways</i>	<i>Records from Tipshop reports; Data from Federal Department of Environment Interview with regional Sustainability Victoria officer</i>

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<b>Stakeholder Group</b>	<b>Rationale for inclusion in analysis</b>	<b>Method of investigation</b>
<i>Local Community/ Economy</i>	<i>People in the local community who benefit from the program include: Those who bring goods to the tip save on tip fees The customers who buy goods from the Tipshop save on purchase prices</i>	<i>Records from Tipshop reports Survey of Tipshop customers Interviews with Tipshop staff</i>
<i>Federal Government</i>	<i>The Federal Government supports some of the staff at various points in the program; The Government benefits when people come off support benefits and start paying taxes</i>	<i>Data from the Australian Taxation Office and Federal Department of Human Services  Interview with JSA staff</i>
<i>Sustainability Victoria</i>	<i>Sustainability Victoria has provided funds which helped establish the program and will assist in its expansion</i>	<i>Interview with regional Sustainability Victoria officer</i>

## Stakeholder engagement

The main stakeholder groups which were approached during the consultation are listed in the following table with annotations on the type and 16 extent of engagement.

Stakeholder Group	No. in group	Details of engagement	Notes
<b>Committee of Management (COM)</b>	<b>8</b>	6 interviewed 2 completed survey	A group discussion was held with 5 members of the COM Other 3 members were interviewed or surveyed. In addition the COM chair and treasurer were interviewed individually in more depth Regular contact with these key members of the COM was maintained through the report writing process including the opportunity to review the draft final report. Annual report, strategic plan and other documents used to inform analysis of impact of several stakeholder groups
<b>Tipshop staff: business manager</b>	<b>1</b>	1 interview	The business manager was interviewed concerning his input into the program
<b>Tipshop staff: Other staff</b>	<b>5</b>	5 interviewed	Interviews were conducted with the operational manager, two full time employees and two staff who are on work experience programs from two different organisations Relevant information also gained from JSA interviews and Federal Government data
<b>East Gippsland Shire Council</b>	<b>3</b>	3 interviewed	3 key managers in programs related to Waste Management and Sustainability selected for interview
<b>Job Service Agencies</b>	<b>2</b>	2 interviews	Interviews were conducted with the manager and the case worker from Mission Australia who have been responsible for most of the referrals to the program over its lifetime
<b>Local community</b>			Survey conducted with Tipshop customers on line and face to face Extra information provided by Tipshop staff Data relevant to this section also obtained from Tipshop records and COM reports
<b>Sustainability Victoria (SV)</b>	<b>1</b>	1 interview	The regional officer responsible for SV programs was interviewed

## Interview schedules

Sample interview schedules used in the various rounds of group and individual interviews with the Committee of Management members are shown as [Appendix 1](#) to this report.

The survey presented to Tipshop customers is at [Appendix 2](#)

## Summary of stakeholder engagement process

As can be seen from the information above, all the members of the two groups which have the most involvement and impact on the program, the Committee of Management and the Tipshop staff have been contacted in detail. There has also been continuing contact with them during the investigation and report writing phases.

In summary, the main analysis of the report is based on:

- Discussions with all the Committee of Management
- Follow up interviews and continuing discussion with selected COM staff
- Data collection from COM reports and Tipshop documents
- Interviews with all Tipshop staff, East Gippsland Shire Council, Mission Australia (JSA) and Sustainability Victoria officers
- Surveys of Tipshop customers
- Data collected from secondary sources, such as the Australian Taxation Office and Federal Government Departments

## Mapping Inputs and Outcomes for the Tipshop program

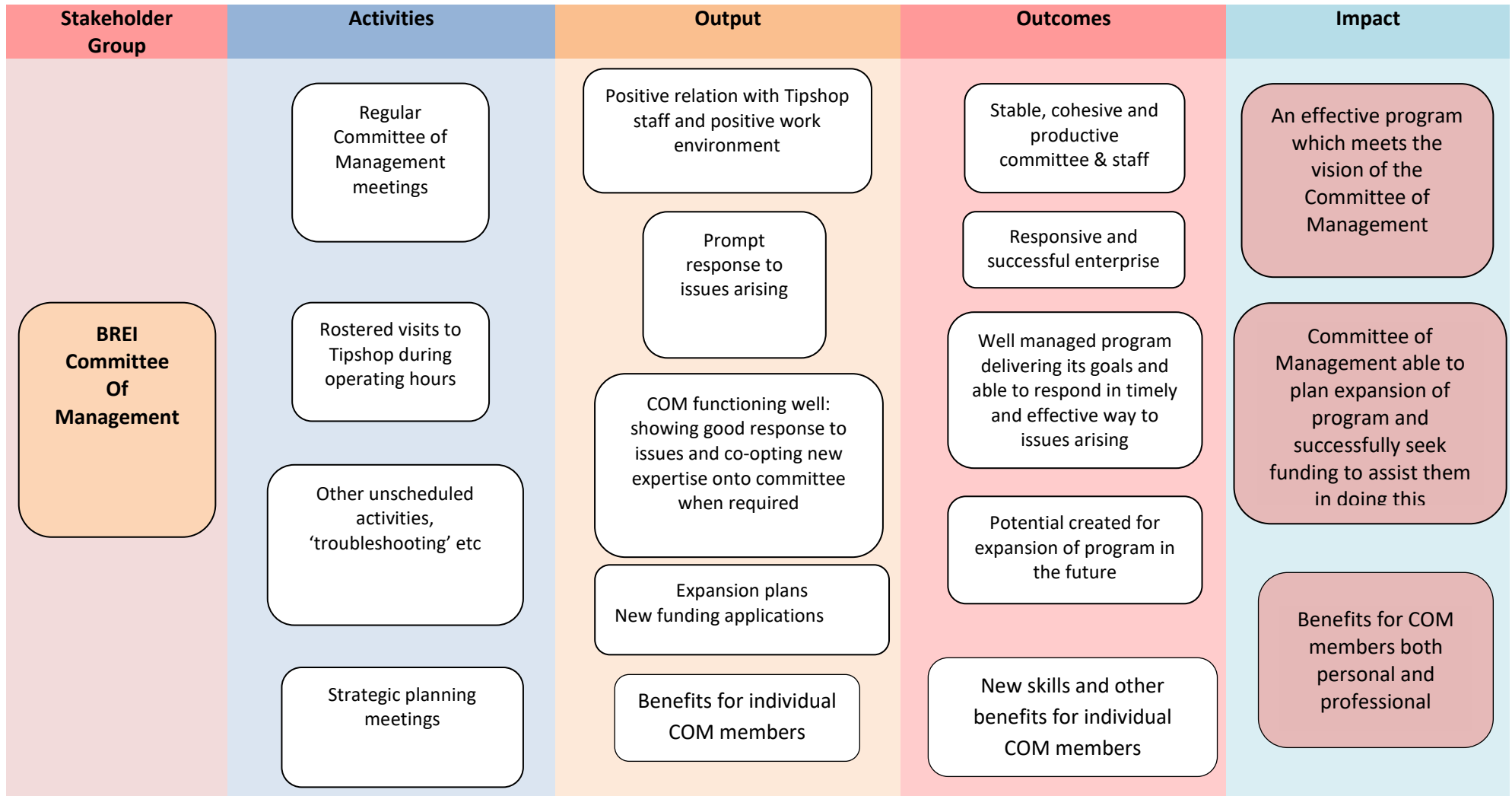
The next step to determining a SROI value is to establish an **Impact Map** which shows the overall impact of the program by investigating the inputs and outcomes of the program and builds up a stakeholder logic for how the different groups in the program participate and are affected by it. The Impact Map is developed sequentially as each aspect of the SROI process is addressed. The first step is to build up a program logic which outlines how the various inputs and activities of the program lead to the output, outcomes and overall impact of the program.

The program logic for the two most significant groups involved in the program, the Tipshop Committee of Management and the section of the Tipshop staff who are drawn from the long term unemployed, is shown below in two separate diagrams. As can be seen from the diagrams and the subsequent discussion, the Committee of Management has its main impact on the program through its **input**. By contrast, most of the Tipshop staff receive an impact from the program's **outcomes**.

These concepts, together with the rest of the material used to complete the Impact Map will be discussed and detailed step by step in the report. The completed Impact Map in its entirety is provided as a separate attachment.

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**Stakeholder Logic for Committee of Management (COM)**



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**Stakeholder Logic for Tipshop Staff**

Stakeholder Group	Activities	Output	Outcomes	Impact
<p><b>Tipshop Staff – Business manager</b></p>	<p>Supervise and improve program</p>	<p>Modified program operating on sound business model</p>	<p>Tipshop operates as viable concern</p>	<p>Goals of BREI vision are met – including benefits for other Tipshop staff</p>
<p><b>Tipshop Staff (from long term unemployed)</b></p>	<p>Selection and employment of staff</p> <p>Training - accredited &amp; informal</p> <p>Day to day operation of Tipshop</p>	<p>Staff in long term, stable employment</p> <p>Staff receive formal and informal skills training</p> <p>Staff gain other employability skills</p> <p>Staff receive increased income</p>	<p>Increase in income above previous Newstart payments</p> <p>Engagement in long term employment plus skills acquired result in greater 'employability' status</p> <p>Improved feelings of self –confidence and self worth</p>	<p>Regular, increased income</p> <p>Greater employment prospects</p> <p>Improved health benefits</p>

## Inputs

This section deals with the main groups which have an input into the Tipshop program which allow it to operate in its current form. These groups are considered to be: **the BREI Committee of Management, the Tipshop business manager, the East Gippsland Shire Council, the Job Service Agencies, the Australian Federal Government and Sustainability Victoria**. The rationale for their inclusion and the value ascribed to their input used is outlined below for each group.

### **BREI Committee of Management**

The BREI Committee of Management is the main driver of the program. The committee consists of eight members (as set out in their rules of Incorporation) including three who have been involved from the onset of the program in 2007 when it was in the concept stage. The other members have been selected carefully as vacancies arose and have often been approached because of specific skills or expertise that they can offer the program.

**The main inputs** of the Committee (as identified in discussion with the committee members as a group and individually) are:

#### **Regular Committee Meetings and contact with Tipshop**

The committee meets bimonthly to deal with the regular business of managing the program and to provide strategic oversight to the program (the day to day management of the program is provided by the managers employed as part of the staff to fill this role). They have also agreed to visit the Tipshop regularly so that they can stay familiar with the operation of the shop and hear about developments first hand. This contact has also been an important factor in building up a good relationship between the staff and the committee and to create a positive working environment in the organisation. On average the committee members estimated they contribute around four hours a month each to the program.

#### **Other involvement by specific committee members**

The Treasurer also spends on average 4 hours a week maintaining a close oversight of the finances which is vital for the way that the program operates at present.

#### **Costing**

All the committee members are volunteers and to value their contribution a proxy value is required. In determining this value, guidance was taken from various assessments of the value of volunteers that have been carried out over the last 20 years or so in Australia and overseas. In some cases tools have been developed to assist the process<sup>12</sup>. In Australia, reports for a number of states have been produced which use the *average compensation per employee* from the Australian Bureau of Statistics as a global proxy figure for all volunteers (for example, *The Economic Value of Volunteering in Queensland*<sup>3</sup>).

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<sup>2</sup> Volunteer Investment and Value Audit (VIVA), the National Council for Voluntary Organisations, UK

<sup>3</sup> *The Economic Value of Volunteering in Queensland*, Ironmonger D, Department of Community Queensland, 2008



## 'Where There's Muck There's Money!'

A useful discussion of the various approaches available can be found in a report for the Australian Council of State Emergency Service<sup>4</sup>. The authors suggest that the preferred approach by many researchers is what they call the '*specialised substitution method*': This approach uses the relevant wage of a specialist with appropriate skills for the task which is being performed.

This is appropriate in the present case because the volunteers are offering high level managerial skills which would not be captured by an *average compensation* value. On the other hand the role that the committee members fill is not easily valued using independent sources. Therefore to strike a value, individual committee members were asked to make an estimate of the amount of time they contribute and the value based on the amount they charge or are paid for producing equivalent outcomes in other situations (many of the committee members are private consultants and so the value given is based on a realistic estimate). After a further discussion around this topic at the group interview, an average amount of \$65 an hour was arrived at as an appropriate valuation.

From the discussions the number of hours contributed by the committee is:

8 members x 4 hours per month x 12 months = 384 hours per year

**Plus** (for treasurer) 4 hours per week x 52 weeks = 208 hours per year

**Total hours per year = 588 hours**

**Total value = 588 x \$65 = \$38 220**

### (i) Extra cost of funding application

One member of the Committee was involved in preparing a successful application for extra funding for the program from Sustainability Victoria.

#### **Costing**

He has estimated the value of his input as having a value of **\$2 000**

### (ii) Staff training

BREI was also responsible for paying for some formal training delivered to Tipshop staff members during the time being considered. The cost of this training is reported in BREI's *Profit and Loss statement for 2013 – 14* as

**\$3 115**

### (iii) Rent

The BREI pays rent for use of the shed at the landfill

#### **Costing**

The rent paid in 2013-14 is reported in BREI's *Profit and Loss statement for 2013 – 14* as **\$285**

**Total value of input from COM: \$38 220 + \$2 000 + \$3 115 + \$285= \$43 620**

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<sup>4</sup> *The value of volunteers in State Emergency Services*, Gaminda, G., Bennett J and Handmer J, Australian Council Of State Emergency Services, 2007

## Tipshop business manager

As explained elsewhere, the Tipshop manager has been employed to bring his business acumen and other skills to the program. He is not from the target group of the long term unemployed at whom the program is aimed and therefore his contribution to the program and the income he incurs can be considered as one of the inputs to the program. The total cost for employing the Tipshop manager for the period being studied is \$41 500.

***Input of the Tipshop manager:*            \$41 500**

## East Gippsland Shire Council

The local council provided funding (together with Sustainability Victoria) for the shed in which the Tipshop program operates. Their share of the initial cost was \$42 500. However, the shed, which was erected in 2009, can be considered to have an operating life of at least 20 years. Therefore the amount of the Council's contribution for the facility to cover the one year that this report is assessing has been calculated as \$2 510. This value was arrived at using the *diminishing value method* as outlined by the Australian Taxation Office<sup>5</sup>.

***Input from East Gippsland Shire Council:*            \$2 510**

## Job Service Agencies

It became clear from interviews with the JSA staff and from the Tipshop's records that in fact nobody had actually been referred to the program from a Job Service Agency during the time dealt with in this investigation (the financial year 2013 – 14) and so they have had no impact on the program that is relevant to this report.

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<sup>5</sup> Australian Taxation Office web site at <https://www.ato.gov.au/business/income-and-deductions-for-business/depreciating-assets/general-depreciation-rules/prime-cost-and-diminishing-value-methods/>

## Federal Government

The Federal Government have made two important contributions to the Tipshop over its entire lifetime:

- (i) They have funded the Job Service Agencies who have provided staff working at the Tipshop and also some of the training for the staff
- (ii) They also pay benefits to the staff who are on work experience and subsidise the wages of some of the staff at the Tipshop

However, as explained above, during the time frame of interest to this report no one was employed through the Job Service Agencies.

There was one person who came to the Tipshop through a program (the Commonwealth Rehabilitation Service) which was administered directly by the Federal Government's Department of Employment. During the relevant year the Government paid a subsidy towards the overall costs of his employment.

***Total input from Commonwealth Government:                    \$1 650***

## Sustainability Victoria

Sustainability Victoria has made a contribution to the building that is currently being used to house the Tipshop. Their contribution matches that put in by the Local Council so, by a similar calculation to that used previously, this amounts to \$2 510 for the time period under consideration.

***Total Input from Sustainability Victoria:                    \$2 510***

## Total value of Input to the program

The various inputs to the Tipshop program are summarised in the table below.

***The overall value of inputs to the program are estimated to be \$91 790***

Group/ organisation	Value of Input
Committee of Management	\$43 620
Tipshop business manager	\$41 500
East Gippsland Shire Council	\$2 510
Job Service Agencies	\$0
Federal Government	\$1 650
Sustainability Victoria	\$2 510
<b>TOTAL INPUT</b>	<b>\$91 790</b>

## Outcomes

### Introduction

The total impact of the program can be assessed by looking at the impact it has had separately on each of the stakeholder groups that are most affected by it. In this case they are judged to be: **the Tipshop staff, the BREI committee, the local council, the local community and the local environment.**

### Measuring outcomes - The Tipshop staff

As has been described previously the Tipshop Staff fall into three groups:

- **the business manager** appointed to run the enterprise effectively
- **staff employed by the program** who are drawn from the local long term unemployed group
- **staff** who are long term unemployed and are being funded by other agencies as part of a 'work experience' scheme

**Measuring outcomes - Business manager** The impact of the **business manager** has already been discussed and included as an **Input**.

**Measuring outcomes - Staff employed directly by the program** In the 2013/ 14 business year, apart from the business manager, five staff members were employed on a part time basis. One of these was appointed as an operations manager so that the Tipshop could be opened seven days a week. On average they worked a total of 124 hours a week.

#### **Outcomes for the staff.**

Individual interviews were conducted with each of the staff to determine what benefits they had received from participating in the program. Their responses were varied; the most significant were:

**(i) Job satisfaction** *'It's like having your own shed to work in all day!'*

All the respondents enjoyed working at the Tipshop. They enjoyed being able to use skills they either brought to or learned in the new work place. The operations manager valued the opportunity she had been given to take on extra duties and responsibilities. This has revealed to her hitherto hidden talents and given her more confidence and boosted her self-esteem.

**(ii) Benefits for others**

One person described how the new role had improved relations at home largely because the financial restrictions that had been an issue when that person had been receiving benefits were relieved.

*'It means I can pay for my children to go on excursions from school that they were sometimes missing out on before'.*

### **Measuring the impact**

In discussing the impact of these changes on their lives, the staff members most easily identified the benefits as relating to the financial rewards they received through their wages. The value of this impact can therefore be expressed as the wages of the employees (apart from the business manager) extra to the amount they would have received from the Government 'Newstart' benefit if they had not been employed. Their income was **\$121 850** in total for the year as shown by the BREI annual Profit and Loss statement. Newstart payments would have equalled \$67 600. So the total impact of this section is:

$$\mathbf{\$121\ 850 - \$67\ 600 = \$54\ 250}$$

**Note:** in recording this amount on the final Impact Map the impact for the section has been separated into two amounts: that relating to the Operations Manager and the amount relating to the rest of the staff together (**\$15 610** and **\$38 640**, respectively). This does not change the overall impact of this section but is relevant later in a discussion under the '*Duration and Drop Off*' heading in the **SROI filters** section.

#### *(iii)* **Better health outcomes**

One employee had experienced great improvement in his overall health. In particular, he was no longer depressed. This meant that he no longer visited a doctor as regularly as before and saved on medication payments.

#### **Measuring the impact**

The total benefit of this was calculated as \$402.30 per year (= 6 x \$37.05 visits to doctor plus medication) on the basis that this person had previously visited the doctor on this issue once every two months and had spent \$180 on medication.

### **Measuring outcomes – BREI Committee of Management**

The outcomes for the Committee of Management were established as a result of a group interview plus individual interviews with a number of members.

The main outcomes nominated can be divided into two groups:

- (i)* the satisfaction at achieving the goals set at the onset of the program and the opportunity this had given the committee to pursue the expansion of the program, and
- (ii)* professional benefits identified by two members of the committee

Satisfaction at achievements of the program

All the committee members were able to express satisfaction with the fact that they had assisted with the program's achieving its goals, e.g.

*'I joined firstly because of my environmental background however the people side of things gives a huge amount of satisfaction'*

## 'Where There's Muck There's Money!'

However, even though they were prompted to place a value on this outcome in terms of other suggested experiences in their lives only one was able to translate it into a monetary value. This member valued it as equivalent to having an evening with friends every three weeks. In detail, she valued it this way

*One ticket to the pictures (with a senior's concession) \$20*

*One meal with a glass of wine at a pub/café \$55*

*\$75 per night X 17 pa = \$1,275 annually*

**The value derived from personal satisfaction = \$1 275**

Professional benefits for COM members

Three of the committee members described benefits they had received from committee membership which had an impact on their life professionally.

One member has used her intimate knowledge of the Tipshop program to assist in her achieving an MBA. In particular, it helped her in completing a presentation which was part of the overall assessment for the course. She calculated the value as a proportion of the total cost of the unit of study (relating it to the proportion of the course for which this experience had value).

The total cost of the unit was \$9 000

The 'weighting' given to the relevant section of the course was 13%

**The value attributed to the knowledge gained is \$9 000 x 13% = \$1 170**

A second committee member is able to use his direct experience of the program in his work professionally, particularly in his role as leader of various community development groups. He assesses that his presentations are now more relevant, so his ability to deliver credible outcomes in his work are improved which maintains his professional standing and employability.

Valuation: the COM member charges between \$600 and \$1 000 per session and delivers up to twelve of these sessions per year. He assesses the value he has gained from his COM membership as being equivalent to the material delivered in two of these sessions.

**Value attributed to enhanced skills is 2 x \$600 = \$1 200**

Another member reported that her experience on the committee had given her greater skills in strategic thinking. She assessed this as being equivalent to attending a one day training course worth \$1 000.

**Value attributed to enhanced skills = \$1 000**

***Summary of value of professional outcomes for COM members***

Value of professional outcomes = \$1 170 + \$1 200 + \$1 000

**Total value of professional outcomes = \$4 645**

### Opportunity for further expansion of program

The success of the program has given the committee the opportunity to plan the expansion of the program.

#### Valuing the outcome

**The outcome** so far has resulted in a further grant being awarded by Sustainability Victoria (of \$40 000). However, no funds were actually received by BREI (or allocated by them) in the time frame being assessed and so their impact is not included in this report.

## Measuring outcomes - The East Gippsland Shire Council

The impact on the local council is mainly due to fees that would have been paid for the goods if they had been put in to landfill if the Tipshop program did not exist. The overall impact can be separated into two parts: *loss of revenue from tipping fees* and *savings to the council in expenses they avoid paying*

#### Loss of revenue from tipping fees

The council has lost the revenue it would have received from the people who would have deposited the goods at the tip. As explained below this amount of money was used to pay for the fees charged by the State Environmental Protection Agency. Therefore the net effect on the Council is zero in monetary terms.

#### Savings to the council in expenses they avoid paying

On the other hand the Council has been saved considerable expenses itself which are not covered by the tipping fees it charges. They are made up of ***the expense of providing and preparing the landfill site*** that it would have been required if the goods had been put in the landfill rather than recycled.

***Savings to the council*** the cost of providing landfill is **\$150 per cubic metre** (this figure was provided by East Gippsland Shire Waste Management staff and confirmed by the Sustainability Victoria officer).

The overall volume of goods sold through the Tipshop (*as calculated by the Tipshop staff based on records of the items handled in the Tipshop*) was 450 cubic metres. Therefore:

**Total savings on landfill for council are 450 x \$150 = \$67 500**

## Measuring outcomes - Local Community

The local community receives outcomes from the program in a variety of ways:

- (i) The people who donate goods to the Tipshop save on tipping fees. The people who buy goods receive the benefit of purchasing goods at a reduced price
- (ii) Some people buy goods at a reduced price at the Tipshop and then sell them for a profit at local markets. (The Tipshop staff are prepared to accept this as long as the original price at the Tipshop is considered to be satisfactory as it helps to keep the flow of goods through the shop)
- (iii) There are also other flow on impacts to the broader local economy of the income which is generated through the Tipshop.

### Valuing the saving for local community members of not paying tipping fees

The council charges at various rates for items deposited into the tip depending on the type of material and the quantity that is being deposited. The minimum charge is at a rate of \$40 per cubic metre of domestic waste.

As explained above the volume of goods kept out of the landfill has been assessed as 450 cubic metres. So a conservative estimate of the benefit to those donating items to the Tipshop is:

$$450 \times \$40 = \$18\,000$$

### Valuing the outcomes for those buying from the Tipshop.

Without detailed information for each customer of the Tipshop, which the staff do not have the capacity to obtain, exact information about them and the value of benefits they receive from their purchases cannot be obtained. However, it has been possible to build up an informed picture from two sources. The first has been from a sample of the customers themselves: they were approached through a survey which was administered by placing it on the Tipshop Facebook page and also by presenting it face to face to the customers at the shop over two separate weeks. The second source of information has been the Tipshop staff. Although the staff have not gathered information formally they have developed a good relationship with their customers, especially with the regulars, of whom there are several. This relationship is clear from comments on the Facebook page, for example, and means that the staff's opinions, although generally anecdotal, are based on a sound understanding.

The staff at the Tipshop assess that most of the purchases made at the shop are by local people from a low socio-economic background (as mentioned previously, the local council area is one of the poorer economically in the state measured on information from the Australian Bureau of Statistics). Within this group there is no particular sub group that is over or under represented (customers include people of a range of ages and both sexes).



## 'Where There's Muck There's Money!'

From the responses to the survey it is clear that although many customers appreciate the friendly atmosphere at the Tipshop

*'sometimes they come down just for a chat,' Tipshop staff member*

but the main reason for being a customer is the savings that they are able to make.

### *Assessing the savings made by Tipshop purchasers*

An approximate evaluation of the savings made by Tipshop customers has been made by using informed information which was provided by one of the Committee of Management members. He is both experienced in the local second hand 'market' (he runs a local second hand shop mainly selling 'collectable' items) and is closely linked with the Tipshop project (he has had connections with the Tipshop from its initial, conceptual stages). His judgement of Tipshop prices is as follows:

Items of the type that would be sold in his shop are sold in the Tipshop for around half the price that would be paid elsewhere locally

However, the bulk of items in the Tipshop, which are not in this category (i.e. they are less valuable), would still cost more elsewhere but the difference would be less. His informed estimate is that the difference would be up to 25% more elsewhere.

### ***Estimating the value for those buying at the Tipshop***

Using this information, the estimate of the value to customers has been made by the following rationale:

*Customers can save up to 100% on their purchases*

*However, most purchases are providing a saving of between 0% and 25%*

*The following estimate has been made using a rate of saving of 12 ½ %*

On this basis the estimated overall saving for Tipshop customers is 12 ½% of total sales, or

$$\mathbf{\$188\ 000 \times 12.5 / 100 = \$23\ 500}$$

## Measuring outcomes – The Federal Government

The Government has had a reduction in the supporting funds it pays to the previously unemployed. By employing 5 people the Tipshop has saved the Federal Government from paying **5 sets of Newstart Allowance** which have a total value of **\$67 600**.

It also receives new income tax revenues from the Tipshop staff who have gained regular employment through the Tipshop program. Av income tax on \$25 000, is \$1 300 per person, so the tax received from the 5 Tipshop staff who were long term unemployed is:

$$5 \times \$1\,300 = \$6\,500 \text{ total}$$

$$\text{Total benefit for the Federal Government is } \$67\,600 + \$6\,500 = \$74\,100$$

## Measuring Outcomes - the Local Environment

Two general outcomes have been identified for the environment both locally and more widely.

**Reduction of waste** The clearest impact on the Environment is the reduction in the amount of material being put into landfill. The value of this impact has already been included in the Local Council section and so is not repeated here to avoid duplication.

### Impact on greenhouse gas emissions (carbon accounting)

The impact of the Tipshop program on the local carbon footprint includes some complex questions and potentially can be divided into the following two categories.

#### ***Reduction of emissions from Landfill***

The amount of carbon emitted which would have been generated had the goods been left in the landfill has to be dealt with some care. The value for the Emission Factor provided by Federal Department of Environment for Municipal Waste in the *National Greenhouse Accounts Factors* is **1.2 tonne CO<sub>2</sub>-equivalent/ tonne of waste** (t CO<sub>2</sub>-e/t waste). However, this value is boosted because there is a great deal of food and other vegetable matter in the general waste.

By contrast, the items which are given to the Tipshop contain much less biodegradable material and therefore are much more similar to the category of 'Building and Construction waste' for which the emission factor is given as **0.2 t CO<sub>2</sub>-e/t waste**. Using this more conservative but more realistic factor, the savings in carbon emissions per year would be:  
**450 x 0.2 = 90 t CO<sub>2</sub>-e.**

## 'Where There's Muck There's Money!'

To place a realistic value on this amount involves some speculation. The line of argument used in this report is as follows:

If the now defunct Australian Government Carbon Tax had continued the value of carbon would have been tied to the value set by the European Union Emissions Trading Scheme. This has fluctuated significantly since the Scheme's inception in 2005. It entered a new phase in January 2013 when the carbon price was set at **6.67 Euro per t CO<sub>2</sub>-e**.

The exchange rate between Euros and Australian currency also fluctuates. At the time of writing (May, 2015) 1 euro is equivalent to 1.43 \$AUD.

Using these values as a guide, the value of greenhouse gases saved by the Tipshop program is: **90 t CO<sub>2</sub>-e x 6.67 x 1.43 = \$858**

N.B. although this calculation is clearly highly speculative the total value of the savings is relatively insignificant compared with other amounts in the overall calculation. Therefore even if the values were out by a factor of 10 they would not have a significant effect on the final SROI index values. This point will be returned to later. It should also be noted that this result is not an indication that the program has failed in any way because having a significant impact on carbon emissions was not one of its expected outcomes.

### **Reduction of emissions from selling used goods**

As well as this there is an impact of the goods sold in the Tipshop. This is a much more complex issue to analyse accurately as it involves a number of considerations, including: If the purchaser would have bought a new item, the amount of carbon involved in the production and transportation of that item to Bairnsdale has been saved. However, if the item that is purchased consumes energy at a much higher rate than the new item would (i.e. the recycled item has a lower energy star rating) over its period of use there may not be an overall benefit to the environment. Such questions would require a detailed Life Cycle Assessment analysis to be answered accurately. These are not currently available.

In addition, the Tipshop records themselves do not contain the detail of information which would be required to carry out this type of analysis. For these reasons an investigation of this line of enquiry was not pursued.

## **Summary of allocated outcome values**

<b>Group/ organisation</b>	<b>Value of outcome</b>
Tipshop staff – income	<b>\$54 250</b>
Tipshop staff – other	<b>\$402</b>
BREI Committee of Management - personal	<b>\$1 275</b>
BREI Committee of Management - professional	<b>\$4 645</b>
East Gippsland Shire Council	<b>\$67 500</b>
Local community - savings in fees	<b>\$18 000</b>
Local community - savings made by purchasers	<b>\$23 500</b>
Federal Government - savings	<b>\$67 600</b>
Federal Government – extra revenue	<b>\$6 500</b>
Local Environment	<b>\$858</b>

## SROI Filters

Before the final value of the **Outcomes** and the **SROI index** for this program is calculated it is important to check to what extent the outcomes from the program are the direct results of the inputs that have been identified and also over what time these outcomes will have an impact. To do this the outcomes are assessed using four filters: **Deadweight, Displacement, Attribution** and **Duration and Drop off**. Each of these filters is described separately below. The extent that each of these filters has on the outcome is reflected in the final outcome value. If the filter has no effect on the outcome the impact is assigned as 0% and the value attributed to it remains the same. If the filter has had 100% effect the value attributed to it previously is reduced to 0.

### Deadweight

The **deadweight** filter gives an estimation of the value that would have been created if the activities from the program did not happen.

Category	Assigned deadweight
1. The outcome would not have occurred without the activity	0%
2. The outcome would have occurred but only to a limited extent	25%
3. The outcome would have occurred in part anyway	50%
4. The outcome would have occurred mostly anyway	75%
5. The outcome occurred anyway	100%

### Displacement

**Displacement** is an assessment of how much of the activity displaced other outcomes.

Category	Assigned displacement
1. The outcome did not displace another outcome	0%
2. The outcome displaced another outcome to a limited extent	25%
3. The outcome partially displaced another outcome	50%
4. The outcome displaced another outcome to a significant extent	75%
5. The outcome completely displaced another outcome	100%

### Attribution (to others)

The **attribution** filter is used to check if the inputs already identified previously in this report are wholly responsible for all of the value created or whether other inputs also had an impact.

Category	Assigned attribution to others
1. The outcome is completely a result of the activity and no other programs or organisations contributed	0%
2. Other organisations and people have some minor role to play in generating the outcome	25%
3. Other organisations and people have a role to play in generating the outcome to some extent	50%
4. Other organisations and people have a significant role to play in generating the outcome	75%

'Where There's Muck There's Money!'

5. The outcome is completely a result of other people or organisations	100%
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**Duration and Drop off**

Drop-off recognises that outcomes may continue to last for many years but in the future may be less, or if the same, will be influenced by other factors. The drop-off rate indicates by what percentage the value of the outcome declines each year.

<b>Category</b>	<b>Assigned drop off</b>
1. The outcome lasts for the whole period of time assigned to it	0%
2. The outcome drops off by 25% per year from year 2 on	25%
3. The outcome drops off by 50% per year from year 2 on	50%
4. The outcome drops off by 75% per year from year 2 on	75%
5. The outcome drops off completely by the end of the time period	100%

## Allotment of SROI filters

### ***Introduction***

In assessing the possible filters to be applied to the Tipshop program two main factors have been taken into consideration:

- Much of what the Tipshop offers is unique to the program
- By making this assessment over the discrete period of one year considerations relating to the longer term impact of the program have been reduced

Consequently, the following allotments for the filters have been made:

### ***Deadweight***

Before the Tipshop was established there was no program operating that in any way produced the outcomes attributed to it. The items dealt with by the Tipshop would previously have been placed in the local Landfill or would have been disposed of in some other way as waste and none of the benefits of the program would have occurred.

It is true that if most of the staff had not been employed at the Tipshop they would have been receiving Newstart benefit. However, this has already been taken into account when the valuation of the relevant outcome was made.

Using this rationale a deadweight of 0% has been ascribed to each of the outcomes.

### ***Displacement***

It was considered that there are a number of outcomes for which displacement may potentially have occurred. They will be considered under two headings: *Increased income for the Tipshop staff* and *impacts on the local economy*.

#### *Increased income for the Tipshop staff*

The main benefit for the Tipshop staff has been valued in terms of the extra money they earned above their potential earnings through the Government *Newstart* program. This valuation would be diminished if the staff had been likely to gain alternative employment during the time under consideration. To clarify this point guidance was obtained from the Job Agency officer who dealt with nearly all of the staff placements at the Tipshop and who, through her experience of the local employment market over several years, was able to give informed advice. She reported that the local employment market at the time in question was (and still is) very slack and so alternative employment was unlikely at the basic, entry level which was offered at the Tipshop over the time covered by this report.

Going by this judgement, the *displacement* value for this item has been set at **0%**.

## 'Where There's Muck There's Money!'

*Income benefits to the local economy:* the discussion under this heading is divided into two parts: *displacement of income from other retail outlets* and *displacement of the income spent by customers at the Tipshop*.

### *Displacement of income from other retail outlets*

The following discussion is based on interviews with managers of local Opportunity Shops in Bairnsdale as well as members of the Tipshop Committee of Management and the Tipshop manager who were involved in making the decisions that are mentioned.

The only potential overlap with the Tipshop program comes from activities connected with local opportunity shops (Op Shops) and a second hand building material shop that was operating in the area for the time covered by this report. It is possible that by selling items at the Tipshop, the sales and income of these other establishments would have decreased.

In practice, the Tipshop management have taken steps to reduce any competition to a minimum. A decision was made that the Tipshop would **not** handle clothes, which is one of the main components of Op Shop business. In addition, two lines of goods the Tipshop does handle, which make up a significant proportion of the sales, electrical items (including white goods) and building materials, are not dealt with by Op Shops in Bairnsdale. Additionally, an arrangement was reached with the Second Hand Building Material shop which removed the potential for competition to the satisfaction of all parties.

This overlap is also reduced significantly because much of the income of the Tipshop comes from the added value that is given to the goods sold at the Tipshop. The Op Shops do not deal with goods in this way.

In some instances the Tipshop has been of benefit to Op shops because it has taken some of their goods that would otherwise have been taken to the Landfill (for which they would have been charged a fee).

Using the above rationale, a *displacement* value of **0%** has been allotted to this item.

### *Displacement of the income spent by customers at the Tipshop.*

As has been explained elsewhere most of the customers of the Tipshop are locals and so the money they spent at the Tipshop has been displaced from alternative uses of these funds. However, the key to understanding the impact of this is to understand that the Tipshop is a business whose income is mainly directed back into the local economy. An analysis of the annual accounts for the year in question reveals that 98% of the Tipshop revenue was paid either as wages to Tipshop staff or to obtain local goods and services. In regard to this item the Tipshop's operations have thus received money from locals and redirected it back into the local economy and thus had no net effect on it.

The **displacement** effect of this step has therefore been set at **0%**.

### **Attribution**

The Tipshop program is a unique program in the area. As has been explained previously, there have not been any other inputs that have materially contributed to the program apart from those identified in this report.

One possible contribution that was identified was for the staff member who said she had gained particular skills from the program which were of value to her. The possibility that she would have obtained these skills in some other way, e.g. from training provided by the Job Agency she was registered with has been investigated. This was done by interviewing the person who was her case manager at the time in question. The case manager confirmed that the Tipshop employee received her extra training sometime after her employment at the Tipshop. In fact, it was because of her involvement at the Tipshop that the employee became motivated to seek these extra skills.

The attribution filter for this case and all the other outcomes has therefore been assessed as 0%.

### **Duration and Drop off**

Drop-off recognises that outcomes may continue to have an impact beyond the time reported on but may reduce in the future or, if the same, will be influenced by other factors. The drop-off rate indicates by what percentage the value of the outcome declines each year.

### **Duration and Drop off**

For most aspects of the program the outcomes are confined to the length of time that this report covers, one year. If the program had ceased at the end of this time there would have been no further diversion of materials from landfill, no further environmental savings, the employment created would have ended. There are two outcomes, however, which are judged to have produced a longer term effect. These are connected to the extra experience that has been gained by two groups of people connected with the program and nominated by them as being of value to them: the Tipshop staff and three members of the Committee of Management.

#### *Tipshop staff*

*All the Tipshop staff members would have their employability prospects for the future improved by their involvement in regular positions. This would have a continuing impact into the future. However, as has been explained before the local employment market is weak and likely to remain so into the foreseeable future which would reduce the level of this impact. Therefore the following discussion is based on the prospects for the person who has gained the skills and expertise to raise her beyond the base level she had been previously and therefore has improved her employment prospects.*



## 'Where There's Muck There's Money!'

The member of staff who had become the daily operations manager described how the extra skills she had obtained whilst being employed at the Tipshop had led to her being paid at a higher rate than she would have been paid previously and left her with the potential to obtain more responsible and better rewarded employment in the future. The discussion with her Job Agency case manager indicated that in the employment market situation that pertained at the time, it is most likely that it would have taken at least a further two years (beyond the year being evaluated) for these skills to be obtained in other circumstances. The case manager also indicated that this person is the most likely to gain employment elsewhere because of her involvement in the Tipshop. Her prospects of gaining employment elsewhere have been judged to be 50:50. Therefore, for this example, the extra earnings that have become available to this employee are assessed to have **50%p.a drop off** and a total **duration of three years** (the year being evaluated here plus two more).

### *BREI Committee of Management member*

Three of the members of the Committee of Management nominated aspects of their involvement with the Tipshop program which had increased the value of the professional services they could provide. One had been assisted in gaining a degree, one was able to offer a better service to his clients, a third had gained experience equivalent to extra formal training. In assessing the duration and drop off for these two cases it has been judged that the benefits would have continued for two extra years and the impact of the benefit would have decreased by 50% each year, i.e. there is a total **duration of three years** and a **drop off of 50 % p.a.**

## Total adjusted value of outcomes of the program

The result of applying the SROI filters is that compared with the initial values allocated to the various components there have been changes to two amounts: *Tipshop staff income* and *COM members professional benefits*

Group/ organisation	Value of outcome
Tipshop staff – income, operations manager	\$27 319
Tipshop staff – income, other staff	\$38 640
Tipshop staff - other	\$402
BREI Committee of Management - personal	\$1 275
BREI Committee of Management - professional	\$8 127
East Gippsland Shire Council	\$67 500
Local community - savings in fees	\$18 000
Local community - savings made by purchasers	\$23 500
Federal Government - savings	\$67 600
Federal Government – extra revenue	\$6 500
Local Environment	\$858
<b>Total Outcome</b>	<b>\$259 721</b>

## Calculation of SROI ratio

From the analysis presented above it can be seen that:

The total value of the ***Inputs*** to the Tipshop program in 2013 – 14 = \$91 790

The total value of the ***Outcomes*** of the Tipshop program in 2013 – 14 = \$259 721

Using these data:

the SROI Index for the Tipshop program in 2013 -14 =  $\frac{\$259\,721}{\$91\,790} = 2.83$

The SROI Index for the Tipshop = **2.83 : 1**

i.e for **every \$1 input** there is an **outcome of approximately \$3**

## Sensitivity analysis

In this section, the SROI result is reviewed by considering the validity of the values attributed to each section of the inputs and outcomes to judge the possible error in the overall result. In particular, a more conservative approach is adopted so that a value is obtained which indicates where the lower end of the SROI index range is located in comparison with the value already calculated.

### Values attributed to Inputs

#### Initial valuation

Group/ organisation	Value of Input
Committee of Management	\$43 620
Tipshop business manager	\$41 500
East Gippsland Shire Council	\$2 510
Job Service Agencies	\$0
Federal Government	\$1 650
Sustainability Victoria	\$2 510
<b>TOTAL INPUT</b>	<b>\$91 790</b>

The only one of these values that involves any significant degree of estimation is the one assigned to the input from the Committee of Management. The value has been set by multiplying an estimate for the number of hours the Committee as a whole contributed to the program for the time being considered multiplied by an estimate of the hourly rate that would be charged for their contribution if fees were being charged.

It is judged that the number of hours used (588 hours) represents a fair representation of the contribution made by committee members as there was not much variation in the estimates given by a number of members independently. However, the value ascribed to their input showed more variation. The value used for an hourly rate (\$65 per hour) was a consensus value arrived at after discussion at a committee meeting. To take this more towards the higher range of the charges which was suggested the values has been increased by 33<sup>1/3</sup>% or 1/3 which gives a new hourly rate of **\$86.67**.

Using this figure the value of this part of the committee's input would be **\$50 960** and the value of their overall contribution would rise to **\$56 360**.

In turn, by adopting this new value the sum of the **Total Input** would become **\$104 530**.

### Values attributed to Outcomes

#### Initial valuation

Group/ organisation	Value of outcome
Tipshop staff – income, operations manager	\$27 319
Tipshop staff – income, other staff	\$38 640
Tipshop staff - other	\$402

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BREI Committee of Management - personal	<b>\$1 275</b>
BREI Committee of Management - professional	<b>\$8 127</b>
East Gippsland Shire Council	<b>\$67 500</b>
Local community - savings in fees	<b>\$18 000</b>
Local community - savings made by purchasers	<b>\$23 500</b>
Federal Government - savings	<b>\$67 600</b>
Federal Government – extra revenue	<b>\$6 500</b>
Local Environment	<b>\$858</b>
<b>Total Outcome</b>	<b>\$259 721</b>

Most of the values of the outcomes are considered to be robust, for example, the savings to the local council, the Federal Government and most of the impact for the Tipshop staff are based on solid evidence and data.

The values which have involved more conjecture are the outcomes shown as

- 'savings made by purchasers'
- 'professional' benefits for COM members
- the part of the 'income, operations manager' item valued under the 'Duration and Drop Off' filter
- 'other' outcomes for the Tipshop staff and
- 'Local Environment' heading

These last two items are small enough to be insignificant as far as any calculation goes so they can be ignored. The remaining items mentioned above will now be discussed in turn.

*Savings made by purchasers*

The discussion justifying the amount that has been used in the SROI index calculation above indicated that the figure chosen for rate of saving on prices (12 ½%) was based on sound local knowledge and itself was a conservative figure. However, as there is some conjecture about it, for the purposes of the *Sensitivity Analysis* this rate will be set lower, to 5 %.

Using this rate the new value for 'savings made by purchasers' becomes

$$\mathbf{\$188\ 000 \times 5\% = \$9\ 400}$$

*Professional benefits for COM members*

Benefits were valued by three committee members in different ways. Two had some degree of speculation about them in terms of the value to be ascribed to them. A third was based on a sound argument: the experience was equivalent to training which would otherwise have cost \$1 000. This item was then assigned a Duration time of three years at a Drop Off rate of 50% - a reasonable estimation of how long training can be expected to maintain its currency.

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Therefore for the purposes of the *Sensitivity Analysis* the other two items have been discarded but the one described above has been retained. The new value for this item based on an amount of \$1 000 devaluing by 50% over three years is

$$\text{\$1 000} + \text{\$500} + \text{\$250} + \text{\$125} = \text{\$1 875}$$

‘*Duration and Drop Off*’ - *Operations Manager income*

The amount used was set on the basis that the experience and training the manager had received would mean that she would have improved employment potential in the future. Although the value arrived at is an educated estimate to some extent the value can be seen as a proxy for the greater potential that all the Tipshop staff now have. Therefore for the purposes of the *Sensitivity Analysis* this amount has not been deleted altogether but reduced to one year only at a drop off of 75%. This reduces the amount due to *Duration and Drop Off* to

$$\text{\$15 611} \times 25\% = \text{\$3 903}$$

And the total amount under *Operations Manager Income* to

$$\text{\$15 6711} + \text{\$3 903} = \text{\$19 514}$$

Putting these revised values back into the ‘*Outcomes*’ table gives:

Group/ organisation	Value of outcome
Tipshop staff – income, operations manager	\$19 514
Tipshop staff – income, other staff	\$38 639
Tipshop staff - other	\$402
BREI Committee of Management - personal	\$1 275
BREI Committee of Management - professional	\$1 875
East Gippsland Shire Council	\$67 500
Local community - savings in fees	\$18 000
Local community - savings made by purchasers	\$9 400
Federal Government - savings	\$67 600
Federal Government – extra revenue	\$6 500
Local Environment	\$858
<b>Total Outcome</b>	<b>\$231 563</b>

Finally, using the new values for the total Income and Outcome,

a revised value for the **SROI Index** is calculated as being

$$\frac{\text{\$231 563}}{\text{\$104 530}} = 2.22$$

### **Comment on sensitivity analysis**

The assessment carried out as a sensitivity analysis has produced a revised value for the SROI Index which is about 20% lower than the original value and indicates the kind of variability in the impact of the program as assessed by this analysis. In calculating the original index the valuations used were generally conservative, so it is probable that the second figure, which is based on even more cautious reasoning is definitely at the lower end of the probable range. Even so, using this much more restrained approach it still gives a result suggesting that the program offers a return **in economic, social and environmental benefits** more than double the original inputs at **\$2.22 for every \$1 that is invested in it.**

### **Verification of the results**

An important step in the SROI process is to gain assurance for the analysis as finally reported by submitting it to the major stakeholders who have been identified. In the present case the report has been seen and approved by the following:

- all members of the Committee of Management
- the Tipshop Business Manager and the Operations Manager plus two other members of staff
- East Gippsland Shire Council Officers (including the Waste Services Manager)
- The regional Sustainability Victoria officer
- The main Job Services Agency officer whose advice informed this report

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## APPENDICES

### Appendix 1 Sample interview question for Committee of Management members

#### Tipshop questionnaire

##### History with the Tipshop

How long have you been involved with the Tipshop program?

##### Your Objectives

Why did you join the program?

What were you hoping to contribute to and get out of the program?

##### Input

What do you currently invest in/contribute to the Tipshop program?

What extra did you invest/ contribute in the last financial year?

##### Outcomes

What are the main changes brought about by the Tipshop program?

What has changed for you as a result of your involvement with the Tipshop program?

## Appendix 2\_Survey questions for Tipshop Customers

### Why do you use the Tipshop?

(By the way it's OK to choose more than one answer if that's what you think)

- (a) The friendly staff
- (b) The great prices
- (c) Can't find the items anywhere else
- (d) All of the above
- (e) Something else \_\_\_\_\_

**If you did not spend your money at the Tipshop what would you do with it?**

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