Glossary of
Social Value Terms

SOCIAL VALUE UK

Most of these definitions are taken from the Guide to SROI (page 84 – 85), 2012.

Attribution

An assessment of how much of the outcome was caused by the contribution of other organisations or people.

Cost allocation

The allocation of costs or expenditure to activities related to a given programme, product or business.

Deadweight

A measure of the amount of outcome that would have happened even if the activity had not taken place.

Discounting

The process by which future financial costs and benefits are recalculated to present-day values.

Discount rate

The interest rate used to discount future costs and benefits to a present value.

Displacement

An assessment of how much of the outcome has displaced other outcomes.

Distance travelled

The progress that a beneficiary makes towards an outcome (also called 'intermediate outcomes').

Drop-off

The deterioration of an outcome over time.

Duration

How long (usually in years) an outcome lasts after the intervention, such as length of time a participant remains in a new job.

Financial value

The financial surplus generated by an organisation in the course of its activities.

Financial proxy

A financial proxy is a monetary representation of the value of an outcome

Financial model

A set of relationships between financial variables that allow the effect of changes to variables to be tested.

Hedonic pricing

Commonly used in valuations of housing and employment markets, Hedonic Pricing uses price differences between otherwise identical goods to estimate the value of other factors. For example, two houses may be identical, but located in areas with different crime rates. The differences in value between these houses can be used to estimate how much people are willing to pay to live in an area with low crime rates. Similarly, the value of job characteristics such as job security can be estimated through analysis of corresponding wage differentials. The Hedonic Pricing method is an example of revealed preference valuation.

Impact

The difference between the outcome for participants, taking into account what would have happened anyway, the contribution of others and the length of time the outcomes last.

Impact Map

A table that captures how an activity makes a difference: that is, how it uses its resources to provide activities that then lead to particular outcomes for different stakeholders.

Income

An organisation's financial income from sales, donations, contracts or grants.

Indicator

Indicators are measures that provide information on how much of an outcome is expected to happen or has happened. They can be based on information provided by those experiencing the outcome or from other sources.

Inputs

The contributions made by each stakeholder that are necessary for the activity to happen.

Materiality

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

Monetise

To assign a financial value to something.

Net present value

The value in today's currency of money that is expected in the future minus the investment required to generate the activity

Net social return ratio

Net present value of the impact divided by total investment.

Outcome

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

Outputs

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

Outcome indicator

Well-defined measure of an outcome.

Payback period

Time in months or years for the value of the impact to exceed the investment.

Proxy

An approximation of value where an exact measure is impossible to obtain.

Revealed preference

Revealed Preference is a method of valuation which uses real-life choices made by stakeholders to value non-market goods. The two most commonly used revealed preference methods are Hedonic Pricing and Travel Cost.

Scope

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

Sensitivity analysis

Process by which the sensitivity of an SROI model to changes in different variables is assessed.

Social return ratio

Total present value of the impact divided by total investment.

Social value

Social value is the quantification of the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation's work.

Stakeholders

People, organisations or entities that experience change, whether positive or negative, as a result of the activity that is being analysed

Stated preference

Stated Preference valuations use questionnaires to ask stakeholders directly how much they would be willing to pay to have or avoid an outcome. Questions asked to stakeholders can be along the lines of "how much would you pay for this?" or, "would you pay £1000 for this?" Willingness to Pay (WTP) and Willingness to Accept (WTA) are two types of Stated Preference valuation.

Subjective wellbeing

Subjective wellbeing valuations use large statistical data sets (such as the British Household Panel Survey) to assess the relationship between life circumstances (e.g. employment status, health status, levels of volunteering, safety of local area) and levels of self-reported wellbeing. This relationship allows for the monetary value of changes in wellbeing to be calculated. For example, the increase in wellbeing associated with an improvement in confidence may be equal to that of a £5000 increase in income. Therefore an improvement in confidence would have an approximate value of £5000 to an individual. This technique has the advantage of being cost effective and can be used to estimate the value of anything for which we have large sets of data.

Travel cost

The Travel Cost method uses visiting habit data to estimate the value that people place on a site (most commonly sites used for recreation such as parks or woodlands). The number of trips made by visitors at different travel costs can be used to estimate willingness to pay for access the site. The Travel Cost method is an example of revealed preference valuation.

Valuation

Outcomes can be more or less important to the stakeholders that experience them. Valuation is a process that assesses relative importance. Financial measures are used as a proxy for value and allow for comparisons to be made between different changes. Sometimes these proxies will relate to actual amounts of money but this is not necessary.

Willingness to pay

Willingness to Pay valuations use questionnaires to determine the maximum that a stakeholder is willing to pay for something, for example, an increase in health or provision of a library service. Willingness to Pay is a form of Stated Preference valuation

Willingness to accept

Willingness to Accept valuations use questionnaires to determine the amount of money a stakeholder would need to be paid to accept a negative outcome, for example, an increase in air pollution or traffic congestion. Willingness to Accept is a form of Stated Preference valuation.

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