



Food Connect Brisbane

Forecast Social Return on Investment Report

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Executive Summary

This report provides a forecast Social Return on Investment (SROI) analysis of Food Connect Brisbane (FCB). It looks at the investment required for the 2010 financial year and assesses the social impact that the activities will have on significant stakeholders over a projected period of 5 years.

FCB's vision is to become a leader in making ethically grown food from local farmers accessible to any household in Brisbane. FCB is a supplier that specialises in sourcing fresh, local and seasonal products from within a five hour transportation radius of Brisbane. Produce is sorted and packed at one of its distribution centres ready to be delivered to 'City Cousins' which are pick-up points in the city where people come to collect their fresh, local, seasonal fruit and vegetable box.

In order to assess the social value that will be created through FCB, FCB worked with Social Ventures Australia (SVA), a leading Social Return on Investment (SROI) practitioner in Australia. SROI is a framework for measuring and accounting for the broader concept of value which incorporates social, environmental and economic benefits for a range of stakeholders.

The primary objective of this SROI analysis was to understand and value the impact that FCB will have on the various stakeholders benefitting from its current food distribution model. The analysis will be used to demonstrate to stakeholders, including existing and potential investors, the value created by the FCB distribution model, FCB are also expanding into other services, such as a commercial kitchen. This analysis will be used by FCB as a baseline for an evaluative SROI on the distribution model in the future and it will also be useful to understand the impact of other FCB businesses, such as the commercial kitchen.

This report has not been assured by the SROI Network but an accredited SROI practitioner completed the analysis and provided a peer review.

Social Value Creation

The major stakeholder groups who will benefit from FCB's operations include:

- **Farmers** who will benefit from an increase in revenue because they can sell their produce directly to 'subscribers' and cut out the middle men, while they also experience increased self-esteem, optimism and sense of community
- **Subscribers** who will benefit from being able to support their local farmers and have access to a diverse range of healthy seasonal fresh food which also results in increased consumption of healthy food
- **City Cousins** who, in addition to the benefits experienced by subscribers, will benefit from an increased sense of community and the ability to support local farmers
- **Food Connect Brisbane** who will benefit from the business generating profit and the continued successful operation of the Food Connect Foundation
- **Food Connect Foundation & Think Food** who will benefit from inspiring others to replicate this business model which will lead to the creation of diverse and healthy regional and local economies
- **Federal government funders** who will experience benefits from increased savings in welfare payments and increased income taxes from the employment of people excluded from the labour market

Social Return on Investment

The following is a summary of the social value created:

Stakeholders	Real outcomes due to Food Connect Brisbane	Social Value creation (2010 – 2014)*	Social Value per stakeholder group*
Farmers	Increased revenue for Fruit & Veg	\$1,137,518	\$1,154,318
	Increased self-esteem, optimism and sense of community	\$16,800	
Subscribers	Improved access to local high quality organic food	\$22,061	\$1,022,043
	Increased ability to support local farmers	\$678,238	
	Increased consumption of healthy food	\$321,744	
City Cousins	Increased sense of community	\$285,090	\$508,900
	Increased ability to support local farmers	\$75,714	
	Increased convenience of boxes delivered to doorstep	\$123,760	
	Increased consumption of healthy food	\$24,336	
Food Connect Brisbane	Profit generated	\$268,093	\$337,968
	Successful establishment and ongoing operations of the Foundation	\$69,875	
Food Connect Foundation & Think Food	Inspire others to replicate business model to create diverse and healthy regional and local economies	\$433,125	\$433,125
Federal Government	Increased savings from welfare payments	\$444,600	\$489,231
	Increased financial benefits via increased tax contributions	\$44,631	
Total Present Value		\$3,578,861	
Total Investment		\$212,603	
Social Return \$ per \$ invested		16.83	

* Social value calculated prior to discount rate being applied

An investment of \$212,603 in the 2010 financial year creates \$3,578,861 of present value, resulting in an indicative SROI ratio of 16.83:1. That is, for the equivalent of every \$1 invested in FCB, \$16.83 is returned in social value.

This is a high SROI ratio and is partly the result of FCB being an established social enterprise with little investment required to sustain operations. The investment was used for IT development and wages for the Business Development Manager. The benefits have been modelled over a five year period from 2010 to 2014. Approximately 65% of value is created in the last three years. However, it is possible that this investment could produce benefits that would last in perpetuity (or at least for a number of years) as FCB is a sustainable business model that requires no further investment.

Considerations

This report is not an analysis of FCB's operations or FCB's business model. This report does not focus on the sustainability of the operations of FCB, but rather focuses on understanding the impact FCB will have on stakeholders. This forecast SROI analysis should be considered as a benchmark for the measurement of impact and value creation to be achieved by FCB. It also provides insight into the type of data that should be captured in order to communicate the social impact and value creation to all stakeholders.

This SROI analysis is based on stakeholder consultation, evidence gathered from the sixth year of FCB's operations and secondary research. The sensitivity analysis highlights that even when the time period of benefits created is reduced to one year the SROI ratio is still significant - 3.31:1.

There is however a number of considerations to the forecast SROI analysis conducted on FCB:

- The total number of farmers, subscribers and City Cousins included in this analysis is based on conservative growth predictions for the business. On average during the 2011 financial year FCB is likely to serve 950 subscribers, 70 City Cousins and 80 farmers. These numbers are predicted to grow at a steady rate to 1250 subscribers and 100 City Cousins by the 2014 financial year. The number of farmers is likely to stay the same.
- This analysis excludes the investment and outcomes of the commercial kitchen activities, which will allow FCB to expand its catering arm and also create more employment opportunities and secure job pathways for an estimate of 13 employees. This analysis also excludes any social value creation from the proposed indigenous employment strategy, which is currently being scoped.
- FCB activities are likely to reduce the impact on the environment as a result of promoting an increased use of sustainable farm practices by farmers, a reduction in food miles and reduced food wastage. This analysis was not able to include the reduced environmental impact as it was not possible to engage with representatives of environmental organisations in Queensland.

Recommendations

The SROI analysis revealed a number of areas where FCB can improve its operations and better demonstrate the social value it creates. The following are recommendations for FCB based on the SROI analysis:

1. *Assure produce quality.* Survey results have shown that customers sometimes receive produce of a lower quality which often only lasts a few days. In the long term this may encourage subscribers to sign up with competing suppliers. Closer controls need to be implemented from the point of purchase all the way through to consumption by customers to ensure that the quality standards are kept at a high level.
2. *Build customers trust in FCB through higher transparency.* Survey results have shown that subscribers and City Cousins would appreciate a higher level of transparency of FCB's operations. They would like to see more of a 'guarantee' that the farmers are actually getting an increased revenue share. Perhaps FCB can produce more regular reports detailing the percentage of revenue remitted to farmers, the percentage of food rejected/wasted, the percentage of food purchased outside the Community Supported Agriculture (CSA) model (in case of low supplies), the percentage of organic food and average food miles. Some have expressed an interest in seeing audited statistics.

3. *Establish FCB's measurement and evaluation frameworks.* This SROI analysis has demonstrated the value in formally engaging with farmers, subscribers and City Cousins to understand from their perspective what changes and how they value the change as a result of being involved in FCB. This analysis should form the basis of a measurement and evaluation framework to help FCB understand if they have been successful. An online survey tool, survey monkey, was used to engage with subscribers and City Cousins. To establish the long term impact of FCB it is important to repeat the stakeholder engagement in the future. We recommend sending out surveys to City Cousins and subscribers per annum. This could impact KPIs and performance reporting, and ultimately provide an input into strategic planning. This will also assist FCB in addressing customers trust by being more transparent with their reporting.
4. *Communicate the impact.* The SROI analysis is more than just a ratio: it is a powerful story of the impact FCB has on its stakeholders. FCB should use this analysis with existing and potential investors to demonstrate what it has already achieved and can potentially achieve in the future.
5. *Measure outcomes of the commercial kitchen.* Use this methodology and lessons learned from this analysis to be clear about the theory of change resulting from the operations of the commercial kitchen and engage with stakeholders at the start of the project and at regular intervals (e.g. yearly) to understand the value creation over time.

Social Ventures Australia (SVA)

Social Ventures Australia (SVA) invests in social change by helping increase the impact and build the sustainability of social sector participants. Our investments are focused on high potential organisations that are fostering solutions to some of the most pressing challenges facing our community. SVA provides funding and strategic support to carefully selected non-profit partners, as well as offering consulting services to the social sector more broadly, including philanthropists who are endeavouring to be more strategic in their approach to giving. As a non-profit organisation at the forefront of sector development and innovation, SVA works in collaboration with sector partners, as well as government, business, and some of Australia's leading philanthropists.

Social Ventures Australia Consulting (SVA Consulting)

SVA Consulting works with a range of non-profit organisations and social enterprises on customised, results-driven solutions which improve organisational performance and social impact. The consulting team also supports funders, including foundations, philanthropists and governments, to make informed decisions about their social investments.

Our professional staff have a depth and breadth of both corporate and non-profit experience, gleaned from organisations like Bain, McKinsey and BCG, positioning us well to work alongside our clients to meet their challenges. We operate throughout Australia from our offices in Sydney and Melbourne. Additionally, we partner with major strategic consulting organisations on a project basis as required.

SVA Consulting charge on a cost recovery basis – so our fees are low to keep our services accessible. We are able to offer our services at these rates thanks to the support of our major corporate sponsor Macquarie Group Foundation and philanthropist Robin Crawford. We are grateful to them for their support and vision.

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1 SROI Analysis

1.1 Purpose of the SROI

This report is a forecast Social Return on Investment (SROI) analysis of FCB using the 2010 financial year investment and assessing the benefits over a 5 year period. It provides a brief overview of the SROI methodology, project approach, the objectives and activities of the program, and the key findings and assumptions made when completing the analysis. Finally, this report includes a discussion of the SROI results and recommendations.

This report is not an analysis of the operations of FCB or an assessment of the business model. This report does not focus on the sustainability of the operations of FCB, but rather focuses on understanding the impact FCB will have on stakeholders. The objectives of this project were to use the SROI methodology to:

- Identify and engage key stakeholders
 - Understand what each stakeholder wants to change (objectives), what they contribute (inputs), what activities they do (outputs) and what changes for them (outcomes, intended or unintended) as a result of their involvement
- Measure and value the forecast social impact
 - Understand the value created as a result of the changes experienced by each stakeholder group by using indicators to measure the outcomes and financial proxies to value the outcomes
- Use the SROI report and analysis to engage with investors
 - Demonstrate to investors the social value the business has created in case it needs to attract further funding to support its business in the future
- Create a forecast analysis to drive performance improvement
 - Articulate the key drivers of social value and identify what data FCB should gather in order to better measure and evaluate the impact of its activities

FCB is a well established social enterprise and the analysis looks at all of the activities of the distribution model of FCB for a forecast 5 year period using the investment required for the 2010 financial year. This analysis excludes the investment and outcomes of the commercial kitchen activities, which will allow FCB to expand its catering arm and also create more employment opportunities and secure job pathways for an estimate of 13 employees. This analysis also excludes any social value creation from the proposed indigenous employment strategy, which is currently being scoped.

The audience for this SROI report is FCB's management and staff, existing and potential investors. FCB will use this study to communicate their impact to potential funders and stakeholders.

1.2 SROI Approach

Social Return on Investment (SROI) is a framework for measuring and accounting for the broad concept of value which incorporates social, environmental and economic benefits. SROI puts a value on the amount of change (impact) that takes place as a result of the program and looks at the

returns to those who contribute to creating the change. It estimates a value for this change and compares this value to the investment required to achieve that impact, resulting in an SROI ratio. It takes standard measures of economic return a step further by placing a monetary value on social returns.

The SROI methodology was originally developed by the Roberts Enterprise Development Fund in the USA, and was further developed in the UK, most recently through the Cabinet Office. Social Ventures Australia (SVA) began using SROI, customising it to the Australian non-profit sector, in 2002. SVA is now a part of the international SROI Network and is using the updated approach with ventures it supports, non-profit organisations, foundations, government departments, social enterprises and for-profit enterprises. Revised guidance and training for SROI were introduced in 2009 and SVA is using the new approach. A set of principles and a standard process guide an SROI analysis (please see Appendix 1 for the SROI principles). The SROI Network has also introduced a process for assuring reports and accrediting SROI practitioners.

The SROI process works by developing an understanding of the program, how it meets its objectives, and how it works with its stakeholders. Critical to the process is the development of an impact map demonstrating the impact value chain for each stakeholder group. It links a stakeholders' objectives to inputs (e.g. what has been invested), to outputs (e.g. training program delivered), through to the outcomes (e.g. increase in income through employment). The process then involves identifying indicators for the outcomes, so that we can measure if the outcome has been achieved. The next step is to use financial proxies to value the outcome.

It is then necessary to establish the amount of impact each outcome has had. This involves an estimate of how long each outcome lasts and applying filters to assess whether the outcomes result from the activities being analysed. Four filters are applied to each outcome to establish the impact of the activities:

- Deadweight – what would have happened anyway?
- Displacement – were other outcomes displaced to create the outcome?
- Attribution – who else contributed to the outcome?
- Drop-off – how much does the outcome drop-off each year?

It is important to note that the SROI methodology is a tool and has a number of limitations. Based on SVA Consulting's experience in conducting SROI analyses, the following have been highlighted as being important limitations:

1. Every SROI requires judgements. How should the theory of change for each stakeholder be phrased, how should outcomes be valued, and what research should be used to validate any assumption? The SROI principles seek to address this concern through ensuring that each SROI analysis is transparent and does not overclaim.
2. Inappropriate use of the SROI ratio. There may be a propensity for organisations and investors to use the SROI ratio as shorthand for all of the analysis, thereby placing undue importance on the ratio. The SROI ratio should only be considered as part of the story given the sensitivity of the assumptions used in the modelling: the insights derived from the SROI analysis are what really matters and will differ between organisations.
3. SROI is not appropriate for all audiences. An SROI analysis can be used as an internal management tool, for communication to external stakeholders (including investors) and for public policy debate. Different insights from the analysis should be used for different purposes.

The SROI principles which guide the methodology are described in Appendix 1.0. Together with the standard process, this should address the limitations of an SROI analysis.

Finally, SVA Consulting believes that there are three types of SROI analyses:

1. Forecast SROI – designed to understand and predict the desired impact of a program or activity for significant stakeholders
2. Baseline SROI – using historic data to provide a baseline indicator of whether social value was created by a program or activity. The primary purpose is to identify outcomes, guide forward planning and establish what needs to be monitored and measured to demonstrate success. In the UK, this has been referred to as an “interim SROI”
3. Evaluative SROI – validate a forecast or baseline SROI to understand if the impact sought was achieved

Challenges with applying the SROI methodology to social enterprises

Applying the SROI methodology to a Social Enterprise (SE) poses unique challenges. The SROI methodology is most suited to organisations which have a clearly defined period of investment and an associated commensurate period of benefits, e.g. they require ongoing funding to support their social purpose and they need to attract and/or retain external funding each year. With SEs, the amount of funding they require and the benefits they generate varies depending on the stage of their development.

There are many different SE models, and some SEs require ongoing financial support to ensure their financial viability (or sustainability) as the cost of supporting e.g. disadvantaged people in the workforce exceeds the revenue generated from commercial activities.

The challenge with applying the SROI methodology to SEs is related to defining the period of investment and the period of benefits to be analysed. This will greatly affect the resulting SROI ratio. For example, a start-up SE requires a significant investment, but it will not generate many benefits in the first few years, but there is a possibility that the initial investment will result in benefits being created in *perpetuity*.

1.3 Project Approach

This SROI analysis is a forecast SROI analysis as it looks into the future and makes predictions about the desired impact of FCB based on the capital invested in the 2010 financial year. It assumes the benefits will last for 5 years, from 2010 to 2014, based on growth to 1,250 subscribers and 100 City Cousins by the 2014 financial year.

FCB is a social enterprise which has been in operation for 6 years now and may not require additional capital investment as it is currently projecting strong growth figures.

The forecast SROI analysis for FCB was undertaken in six stages. The activities in these six stages include:

1. Scope the project
 - define boundaries and time scale for analysis
 - define stakeholders

2. Define theory of change
 - engage with stakeholders to develop an impact map which shows the relationship between objectives, inputs, outputs and outcomes
3. Evidence outcomes
 - synthesise data from stakeholder interviews into an impact map
 - identify relevant indicators and financial proxies to monetise the social outcomes, where possible
 - define the investment, both direct cash investments and pro bono contributions from the various stakeholders
 - conduct follow up interviews to verify evidence where required
 - test assumptions with other SVA and FCB staff
4. Establish impact
 - determine those aspects of change that would have happened anyway or are of a result of other factors
5. Calculate the SROI
 - add up all the benefits, subtract any negatives and compare the result to the investment. This is also where the sensitivity of the results is tested.
6. Report, use and embed
 - write a detailed report which describes the methodology, assumptions made, results and recommendations
 - complete summaries of the SROI analysis
 - report to stakeholders, communicate and use the results, and embed the SROI process in the organisation

In addition, the SROI analysis will be used to design the foundation of a measurement and evaluation framework for FCB. In addition, the lessons from this analysis can be used for other areas of FCB in the future, such as the commercial kitchen

Who worked on the report?

This forecast SROI analysis and measurement and evaluation framework had input from the following individuals and organisations:

- Gundula Coellen, the lead author from SVA, spent approximately 15 days conducting the analysis and compiling the report and assumed overall responsibility for the analysis
- Simon Faivel, an SVA consultant who has had experience in SROI, spent approximately 2 days on this project, providing peer review and support
- FCB staff members contributed approximately 2 days assisting in the data collection and reviewing the analysis

2 Overview of Food Connect Brisbane

2.1 The Issue

Australia's food prices have been increasing over a period of time and according to OECD data, Australia has the highest food price inflation in the western world. Australia is also importing more fruit and vegetable than it exports. There are many reasons for this, such as global demand pushing up prices as populations increase, and severe and prolonged droughts, as well as recent environmental disasters, have led to food shortages. In addition, demand for oil is increasing whilst production is decreasing and the loss of biodiversity as our land becomes infertile due to unsustainable farming has caused widespread soil erosion, salinity and depletion of water resources.

Australians are spending nearly 20 percent of their weekly household budget on food and the promise of cheap abundant food is diminishing rapidly. Small farmers are squeezed between giant agribusiness at the input end and by giant supermarkets at the farm gates. According to the National Farmers Federation, "producers receive as little as 5% of the price paid by consumers". The supermarket duopoly of Coles and Woolworths enjoy an 87%¹ share of the grocery market allowing them to dictate pricing to producers. Food prices paid by consumers have been rising much faster than the prices paid to farmers. Therefore farmers have little market power and are known to be price takers; taking whatever price is imposed by the big retail chains, wholesale agents, processors and the world markets.

As a result of the challenges farmers face in today's competitive landscape, farming has become an increasingly unattractive option. The average age of Australian farmers is now 61, with 80% being 64-plus years of age². This is coupled with the absence of younger farmers entering the sector.

FCB helps to sidestep the supermarket and shorten the food supply chain from farmer to eater, maximising returns to farmers and reducing costs to consumers.

FCB provides farmers with those skills they are less capable at, such as communications and building relationships with city folks.

2.2 Social Enterprises

Social enterprises are one approach that can begin to address some of these issues in a sustainable manner. There are numerous definitions of social enterprise throughout the world and it is a much contested term. The definition that SVA uses is that social enterprises are businesses that trade for a social purpose and have the following characteristics:

- explicit social aims
- commercial orientation
- social ownership
- social accountability
- socially entrepreneurial drive

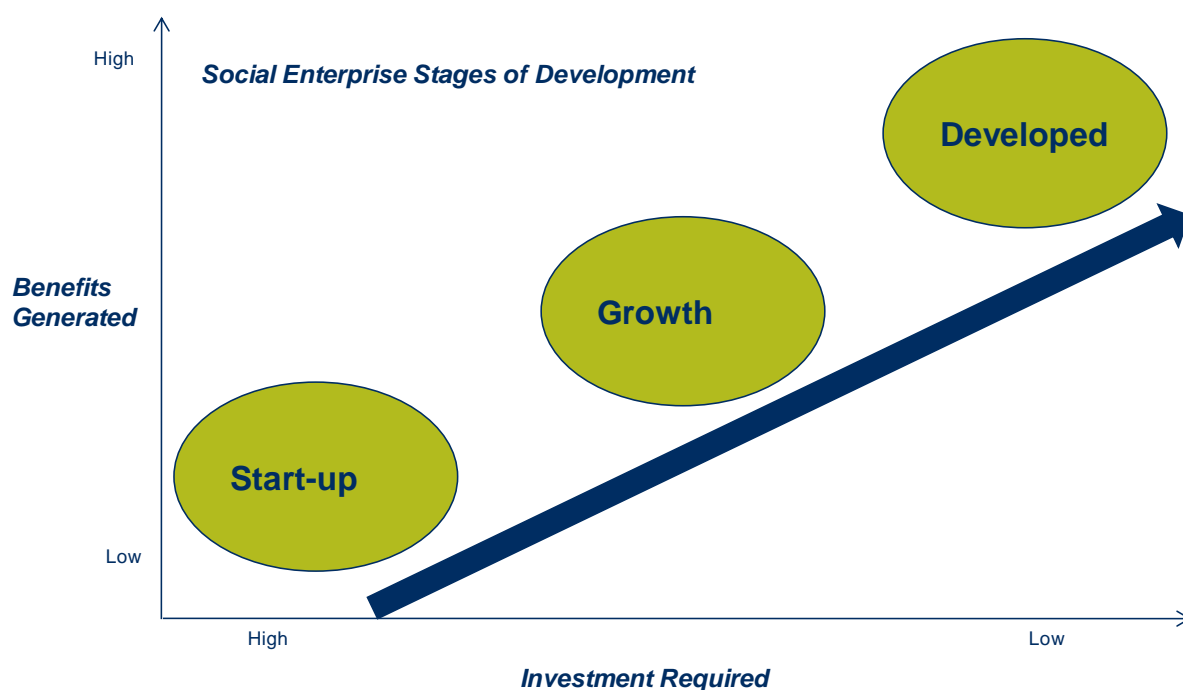
¹ The National Farmers Federation

² Australian Bureau of Statistics Population and Housing Census data

- use of profits for community benefit
- socially inclusive values base

FCB is a social enterprise. For more information on social enterprises, please see the SVA [website](#).³

With social enterprises, the amount of funding they require and the benefits they generate varies depending on the stage of their development. The following diagram shows the life stages of a social enterprise, the funding that may be required and the benefits it may generate:



- A start-up social enterprise requires funding to purchase assets and / or subsidise salaries with few benefits being generated from the commercial activities at this stage. The start-up period could last for a number of years before the social enterprise generates enough revenue to cover operating expenses (if at all).
- A social enterprise in the growth phase may require additional funding to purchase assets or to subsidise new positions. At this stage they are likely to be generating commercial and social benefits from their operations.
- A developed social enterprise may not require any additional funding while the commercial and social benefits it generates could be significant.

FCB is a social enterprise in its growth phase. The forecast growth of FCB should see it move to the developed phase over the next year or two.

³ <http://www.socialventures.com.au/social-enterprise-development/sva-social-enterprise-development/>

2.3 Food Connect Brisbane - History and Mission

FCB (FCB) was started in 2005 by Robert Pekin, a small group of farmers and some dedicated Mums from Brisbane who were keen to see a fairer model of food distribution in their own community. Robert had previously lost his farm to the prevailing pressures imposed on many family farmers and was left farm-less, home-less and dangerous. Over the next seven years Robert became an Agrarian Journeyman exploring all the possible solutions that could, maybe someday, end the terrible inequity in the Food System globally and nationally.

By the time Robert arrived in Brisbane (still homeless) he had established nine Social Businesses based on the Community Supported Agriculture (CSA) model and researched the most successful adoption of the principles from around the world. The time had come to put down a model based on this learning in a larger city. From a leased warehouse (where Robert lived) FCB established itself with no Loans and no savings, purely from the forward subscriptions of the dedicated subscribers and supporters of this new model of doing food ethically, equitably and efficiently. The forward payment subscription model (4 weeks minimum) and the unique community distribution (known as the City Cousin network) that FCB has pioneered has underwritten the financial performance of the business.

FCB has developed a unique 'City Cousin' distribution system and has a zero food waste process. It was the first Community Interest Company to be developed in Australia and involves over 300 staff, distributors, community groups and farmers. The model is now expanding throughout Australia through a community replication system, guided by an umbrella organisation – the Food Connect Foundation.

FCB's vision is to be a leader in making ethically grown food from local farmers accessible to any household in Brisbane.

To achieve this vision, FCB seeks to become the leading ethical supplier of fresh food in Brisbane and develop business systems that:

- Increase consumer access to local and ethical food
- Provide consumers with an alternative to supermarkets
- Increase farmer welfare and farm viability
- Create an exceptional place to work

FCB provides community groups in Brisbane with ethically grown fresh produce direct from local farmers and producers. Customers subscribe for a period of one to twelve months to receive a weekly box of fresh fruit and vegetables. Eleven types of boxes are currently available. Grocery items such as milk, eggs and bread are available as optional extras. Wholesale sales to local retailers will also be introduced and will make up 30% of total revenue in two years. FCB's business model is based on paying a fair price to farmers (57% of the box price currently goes to the producer).

An online ordering system (Ruby Tuesday) allows subscribers to self-manage their subscription, payments and deliveries. Ruby Tuesday is also used internally to maintain the delivery schedules. It has been developed in-house and the national Food Connect Foundation covers the cost of all intellectual property, including Ruby.

2.4 Overview of Food Connect Brisbane's Program Logic

An SROI analysis is different to program logic in that it defines the theory of change for each stakeholder group rather than for the whole activity. The program logic defines the scope for what the enterprise seeks to achieve in the changes experienced by stakeholders. The following figure shows the program logic which moves from defining the issue in society through to the intended impact FCB will have on society.

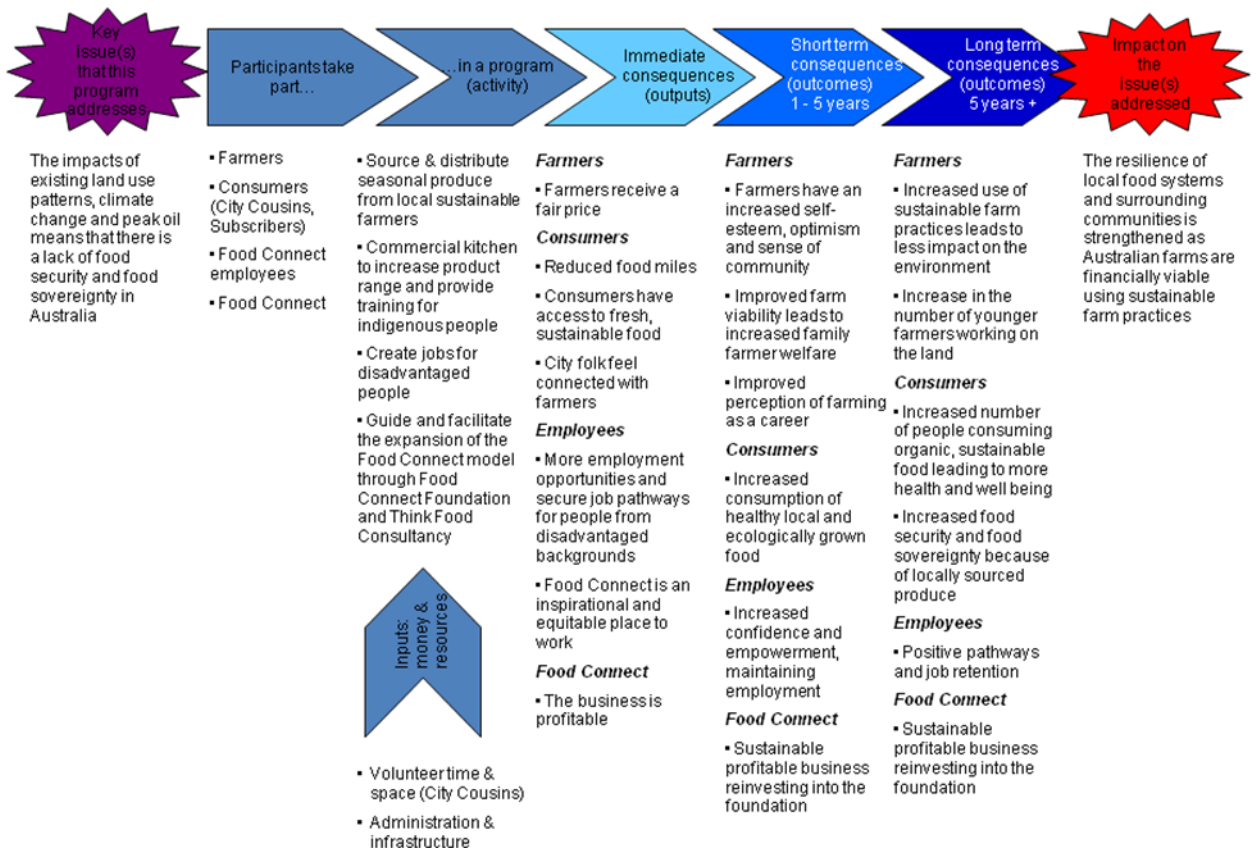


Figure 1: FCB Program Logic

2.5 Food Connect Brisbane's Operations

How does FCB work?

FCB's seasonal food is sourced from around 80 local farmers around Brisbane. The harvest is then delivered fresh to the FCB Homestead each week by the farmers and small freight companies. FCB staff pack it into various sizes of fruit and veggie boxes. The boxes and 'extra' products are delivered to FCB's network of City Cousins (families, schools or community centres) around South East Queensland on Tuesdays, Wednesdays and Thursdays. Subscribers collect their boxes from their local City Cousin and get the chance to meet like-minded neighbours for a chat. Farmers and subscribers meet on regular farm tours.

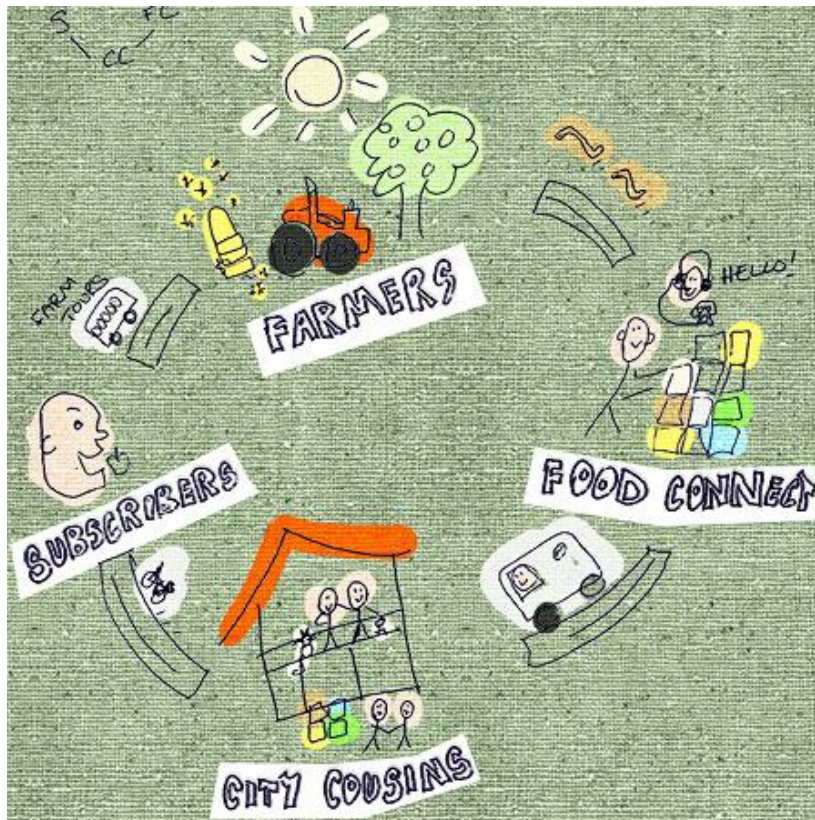


Figure 2: FCB distribution model

FCB's Expansion Plans

As at March 2011, FCB is serving 836 weekly subscribers through 60 City Cousins. By the end of 2011 the business is forecasted to be serving 950 subscribers.

FCB aims to deliver to an average of 1,250 households by 2014, providing consumers with healthy, affordable food, better conditions and wages for the farmers that produce it and providing jobs for people previously excluded from the labour market.

FCB's plans a slow and steady growth of City Cousins and subscribers. If the business increases beyond the predicted growth plans, FCB will consider opening up a separate business on the north side of the river in Brisbane.

Commercial Kitchen

FCB plans to install a Commercial Food Processing room to grow its product line to sell to its existing and emerging customer base. The new product lines are fruit juices, dehydrated foods, prepared meals, condiments, finger food and baked products. The new facility will also allow FCB to expand the catering arm, the corporate fruit and nut enterprise and conduct cooking classes. This project will employ an extra 13 full and part time permanent staff within the first 12 months.

The addition of a Commercial / Processing Kitchen will close the loop on the waste cycle on the FCB Packing Line, on the farms supplying FCB, and also in the kitchens of FCB subscribers. It will further enable FCB to turn this waste into a value added product sending better returns to the farmers and the business, and improving the efficiency of operations at FCB.

Since its inception FCB has employed many people from disadvantaged groups. Whilst this has been successful to a certain degree, the addition of the kitchen will create more employment opportunities and secure job pathways. The hands-on skills and manual work will attract those groups with lower rates of literacy and numeracy, as well as explore their creative talents, which will subsequently contribute positively to their sense of confidence and empowerment.

The value-added products will also provide the opportunity for more consumers to fit the FCB solution into their lives. Currently, FCB has four-times more people who support what FCB does, compared to actual box subscribers, due to their difficulty in fitting the Food Box system in with their lifestyles. A broader range of value-added products will add an extra layer of convenience and flexibility to this group identified in the LOHAS⁴ Market.

SVA provided funding of \$210,000 for equipment to be purchased immediately so the enterprise can commence operations. FCB is already paying for wages of the Manager to prepare the commercial kitchen for commencement.

Alongside the \$210,000 cash investment, SVA provides the following support package:

- Designated relationship manager (Andrew Hamilton) to work directly with FCB over duration of investment to support development of new business
- Mentoring from Wayne Rabnott (Logan Office of Economic Development)
- Working alongside Brisbane Youth Service (BYS) as the support provider within the Queensland Government's Department of Communities Youth Enterprises Partnership (YEP) project

The commercial kitchen will start operations in late 2011.

Indigenous Employment Strategy

In partnership with John Pearson Consulting and Look Now Training & Employment, FCB have embarked upon an Indigenous Employment, Training and Career Strategy to increase indigenous participation in economic activity and become a Reconciliation Workplace. This compliments several years of permission seeking with the traditional custodians of native foods. This project will highlight native food use within our western food cuisine.

FCB has a strong focus on providing jobs for disadvantaged groups. The Indigenous Employment Strategy (IES) will develop strategies for recruiting, retaining and training Indigenous staff as part of the FCB team. However the FCB IES will do more than focus on the internal recruitment and employment practices of FCB, it will:

- Support Farmers that supply FCB to develop relationships with Traditional Owner Groups in their local areas
- Develop employment and retention strategies appropriate for farmers to recruit and support Indigenous employees within their business
- Develop a best practice model for Indigenous employment with FCB that can be implemented by the Food Connect Foundation in the establishment of the enterprises in Sydney, Coffs Coast and Adelaide and promoted to farmers within these regions

⁴ LOHAS is an acronym for Lifestyles of Health and Sustainability, a market segment focused on health and fitness, the environment, personal development, sustainable living, and social justice.

3 Scope & Key Assumptions

An SROI analysis is guided by principles and a rigorous process. In an SROI analysis, it is critical to be clear about the scope and the assumptions that influence the analysis.

The first step in the SROI process is to define the scope of the work, i.e. what the rationale is for the project and what time period needs to be analysed. The next step is to define the stakeholders. In an SROI analysis, a stakeholder is defined as someone, or a group or organisation, who experiences change from the program's activities (e.g. participants), or stakeholders who want to see change (e.g. investors). There is also a need to define the assumptions made in this SROI analysis around the "SROI filters" in order to be clear that there is no over-claiming of the impact of FCB on the stakeholders identified.

This section details the scope and key assumptions of the forecast SROI analysis for FCB.

3.1 Scope

Originally this analysis was scoped as a one year analysis for the FCB distribution model using the investment required for the 2010 financial year and the outcomes created from all activities during that year. The scope for this analysis excluded the activities of the commercial kitchen, which is due to commence operations in late 2011.

FCB is a well established social enterprise and a further scoping session highlighted the need to understand what has changed and the value created from the most recent discrete investment period. Therefore, this analysis looks at all of the activities of the FCB distribution model for a forecast 5 year period using the investment required for the 2010 financial year. The capital investment in 2010 was used to upgrade IT systems, pay wages of the Business Development Manager and purchase other assets, such as a delivery van.

The intent of the SROI analysis was to form the foundation of a measurement and evaluation framework for FCB. In addition, the lessons from this analysis can be used for other areas of FCB in the future, such as the commercial kitchen.

3.2 Period of Analysis

The time period for this forecast SROI analysis includes the investments from the 2010 financial year and the value projected to be created from the activities of FCB over a timeframe of 5 years. Five years was determined as an appropriate period of time as there will not be any additional investment requirement during this period for the core distribution model that is the focus of this analysis.

The timeframes used for the duration of each outcome are 5 years for each outcome per stakeholder group. The rationale for the duration used for each outcome is described in section 4 of this report.

3.3 SROI Filters

It is important to present a realistic and pragmatic view of the social value that was created directly by FCB. This is done by applying a few key filters, which are discussed below.

1. Deadweight – Deadweight is an estimation of the value that would have been created if the activities from the program did not occur. For example, would a subscriber have subscribed to another company delivering fresh food and achieve the same outcomes?

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%

Table 3: Deadweight description

2. Displacement – Displacement is an assessment of how much of the activity displaced other outcomes. For example, does the fact that an employee gets a sustainable job displace another jobseeker from gaining employment?

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%

Table 4: Displacement description

3. Attribution – Attribution reflects the fact that the activity is not wholly responsible for all of the value created. For example, do other people and / or organisations contribute to the changes that a farmer, subscriber or City Cousin experience?

Category	Assigned Attribution (%)
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%
5. The outcome is completely a result of other people or organisations	100%

Table 5: Attribution description

4. Drop-off – Drop-off is a measure which recognises that outcomes may not continue to last year on year and in future years may be less, or if the same, will more likely be influenced by other factors. The drop-off rate indicates by what percentage the value of the outcome declines each year. For example, if an outcome related to employment lasts for 3 years, how much does the impact in years 2 and 3 drop-off compared to the first year?

Category	Assigned Drop-off (%)
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%

Table 6: Drop-off description

3.4 Overview of Stakeholders

After scoping the project, all stakeholders that will be impacted by FCB's activities were identified. The table below identifies the stakeholders and the rationale for including or excluding them from the SROI analysis.

Stakeholder Group	Included / Excluded	Rationale
Farmers	• Included	• Major beneficiaries who are, or will be likely to, experience significant outcomes by supplying to FCB.
Subscribers	• Included	• Customers who are, or will be likely to, experience significant outcomes by subscribing to FCB.
City Cousins	• Included	• Major beneficiaries who are, or will be likely to, experience significant outcomes from volunteering time and space to assist FCB's operations.
FCB	• Included	• Major beneficiaries who are, or will be likely to, experience significant outcomes as the business continues thriving towards being the leading ethical supplier of fresh food in Brisbane, helping more farmers and supplying more households.
Food Connect Foundation & Think Food	• Included	• The Foundation's purpose is to support the establishment of regional Food Connects, as well as to initiate additional innovative projects to support entrepreneurship and social businesses that promote soil fertility, appropriate-scale ecological farming and small food enterprises. Think Food is supporting the work of the Foundation through consultancy, research, training and implementation services to federal and state governments, local councils and communities across Australia who are planning for, and working towards, the creation of sustainable, resilient and diverse food systems
SVA	• Included	• Provide core funding through the Supporting Social Enterprises Project funded by the Australian Government to assist FCB to grow and create jobs.
Federal government	• Included	• Beneficiaries who are likely to experience outcomes if the job creation is successful.
Disadvantaged employees	• Included	• The outcomes for staff from marginalised backgrounds (i.e. long term unemployed) securing a job with FCB were included in the analysis as a significant impact for government due to an increase in savings of welfare benefits and an increase in taxes incurred.
Other employees	• Excluded	• Staff who were not long term unemployed before joining FCB were excluded as they were identified as a valuable input for the service delivery and the success of the program but did not experience change themselves outside

		their usual work responsibilities.
Land Care QLD	<ul style="list-style-type: none"> Excluded 	<ul style="list-style-type: none"> Stakeholder engagement was not possible.
QLD Conservation Council	<ul style="list-style-type: none"> Excluded 	<ul style="list-style-type: none"> Stakeholder engagement was not possible.
Indigenous Council	<ul style="list-style-type: none"> Excluded 	<ul style="list-style-type: none"> FCB is in the process of becoming a Reconciliation Workplace. FCB is currently developing an indigenous employment strategy for recruiting, retaining and training Indigenous staff as part of the FC team. This component was excluded from the analysis.
Pro-bono supporters	<ul style="list-style-type: none"> Excluded 	<ul style="list-style-type: none"> Not included as a separate stakeholder group to subscribers and City Cousins.
Families of disadvantaged employees	<ul style="list-style-type: none"> Excluded 	<ul style="list-style-type: none"> Stakeholder engagement was not possible.

Table 1: Rationale of stakeholder inclusion/exclusion

As the time available to complete the SROI analysis was limited, effort was paid to ensure adequate engagement with major stakeholders. Engagement with the farmers, subscribers and City Cousins was prioritised, since they are the groups going through the process of change and personally benefiting from the activities of FCB.

Below is a summary of stakeholder groups, the size of the group and number of stakeholders engaged per group. This table shows the number of each stakeholder group for the 2010 financial year. The numbers will increase over the time period of this analysis, as this is a forecast analysis and includes the growth projections for the enterprise.

Stakeholder Group	Size of group	Number consulted	Type of engagement
Farmers	<ul style="list-style-type: none"> ~60-80 	<ul style="list-style-type: none"> 3 	<ul style="list-style-type: none"> One-on-one interview
Subscribers	<ul style="list-style-type: none"> ~950 	<ul style="list-style-type: none"> ~262 	<ul style="list-style-type: none"> Survey
City Cousins	<ul style="list-style-type: none"> ~60 	<ul style="list-style-type: none"> ~26 	<ul style="list-style-type: none"> Survey
Employees	<ul style="list-style-type: none"> 28 	<ul style="list-style-type: none"> 5 	<ul style="list-style-type: none"> One-on-one interview
FCB	<ul style="list-style-type: none"> 4 management team members 	<ul style="list-style-type: none"> 2 	<ul style="list-style-type: none"> One-on-one interview
Food Connect Foundation	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> One-on-one interview
SVA	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> One-on-one interview
Federal government (DEEWR) ⁵	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> Phone interview

Table 2: Size of stakeholder group

Stakeholders were engaged throughout the development of the SROI analysis. All stakeholders were engaged to define outcomes, indicators and financial proxies. Please refer to Appendix 2.0 for detailed information on stakeholder engagement.

At the time of this SROI analysis, FCB was also formally engaging with farmers through an independent study. It was decided that it was not possible to interview more farmers as these

⁵ Using information gathered during interview with DEEWR contract manager discussing the SROI for another social enterprise SVA supports (Aug 10)

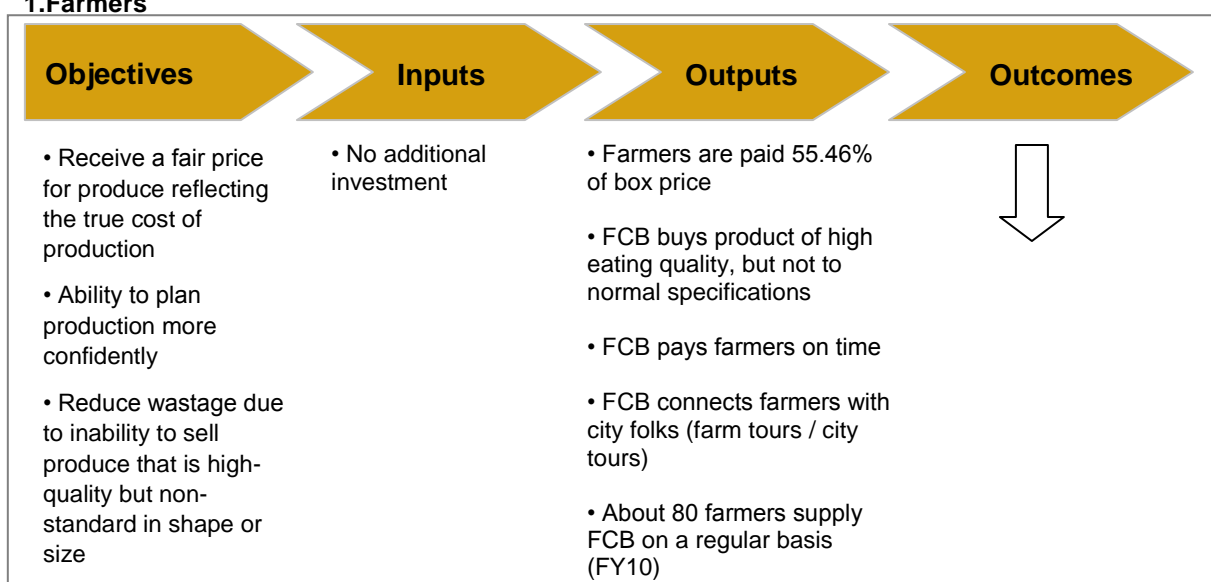
interviews needed to be face-to-face at their farms, they could not be meaningfully contacted via phone or email (for a survey) and the insights from the other study (which had begun before the SROI analysis) could be used as an input.

4 Description of Outcomes

4.1 The Theory of Change by Stakeholder group

The theory of change is a description of the objectives, inputs, outputs and outcomes for a particular stakeholder group. This section describes the theory of change for each stakeholder group, with an emphasis on describing the outcomes that will be experienced by each stakeholder group as a result of FCB's activities. This is based on the evidence collected to date, but the theory of change will apply from 2010 to 2014.

1. Farmers



The core objective of the farmers is to receive a fair return for their produce, be able to plan their productions more confidently and reduce wastage by being able to sell imperfect produce to FCB.

FCB is supplied by a network of 80 farmers within a 5 hour radius of Brisbane.

Farmers are committed to ecological growing methods, but do not need to be certified organic growers as FCB employs a farmer rating system (developed by FCB) to provide assurance of product quality. Currently five farmers are certified organic farmers. FCB pays farmers 55.46% of the box price and pays less attention to the standard size requirements of produce but more on the quality of the produce.

Subscribers order and pay for their boxes anywhere from four to fifty-two weeks in advance. Forward subscriptions allow FCB to project what they will need well in advance and the farm coordinator can work with farmers to help plan what crops should be planted. At this point, as the farmer is planning the crop, they set the price that FCB will pay, and then once they deliver the produce to FCB they are paid that set price.

FCB runs farm visits and farm stays where subscribers can meet farmers and see how they operate; and farmers sometimes visit City Cousins to meet subscribers when they come to pick up their box.

From the interviews it was apparent that FCB farmers benefit from having a unique selling point in a

crowded market as FCB only buys local produce. There are many other competitors in Brisbane and farmers can sell the produce to other buyers, but generally at less favourable terms and conditions.

The following is a description of the projected outcomes farmers will experience as a result of supplying to FCB.

- 1.1 *Increased revenue for Fruit & Vegetables*

Farmers receive a higher price from FCB for their produce even if their produce does not fit supermarket requirements in terms of size and shape. The closely-connected system that FCB provides can also be a conduit for information about the food. For example, FCB sends an email message to subscribers or updates its Facebook wall to explain why some produce may not be available or not as good as it usually would be because of heavy rains, drought or other incidents. If this would happen with farmers supplying supermarkets, the outcome might be that the produce would get rejected and subsequently wasted.

"FCB believes in the farmers. The big whole sellers have no soul. They throw excess produce out the back instead of dropping the price."

Farmer, Feb 2011

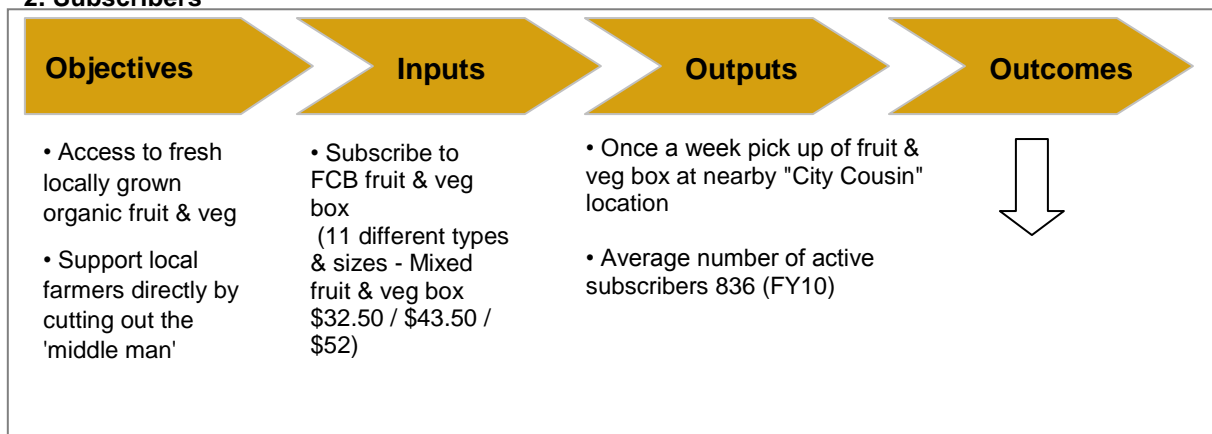
- 1.2 *Increased self-esteem, optimism and sense of community*

Farmers supplying FCB often have a greater familiarity with the people eating their food as FCB is about connecting city folks with farmers. Farmers get the chance to meet with city folks during farm tour events. There is also an opportunity to meet city folks at community events in the city. Farmers have stated that they appreciate this connection as it increases their self-esteem, optimism and sense of community.

"If I wasn't supplying FCB I probably wouldn't do this anymore. I could sell the land and get a lot of money for it. FCB has inspired me to continue. A lot of people can talk about doing something like this but Robert Pekin has done it."

Farmer, Feb 2011

2. Subscribers



Subscribers are attracted to FCB as it gives them convenient access to locally grown organic fruit and vegetable and at the same time allows them to directly support local farmers.

Subscribers sign up to FCB for a period of one to twelve months to receive a weekly box of fresh

fruit and vegetables. Subscribers can choose between 11 different sizes of boxes, including fruit and / or vegetable only options. Once a week subscribers pick up the box at points hosted by City Cousins located around Brisbane.

FCB also provides them with information about the farmers who grow the produce and how they grow it. The box includes a weekly news updates and subscribers receive a monthly newsletter delivered by email. Recipes and suggestions on how to use the produce in the box are included in the box and also distributed via email and published on the FCB website.

The average number of subscribers in the 2010 financial year was 836. FCB is looking to grow its subscriber base to about 1280 within 4 years, serving 16 subscribers per City Cousin. If subscriber numbers grow beyond this number then FCB will consider opening up another homestead on the north side of the river.

The majority of the FCB subscribers are female and in the age bracket of 31 to 55 year old. Most of them are highly educated and can be classified as “high income earners”.

The following is a description of the outcomes that will be experienced by subscribers as a result of subscribing to FCB boxes.

- *2.1 Increased awareness and understanding of healthy eating*

Subscribers to FCB gain an increased awareness of where the food comes from as a result of receiving the weekly newsletter and the box flyers, which include a rundown of the origins of this week’s produce and practical recipes. FCB is about “putting the farmers’ face on food”. Buying local food also keeps subscribers in touch with the seasons, by eating produce when it is at its peak taste, is the most abundant, and the least expensive. The range of produce also forces subscribers to try new fruit and vegetables.

Subscribers can also participate in a farm tour which takes them behind the scenes of how the produce is grown. This is not only an opportunity to socialise with other subscribers but also very educational.

“What has changed? More fresh food consumption, less processed food in our diets. With young kids the organic markets were too tough to keep up, and I find what we are getting with FCB to be better. I also like the boxes, we get our basics and also end up trying a few things that I wouldn't normally select, which is great.

Subscriber, Mar 2011

- *2.2 Improved access to local high quality organic food*

Organic farming starts with the nourishment of the soil, which leads to the nourishment of the plant and, ultimately, better quality food. Subscribers to FCB benefit from receiving better tasting produce for the value they pay. Although organic foods might seem more expensive than conventional foods, conventional food prices don't reflect hidden costs such as pesticide regulation and testing, hazardous waste disposal and clean up and environmental damage. If the hidden environmental and social costs of chemically-produced conventional produce were added to that produce, it would be more than double the price of organic food⁶.

⁶ 1995, Canberra Organic Growers Society Inc. Excerpted from an article by Sylvia Tawse in Delicious, April 1994 and CROPO Issue 23, July 1995

- 2.3 Increased ability to support local farmers

The majority of subscribers have responded that an important reason for subscribing to FCB is that farmers are being paid a fair price for their efforts. Subscribers pay a premium for the produce they buy from FCB, but a large part of what they pay is returned to the farmer: 55% of each box price is paid to the farmer.

“Being a part of FCB has reinforced our desire to eat locally and support local farmers instead of supporting the bigger food companies. We were interested in local food and had some knowledge about peak oil before joining FCB, but through FCB we have continued to learn and become more passionate about sustainable food/living. As Christians we believe God wants us to be good stewards of his land and look after each other as well. Being part of FCB has become a big part in our journey to live more sustainably, more ethically and with more love and care for the people in our local community.”

Subscriber, Mar 2011

- 2.4 Increased consumption of healthy food

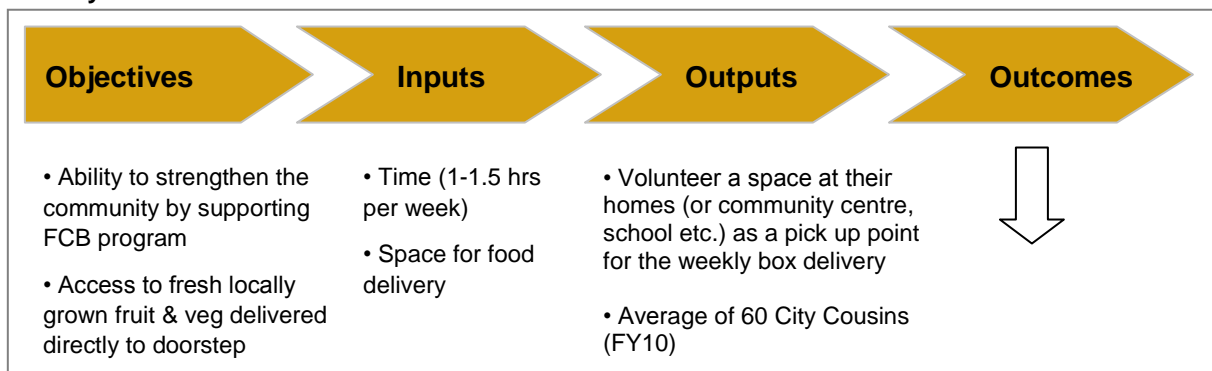
Half of the subscribers who have responded to the survey have said that they prepare more healthy meals per week as a result of subscribing to FCB. This could result in long term health benefits. Several studies have shown that food grown using organic farming methods has significantly higher mineral content than food grown by conventional farming methods. For example, a report by the United Nations Food and Agriculture Organisation (FAO) shows that organic food has significant health benefits because it has negligible chemical residues, pathogens and higher nutritional values when compared to conventionally farmed food⁷.

“We eat more fruit and veg, we eat a lot healthier, and we find we are using less meat. The children enjoy trying different things. I have found I have become more creative with the food we are eating. We rarely have take-away any more and no one seems to mind.”

Subscriber, Mar 2011

⁷ FAO (2000) Twenty Second FAO Regional Conference for Europe, Porto, Portugal, 24-28 July 2000 Agenda Item 10.1, Food safety and quality as affected by organic farming

3. City Cousins



A City Cousin is someone who offers their premises, whether a private house, community centre, school, or office, as a pick-up point for subscribers in their local area. On a particular day of the week, FCB drivers will drop off boxes for that City Cousin group, for pick-up later in the day by subscribers.

On average City Cousins spend one to one and half hours per week on their FCB duties of receiving the box deliveries and managing the pickups. Time spent on FCB duties was not valued as an investment input by City Cousins as it is an immaterial amount of time from their perspective.

The City Cousin role is pivotal for the success of FCB. It allows people to actively engage with FCB rather than just being a customer. City Cousins become part of the solution and are critical in building community. This form of “volunteering” (or, more precisely, in-kind work) is a way for City Cousins to contribute their skills, learn new skills, and connect with other subscribers and farmers. It is also a way of highlighting to City Cousins that they are more than just consumers - they are an integral part of the enterprise, and without their contribution the enterprise could not operate.

In the 2010 financial year, FCB had on average 60 City Cousins across Brisbane. FCB is looking to grow its number of City Cousins to 100 within 4 years.

The following is a description of the outcomes that will be experienced by City Cousins as a result of their involvement in FCB. These were reflected by the stakeholder interviews.

- *3.1 Increased sense of community*

About 73% of City Cousins who have responded to the survey have confirmed that FCB is about increasing their sense of community. FCB has active relationships with its farmers and offers opportunities for City Cousins and subscribers to meet the farmers. City Cousins also get the chance to interact with subscribers on a weekly basis. All of the City Cousins who have responded to the survey have said to have made new connections as a result of their role at FCB.

“We have met a lot more people from the local area. There are people who go to the same day-care as us who are food connectors but we'd never met them until we became the City Cousin.”

City Cousin, Mar 2011

- *3.2 Increased ability to support local farmers*

Nearly all City Cousins who participated in the survey have responded that they value the fact that FCB is about supplying local produce and paying a fair price to the farmers. City Cousins are the backbone to the FCB model. Without their support the model would not be sustainable. In return

City Cousins feel that they are actively involved in supporting a business model that helps farmers in increasing their self esteem, optimism, and becoming more viable.

"FCB has been one of the things that has given me an identity within my community and become a conduit for people who want to have a connection to people and the land and the food we grow to eat. I've started adopt a farmer :) Just some pretty major and very positive things in my life, thanks guys!!"

City Cousin, Mar 2011

- *3.3 Increased convenience of boxes delivered to doorstep*

All City Cousins who participated in the survey have responded that the reason why they have become a City Cousin is the added benefit of having their own box delivered to their home. They therefore spend less time having to go to their best next alternative to buy their fruit and veg. Arguably this is offset by the amount of time City Cousins invest to manage the distribution process of the boxes.

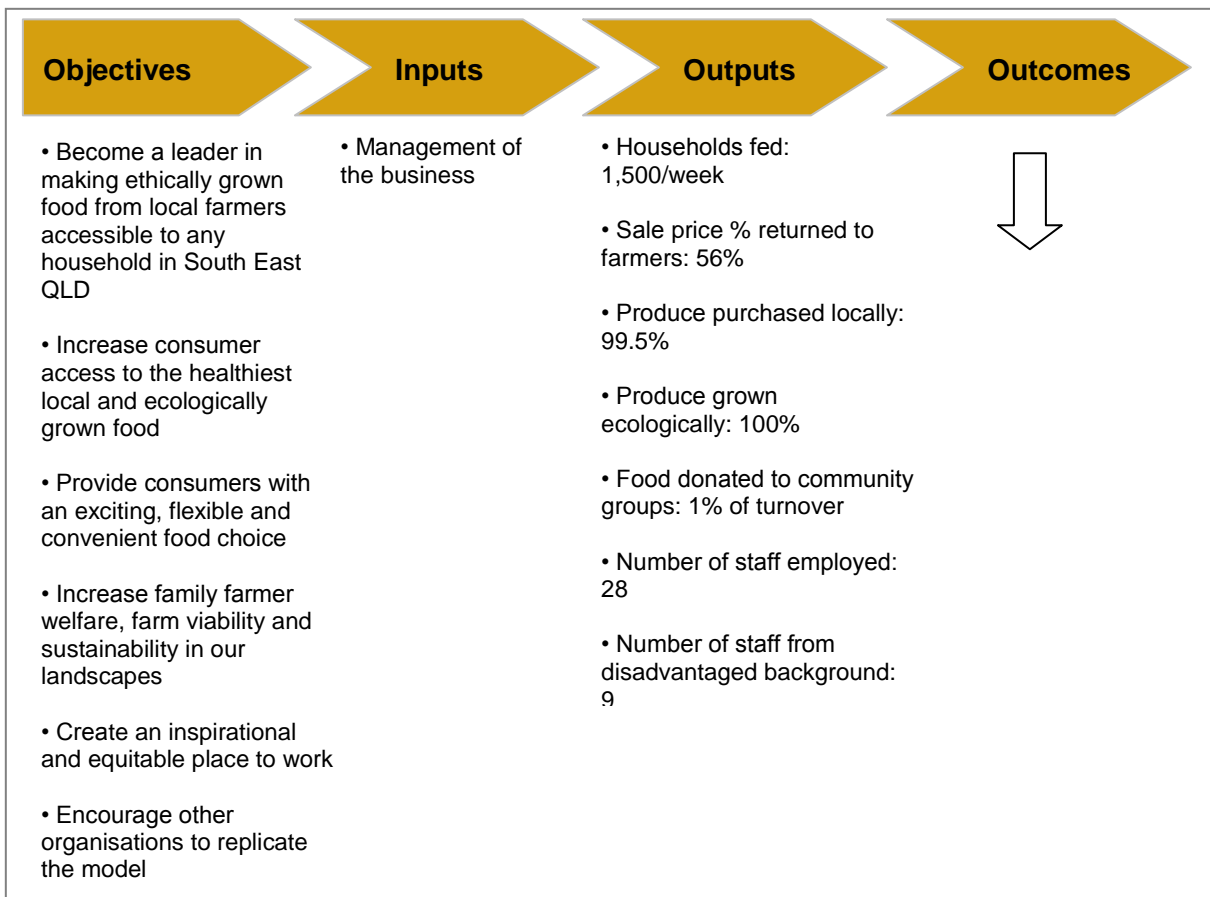
- *3.4 Increased consumption of healthy food*

Half of all City Cousins who participated in the survey have indicated that they prepare at least one more healthy meal per week since they have joined FCB. As described for subscribers above, the consumption of organically grown produce has a positive impact on long term health benefits. FCB provides a diverse range of healthy and seasonal fresh foods which contains a high nutritional value.

"I eat better (fresher, chemical free food). I'm more aware of what is in season and have learned how to cook/eat accordingly. I don't shop for fruit and veg unless I'm desperate for something that isn't available through FCB (a big time saver - no driving, parking, queues, etc)."

City Cousin, Mar 2011

4. Food Connect Brisbane (FCB)



FCB’s objectives are to become the leader in distributing ethically grown food from local farmers to any household in South East Queensland.

To achieve this vision, FCB continues to develop business systems that:

- Increase consumer access to healthy local and ecologically grown food
- Provide consumers with an exciting, flexible and convenient food choice
- Increase family farmer welfare, farm viability and sustainability in our landscapes
- Create an inspirational and equitable place to work

Further, FCB’s aim is to encourage other organisations to replicate the model which will further impact the local food revolution across Australia.

FCB is a sustainable social enterprise generating a profit since 2008. After five years of operation FCB feeds over 1,500 households per week and returns 56% of the box price to its farmers. Almost all of its produce is sourced from local farmers who grow their produce 100% ecologically, i.e. chemical free. FCB donates 1% of its turnover to the community. FCB employs 28 staff members of which 9 can be categorised as coming from disadvantaged backgrounds. These are people who have previously been long term unemployed (i.e. for longer than 6 months).

The following is a description of the outcomes that will be experienced by FCB. These were reflected by the stakeholder interviews.

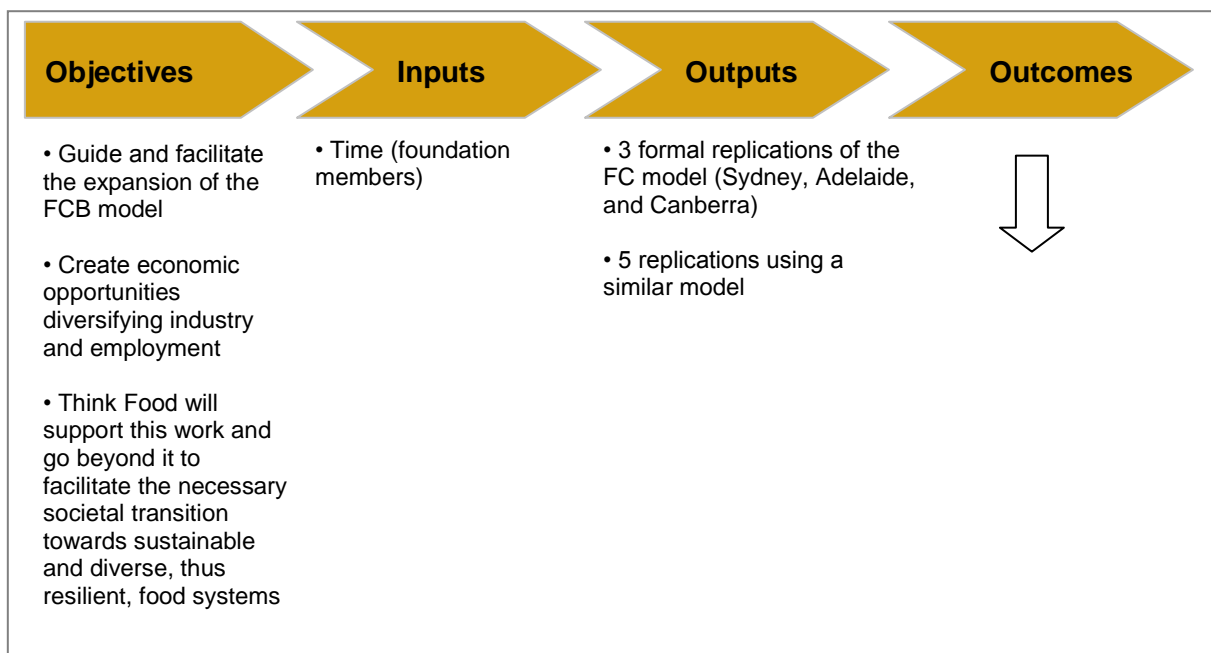
- 4.1 Profit generated

FCB objective is to make a profit from its operations in addition to providing a fair price to Australian farmers for their produce, supplying fresh produce to local families, and providing employment opportunities and pathways for people from marginalised backgrounds. FCB has been generating a profit since 2008 and profits are expected to increase over the next few years. This is critical as it means that FCB is a sustainable business.

- *4.2 Successful establishment and ongoing operations of the Food Connect Foundation (FCF)*

FCB founded FCF in 2009 to build on the pioneering achievements of FCB in connecting farmers with city folks over the past six years. FCF is an umbrella organisation that will co-ordinate the activities of the regional FCBs and steer projects such as the New Farmers' Pathway and the Participatory Farmer Assessment scheme.

5. Food Connect Foundation & Think Food



Founded in 2009, the Food Connect Foundation (FCF) was set up to support entrepreneurship that promotes soil fertility, appropriate scale organic farming and small food enterprises. FCF is an umbrella organisation that will co-ordinate the activities of the regional Food Connects and steer projects such as the New Farmers' Pathway and the Participatory Farmer Assessment scheme. Replications of FCB have already been launched in Sydney and Adelaide, and new Food Connects are planned for Canberra and the Sunshine Coast in 2011.

Think Food is supporting the work of the Foundation and aims to be the leading provider of professional consultancy, research, training and implementation services to federal and state governments, local councils and communities across Australia who are planning for, and working towards, the creation of sustainable, resilient and diverse food systems.

The following is a description of the outcomes that will be experienced by FCF & Think Food. These were reflected by stakeholder interviews.

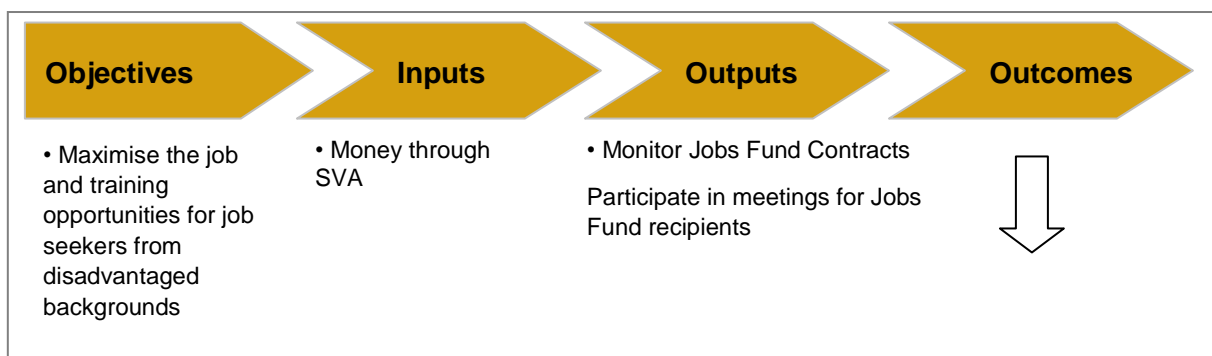
- *5.1 Inspire others to replicate business model to create diverse and healthy regional and local economies*

FCB's Foundation's mission is to create a sustainable food system that:

- Establishes successful businesses through the FCB Community Replication model
- Implements farmer support programs such as the Participatory Farmer Assessment Guarantee, New Farmers Pathway, and the FCB Farmland Trust
- Fosters a network of social investors
- Educates consumers to transition to more conscious food choices

Outcomes of the mission will be to build soil health, increase take-up of ecological farming practices, and encourage appropriate-scale ecological farmland use. Not only will this make a positive impact on carbon emissions from the agricultural sector, but it will also serve to strengthen the resilience of local food systems and surrounding communities.

6. Federal Government



The Australian Government's Department of Education, Employment and Workplace Relations (DEEWR) are a stakeholder of FCB because they are positively impacted by the outcomes of FCB's job creation. In addition, FCB, by virtue of their relationship with SVA, indirectly receive funds from the Jobs Fund, which is administered by DEEWR. DEEWR have not contributed funds directly to FCB.

The following outcomes were identified for Government in an interview conducted for an SROI analysis on another social enterprise supported by SVA:

- *6.1 Increased savings from welfare payments*

The Government is able to save money as employees gradually replace their Centrelink payments such as the Newstart allowance with secure income from being employed.

- *6.2 Increased financial benefits via increased tax contributions.*

As a result of securing sustainable employment, employees move from tax takers to tax givers.

"Our main priority is seeing increases in the number of people in jobs and training. But (from the Jobs Fund perspective) we also want to see ongoing progress in how they are operating, in terms of staffing, business operations, bottom line profitability."

Jobs Fund contract manager, Aug 2010

4.2 Social Value included in the SROI Analysis

The following table shows each stakeholder group, the outcomes they experienced, the indicators used to measure the outcomes, whether data could be accessed to measure the outcome and, finally, if the outcome was included in the SROI ratio.

Outcomes	Indicator	Data Access	Included in SROI Ratio
Farmers			
Increased revenue for fruit & veg	No. of boxes and value of the boxes sold	✓	✓
Increased self-esteem, optimism and sense of community	No. of farmers connecting with city folks	✓	✓
Subscribers			
Increased awareness and understanding of healthy eating	No. of subscribers reporting to have an increased awareness of healthy food	x	x
	No. of subscribers signing up for farm tours	x	x
Improved access to local high quality organic food	No. of subscribers reporting to receive better quality organic produce from FC compared to the next best alternative	✓	✓
Increased ability to support local farmers	No. of boxes bought by subscribers who report that fair price to farmers is important	✓	✓
Increased consumption of healthy food	No. of additional healthy meals prepared per week	✓	✓
City Cousins			
Increased sense of community	No. of City Cousins reporting to have made new connections to other community members	✓	✓
Increased awareness and understanding of healthy eating	No. of City Cousins signing up for farm tours	x	x
Increased ability to support local farmers	No. of boxes bought by City Cousins who report that fair price to farmers is important	✓	✓
Increased convenience of boxes delivered to doorstep	No. of City Cousins doing fewer trips to buy fruit & veg from next best alternative	✓	✓
Increased consumption of healthy food	No. of additional healthy meals prepared per week	✓	✓
Food Connect Brisbane			

Outcomes	Indicator	Data Access	Included in SROI Ratio
Profit generated	Profit generated per year	✓	✓
Successful establishment and ongoing operations of the Foundation	Ongoing operations of the Foundation	✓	✓
Food Connect Foundation & Think Food			
Inspire others to replicate business model to create diverse and healthy regional and local economies	No. of business model replications across Australia (incl. FC replications)	✓	✓
Federal government			
Increased savings in welfare payments	No. of employees receiving reduced welfare payments due to earnings of \$250 - \$432.33 per fortnight	✓	✓
Increased financial benefits via increased tax contributions	No. of employees paying additional income tax	✓	✓

Table 7: Stakeholder group by outcome, indicator, data access and inclusion in SROI ratio

4.3 Summary of Social Value Created

The outcomes that were able to be valued using a financial proxy were included in the SROI analysis. They are shown and then discussed for each stakeholder group.

Note: This is all taken from the stakeholder impact map

Stakeholders	Social Value per stakeholder group*
Farmers	\$1,154,318
Subscribers	\$1,022,043
City Cousins	\$508,900
Food Connect Brisbane	\$337,968
Food Connect Foundation & Think Food	\$433,125
Federal Government	\$489,231

* Social value calculated prior to discount rate being applied

Outcomes	Indicator	Financial Proxy	Total Social Value*
Farmers			\$1,154,318
Increased revenue for fruit & veg	No. of boxes and value of the boxes sold	Difference between what farmers receive from supermarket and FC (farmers perspective)	\$1,137,518

Outcomes	Indicator	Financial Proxy	Total Social Value*
Increased self-esteem, optimism and sense of community	No. of farmers connecting with city folks	Cost of farm tour & city visits	\$16,800
Subscribers			\$1,022,043
Improved access to local high quality organic food	No. of subscribers reporting to receive better quality organic produce from FC compared to next best alternative	Difference in price to buying conventional goods	\$22,061
Increased ability to support local farmers	No. of boxes bought by subscribers who report that fair price to farmers is important	Difference between what farmers receive from supermarket and FC (farmers perspective)	\$678,238
Increased consumption of healthy food	No. of additional healthy meals prepared per week	Cost savings on preparing at least 1 more healthy meal per week	\$321,744
City Cousins			\$508,900
Increased sense of community	No. of City Cousins reporting to have made new connections to other community members	Value of time spent interacting with subscribers / community per year	\$285,090
Increased ability to support local farmers	No. of boxes bought by City Cousins who report that fair price to farmers is important	Difference between what farmers receive from supermarket and FC (farmers perspective)	\$75,714
Increased convenience of boxes delivered to doorstep	No. of City Cousins doing fewer trips to buy fruit & veg from next best alternative	Cost savings in having food delivered at no charge	\$123,760
Increased consumption of healthy food	No. of additional healthy meals prepared per week	Cost savings on preparing at least 1 more healthy meal per week	\$24,336
Food Connect Brisbane			\$337,968
Profit generated	Profit generated per year	Operating profit FY10	\$268,093
Successful establishment and ongoing operations of the Foundation	Ongoing operations of the Foundation	Operating costs of foundation	\$69,875
Food Connect Foundation & Think Food			\$433,125
Inspire others to replicate business model to create diverse and healthy regional and local economies	No. of business model replications across Australia (incl. FC replications)	Difference in revenue farmers receive	\$433,125
Federal government			\$489,231

Outcomes	Indicator	Financial Proxy	Total Social Value*
Increased savings in welfare payments	No. of employees receiving reduced welfare payments due to earnings of \$250 - \$432.33 per fortnight	Average savings per employee earning between \$250 - \$432.33 per fortnight	\$444,600
Increased financial benefits via increased tax contributions	No. of employees paying additional income tax	Average additional taxes paid by employees	\$44,631

Table 8: Monetised Outcomes

* Social value calculated prior to discount rate being applied

4.4 Rationale for Calculations

Note: for further details about the calculations, please see the excel spreadsheet "Food Connect Brisbane SROI Impact map - May 2011". This spreadsheet includes all of the calculations described below.

The social value for each outcome described below is calculated over a 5 year period. The number of City Cousins and subscribers increase in line with the growth predictions of the business.

This analysis demonstrates a snapshot of what is happening at the present point in time of conducting the SROI and this may change as the business is growing.

Key Variables

The following are the variables which differ per year:

- The return to farmers is adjusted for inflation⁸ each year
- The number of City Cousins and subscribers increases in line with the growth projections of FCB (see table below)

SROI Summary					
	2010	2011	2012	2013	2014
No. of subscribers	836	950	1050	1150	1250
No. of City Cousins	60	70	80	90	100
Total Social Value per year	\$666,159	\$730,611	\$801,158	\$849,056	\$898,602
Total Present Value	\$3,578,861	(applied discount rate of 4.75% to year '11, '12, '13, '14)			

Filters applied to the analysis

This is a forecast SROI analysis which predicts the outcomes of FCB from the 2010 financial year investment over a timeframe of 5 years. At this stage, there is limited empirical data to evidence each SROI filter for each stakeholder group. The following is the rationale for each SROI filter:

⁸ Consumer Price Index, Australia, Dec 2010 2.7% (ABS)

Deadweight – What would have happened anyway? For most of the outcomes, a deadweight of 0% was applied as the outcomes would not have happened without the activity. A deadweight was assigned to “increased revenue for fruit & veg” for the farmers and “increased ability to support local farmers” for subscribers and City Cousins, and a description for this is included in the rationale for calculations narrative below.

Displacement – Were other activities or outcomes displaced to create the outcome? No activities or outcomes were displaced to generate the outcomes. The jobs created on site are new jobs and do not displace other job seekers from finding employment. Therefore no displacement was assumed throughout the analysis.

Attribution – Who else contributed to the changes? FCB is promoted through various media streams and word of mouth. In the future it may be worth testing how much promotion is done by other organisations and people. An attribution was assigned to “inspire others to replicate business model to create diverse, healthy regional and local economies” for Food Connect Foundation & Think Food, and a description for this is included in the rationale for calculations narrative below.

Duration and Drop-off – How long does the outcome last for and does it drop-off in future years? Outcomes are predicted to last for the time stakeholders are engaged with FCB. This SROI analysis was done over a 5 year timeframe and hence outcomes are deemed to last for the 5 year period. No drop-off has been applied.

Farmers’ Outcomes

The following is a description of the rationale used to calculate the value for each of the outcomes that will be experienced by farmers who are part of the FCB network:

1.1 Increased revenue for Fruit & Veg (Total Social value = \$1,137,518)

The indicator used to measure this outcome is the total number of boxes and value of the boxes sold to FCB. The financial proxy used to value the outcome is the difference between what farmers receive from a supermarket and FCB, from the farmers’ perspective. According to some sources “producers receive as little as 5 per cent of the price paid by consumers”. Global Trade Watch estimates that farmers receive 10 per cent of the price paid by the end consumer. FCB pays farmers 40 per cent of the price paid by the consumer. Using the higher estimate the difference between what farmers receive for their produce from supermarkets compared to FCB is therefore \$0.45 in the dollar. The quantity is calculated using the average spend on a FCB Food Box of \$39.20 multiplied by the average number of subscribers in the respective financial year.

A deadweight of 75% was applied to the outcome to account for the number of competitors in the market place who would pay farmers the same or a similar price for their produce.

1.2 Increased self-esteem, optimism and sense of community (Total Social value = \$16,800)

The indicator used to measure this outcome is the number of farmers connecting with city folks during farm tours and / or city events. FCB organises approximately 4 events per year. The financial proxy used to value the outcome is the cost of running farm tours and city events (incl. an estimate for the staff time, travel time and any overheads incurred) per year. This is estimated to be \$840 per event.

Subscribers’ Outcomes

The following is a description of the rationale used to calculate the value for each of the outcomes that will be experienced by subscribers who join FCB’s program:

2.1 Improved access to local high quality organic food (Total Social value = \$22,061)

The indicator used to measure this outcome is the number of subscribers reporting to receive better quality organic produce from FCB compared to the next best alternative. The financial proxy used to value this outcome is the difference in price to buying conventional goods. This was estimated comparing the new price (\$52.00) of a FCB Gourmet box to the average price of a similar basket of conventional goods from a variety of different sources⁹ (such as supermarkets, home delivery services etc.), which is approximately \$5.34 more expensive than buying the goods from the next best alternative.

2.2 Increased ability to support local farmers (Total Social value = \$678,239)

The indicator used to measure this outcome is the number of boxes bought by subscribers who report that a fair price to farmers is important. Of those subscribers who have responded to the survey 53% have commented that fair produce is important to them and a reason for their subscription to FCB. The financial proxy used to value this outcome is the price difference between what farmers receive from supermarkets and FCB, which is 45% (see description for outcome 1.1 for farmers above).

A deadweight of 75% was applied to the outcome to account for the number of organic food home delivery competitors in the market place.

2.3 Increased consumption of healthy food (Total Social value = \$321,744)

The indicator used to measure this outcome is the number of additional healthy meals prepared per week. Of those subscribers who have responded to the survey, 51% have commented that they prepare on average 1 more healthy meal per week. The financial proxy used to value this outcome is the cost savings on preparing 1 more healthy meal per week. A comparison analysis¹⁰ of the cost of a healthy menu versus an unhealthy menu for a day estimated that eating “healthy” meals a day approximately saves \$2.34.

City Cousins’ Outcomes

The following is a description of the rationale used to calculate the value for each of the outcomes that will be experienced by City Cousins who volunteer their time and premises for FCB:

3.1 Increased sense of community (Total Social value = \$285,090)

The indicator used to measure this outcome is the number of City Cousins reporting to have made new connections to other community members as a result of being part of FCB. Of those City Cousins who responded to the survey, 73% have said to have made new connections. The financial proxy used to value this outcome is the value of time spent interacting with subscribers / community per year using the hourly minimum wage of \$15.

3.2 Increased ability to support local farmers (Total Social value = \$75,714)

The indicator used to measure this outcome is the number of boxes bought by City Cousins who report that a fair price to farmers is important. Of those City Cousins who have responded to the survey, 77% have commented that fair produce is important to them and a reason for their subscription to FCB. The financial proxy used to value this outcome is the price difference between what farmers receive from supermarkets and FCB, which is 45% (see description for outcome 1.1 for farmers above).

⁹ Farmletter February 8-10 2011 - Prices as at Jan/Feb 11

¹⁰ The Real Cost of Healthy Food report card has been endorsed by the Dietitians Association of Australia (March 2009)

A deadweight of 75% was applied to the outcome to account for the number of organic food home delivery competitors in the market place.

3.3 Increased convenience of boxes delivered to doorstep (Total Social value = \$123,760)

City Cousins benefit from having the boxes delivered straight to their door. The indicator used to measure this outcome is the number of City Cousins doing fewer trips to buy fruit and vegetables from their next best alternative. The financial proxy used to value this outcome is the cost savings in having food delivered at no charge. The value used is \$5.95 per delivery using a competitors¹¹ delivery cost.

3.4 Increased consumption of healthy food (Total Social value = \$24,336)

The indicator used to measure this outcome is the number of additional healthy meals prepared per week. Of those City Cousins who have responded to the survey 50% have commented that they prepare on average at least 1 more healthy meal per week. The financial proxy used to value this outcome is the cost savings on preparing 1 more healthy meal per week. A comparison analysis¹² of the cost of a healthy menu versus an unhealthy menu for a day estimated that eating “healthy” meals a day approximately saves \$2.34.

Food Connect Brisbane’s Outcomes

The following is a description of the rationale used to calculate the value for the outcomes that will be experienced by FCB:

4.1 Profit generated (Total Social value = \$268,093)

The indicator used to measure this outcome is the profit generated per year. The financial proxy used to value this outcome is the operating profit of FCB for each of the respective financial years, which is \$53,588 on average over the 5 year period of the analysis.

4.2 Successful establishment and ongoing operations of the Foundation (Total Social value = \$69,875)

The indicator used to measure this outcome is the successful establishment and ongoing operations of the Foundation. The financial proxy used to value this outcome is the operating costs of the Foundation per year using the advocacy expenses of the financial budget, which are on average \$13,975 over the 5 year period of analysis.

Food Connect Foundation & Think Food’s Outcomes

The following is a description of the rationale used to calculate the value for the outcome that will be experienced by the Food Connect Foundation & Think Food:

5.1 Inspire others to replicate business model to create diverse and healthy regional and local economies (Total Social value = \$433,125)

The indicator used to measure this outcome is the number of business model replications across Australia (incl. Food Connect replications). In early 2010 there were three formal Food Connect replications (Sydney, Adelaide, Coffs Coast) and five replications using the same business model. The financial proxy used to value this outcome is the difference in revenue farmers receive using the average turnover per year of four smaller sized and four larger sized business replications.

A deadweight of 75% was applied to the outcome to account for what would have happened without

¹¹ www.organicfoods.com.au

¹² The Real Cost of Healthy Food report card has been endorsed by the Dietitians Association of Australia (March 2009)

the business replications. An attribution of 75% was applied to account for the contribution of the businesses replicating the model. Both of these are assumptions based on limited stakeholder engagement and further research should be conducted to further validate these assumptions.

Federal Government' Outcomes

FCB currently employs 9 people who can be classified as people from marginalised backgrounds.

The following is a description of the rationale used to calculate the outcomes that will be experienced from the federal government perspective as a result of creating 9 jobs for long term unemployed people:

6.1 Increased savings in welfare payments (Total Social value = \$444,600)

The number of employees receiving reduced welfare payments can be used to measure the outcome, and the average savings in "Newstart payment for one year" per employee¹³ per week is the financial proxy used to value the outcome. The Newstart payment for one year was based on an allowance of \$475 per fortnight¹⁴ annualised to \$12,350.

6.2 Increased financial benefits via increased tax contributions (Total Social value = \$44,631)

The financial proxy used to value this outcome is the average additional taxes paid by 9 employees. The average gross annual income of each employee is \$13,962. To calculate the increase in tax income, the following steps are required:

- Compulsory superannuation of 9% must be deducted
- An allowance made for the low income tax offset (LITO) of \$1,350¹⁵
- Tax rates applied, including the tax free threshold of \$6,000

The net tax paid to the Government then becomes \$992¹⁶ per participant working 15 hours per week.

¹³ This calculation is based on employees earning between \$250 - \$432.33 per fortnight and the Newstart is reduced by 60c in the dollar of the difference between weekly salary and the tax free amount of \$62

¹⁴ www.centrelink.gov.au accessed March 2011

¹⁵ The Low Income Tax Offset (LITO) is a tax rebate for individuals on lower incomes. From 1 July 2009 it provides individuals earning less than \$30,000 with a tax rebate of \$1,350. The full offset is reduced by 4c for every dollar of taxable income above \$30,000, meaning incomes greater than \$63,750 do not receive any benefit. The LITO creates an effective tax-free threshold of \$15,000 for low income earners

¹⁶ ATO Tax Calculator, www.ato.gov.au, accessed July 2010

5 Investment Value

2010 financial year investment

Investment	
Cash investment by SVA	
Funding	\$212,603
Total investment	\$212,603

*Interest paid on a loan of \$80,000 over a 4 year period (FY10/11/12/13)

This SROI analysis (and the approach taken for all SROI analyses conducted by SVA Consulting) is considered a “steady-state” SROI, that is, it is focussed on a discrete period of investment, usually one year of investment. This impacts the amount considered as part of the investment in an SROI analysis, which in return impacts the SROI ratio calculation. Just as with commercial for-profit businesses, the investment required to start a business is not the amount you would analyse to understand the return on investment for a particular year. This is because the initial investment should last for many years, if not in perpetuity.

To understand the investment required for FCB, we need to consider any grants FCB received. This is the investment (the input in SROI terms) required to generate the outcomes that have been analysed as a result of the investment of that financial year. Usually we would add the depreciated value of assets for the year to the total value of grants, however in the case of FCB the total value of the assets is considered part of the investment as they will be used up in the five year period.

It should be noted that FCB is unlikely to require future year investments until at least 2014, as they currently predict to operate as a sustainable enterprise not requiring additional grants for any equipment purchases or to subsidise the operations.

SVA has provided \$103,000 in grant funding to FCB, which was used for IT development, wages for the Business Development Manager as well as DEEDI¹⁷ funding for \$1,000 per marginalised persons employed. FCB have also formed a relationship with DEEWR’s¹⁸ indigenous employment training program - a base training budget of \$4,000 in the first year and \$6,773 in the second which includes the training for the food safety supervisor.

Investment	
Cash investment SVA	
IT development, wages for BDM	\$103,000
DEEDI investment per marginalised employee	\$11,000
Employee training	\$6,000
Assets	
Stalls & Merchandising	\$6,213
Computer Equipment & Software	\$1,800
Coolroom	\$16,760
Racking & Shelving	\$12,860
Processing & Packing Line	\$4,890
Plant & Equipment	\$7,100

¹⁷ Department of Employment, Economic Development and Innovation (QLD)

¹⁸ Department of Education, Employment and Workplace Relations

Delivery Van	\$42,980
Total investment	\$212,603

*Interest paid on a loan of \$80,000 over a 4 year period (FY10/11/12/13)

FCB's balance sheet currently shows that they have negative equity in the business. Importantly, equity in the business changes over time, and because FCB will be generating a profit each year for the distribution business, equity in the business is forecast to be positive by 2013. It was beyond the scope of this project to further analyse the balance sheet of FCB, as it incorporates other FCB businesses. For the purposes of this analysis, the negative equity currently calculated in the balance sheet is not considered material for inclusion in this analysis.

6 SROI Ratio

Food Connect Brisbane will deliver an indicative SROI of \$16.83:1 based on the predicted outcomes generated from the investment of the 2010 financial year.

That is for every \$1 invested, approximately \$16.83 of social value is created.

Food Connect Brisbane SROI Ratio 16.83:1	=	Present value of benefits \$3,578,861
		Present value of investment \$212,603

To calculate the net present value (NPV), the costs and benefits incurred or generated in different time periods need to be summed. For these costs and benefits to be comparable, a process called discounting is used. A discount rate of 4.75%, which was the Australian target cash rate on 30th June 2010¹⁹, was used for the NPV calculations.

To calculate the added social value created by FCB is as follows:

$$\begin{aligned} & \text{Added social value created by FCB} \\ &= [\text{Present value of benefits}] - [\text{Present value of investments}] \\ &= \$3,578,861 - \$212,603 \\ &= \$3,366,258 \text{ (Net Present Value)} \end{aligned}$$

This value is a conservative valuation of the social impact that will be generated by FCB. As it is a forecast, there are a number of considerations that will impact the SROI ratio. These include the difficulty to understand all of the positive consequences of the activities planned for the coming months, such as the job creation for people from marginalised backgrounds over the long term.

It is important to note that the SROI ratios should not be compared between organisations without having a clear understanding of both organisations' strategy, program logic or theory of change, geographic location, stage of development and what the organisations are looking to achieve. A judgement about whether a return is good or bad can only be made when using comparable data.

6.1 Sensitivity Analysis

The SROI ratio calculated is contingent on several assumptions and it is necessary to test the effect of changing these assumptions on the ratio. In doing so, we challenge the robustness of our assumptions to determine whether we can still be confident that FCB will create value.

Assumptions that were tested in the sensitivity analysis for this report were:

1. Deadweight

19 Reserve Bank of Australia <http://www.rba.gov.au/statistics/cash-rate.html>

2. Number of subscribers & City Cousins stay the same over the 5 year period
3. Reduction in the time period of analysis (i.e. the duration of outcomes)

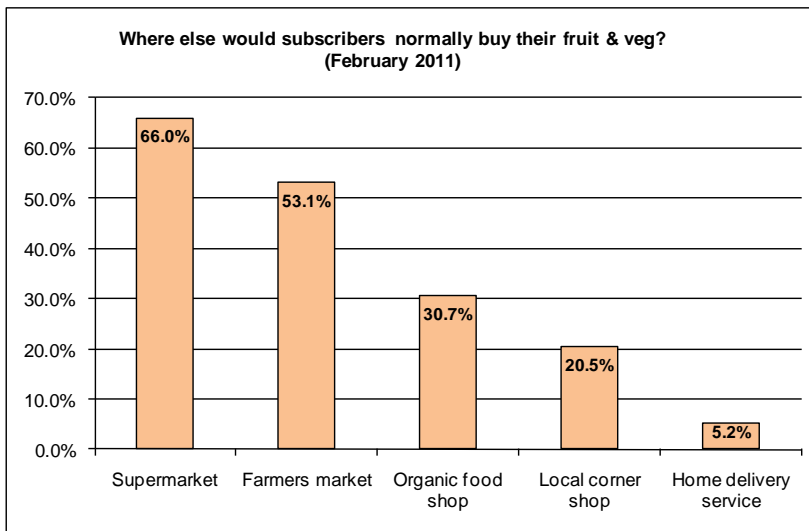
The following table describes the variable, the forecast assumption, the new assumption and the resulting SROI:

Variable	Baseline	New Assumption	Adjusted SROI ratio
Baseline			16.83
1. Deadweight	75%	25%	35.56
2. No. of subscribers & City Cousins stay the same over the 5 year period	Subs 836; CC 60 (FY10) Subs 950; CC 70 (FY11) Subs 1,050; CC 80 (FY12) Subs 1,150; CC 90 (FY13) Subs 1,250; CC 100 (FY14)	Subs 836; CC 60 (all years)	14.31
3. Reduction in the time period of analysis	5 years	3 years	9.85
		1 year	3.13

Table 11: Sensitivity analysis

1. Deadweight

FCB is primarily competing with supermarkets and local farmers markets that sell fresh produce.



To account for the level of competition a deadweight of 75% was applied to the outcome for farmers of increased revenue as they could also sell their produce to other buyers at the same or a similar price. Deadweight of 75% was also applied to the outcome for City Cousins and subscribers of having an increased ability to support local farmers. If we drop the deadweight to 25% assuming that the level of direct competition is lower than predicted or has less of an effect as currently estimated, then this more than doubles the SROI ratio to 35.56:1 from 16.83:1.

2. No. of subscribers & City Cousins stay the same over the 5 year period

FCB is predicting a healthy growth in the number of subscribers and City Cousins over the 5 year period of the analysis. If however growth rates would stagnate now and stay at the current level of 836 subscribers and 60 City Cousins, then this decreases the SROI ratio to 14.31:1 from 16.83:1.

3. Reduction in the time period of analysis

This SROI analysis assumes that outcomes will be achieved over a 5 year period as a result of the investment in the 2010 financial year. If the time period is reduced to 3 years it results in a reduction of the SROI ratio to 9.85:1 from 16.83:1. If the time period is reduced to 1 year it results in a reduction of the SROI ratio to 3.31:1 from 16.83:1. This shows that even if we take a more conservative view on the duration of the outcomes, the SROI ratio is significant.

7 Conclusion & Recommendations

The SROI analysis demonstrates that FCB will create significant social value for stakeholders.

The following is a summary of the social value created:

Stakeholders	Real outcomes due to Food Connect Brisbane	Social Value creation (2010 – 2014)*	Social Value per stakeholder group*
Farmers	Increased revenue for Fruit & Veg	\$1,137,518	\$1,154,318
	Increased self-esteem, optimism and sense of community	\$16,800	
Subscribers	Improved access to local high quality organic food	\$22,061	\$1,022,043
	Increased ability to support local farmers	\$678,238	
	Increased consumption of healthy food	\$321,744	
City Cousins	Increased sense of community	\$285,090	\$508,900
	Increased ability to support local farmers	\$75,714	
	Increased convenience of boxes delivered to doorstep	\$123,760	
	Increased consumption of healthy food	\$24,336	
Food Connect Brisbane	Profit generated	\$268,093	\$337,968
	Successful establishment and ongoing operations of the Foundation	\$69,875	
Food Connect Foundation & Think Food	Inspire others to replicate business model to create diverse and healthy regional and local economies	\$433,125	\$433,125
Federal Government	Increased savings from welfare payments	\$444,600	\$489,231
	Increased financial benefits via increased tax contributions	\$44,631	
Total Present Value		\$3,578,861	
Total Investment		\$212,603	
Social Return \$ per \$ invested		16.83	

* Social value calculated prior to discount rate being applied

An investment of \$212,603 in the 2010 financial year creates \$3,578,861 of present value, resulting in an indicative SROI ratio of 16.83:1. That is, for the equivalent of every \$1 invested in FCB, \$16.83 is returned in social value.

This is a high SROI ratio and is partly the result of FCB being an established social enterprise with little investment required to sustain operations. The investment was used for IT development and wages for the Business Development Manager. The benefits have been modelled over a five year period from 2010 to 2014. Approximately 65% of value is created in the last three years. However, it is possible that this investment could produce benefits that would last in perpetuity (or at least for a

number of years) as FCB is a sustainable business model that requires no further investment.

Considerations

This report is not an analysis of FCB's operations or FCB's business model. This report does not focus on the sustainability of the operations of FCB, but rather focuses on understanding the impact FCB will have on stakeholders. This forecast SROI analysis should be considered as a benchmark for the measurement of impact and value creation to be achieved by FCB. It also provides insight into the type of data that should be captured in order to communicate the social impact and value creation to all stakeholders.

This SROI analysis is based on stakeholder consultation, evidence gathered from the sixth year of FCB's operations and secondary research. The sensitivity analysis highlights that even when the time period of benefits created is reduced to one year the SROI ratio is still significant - 3.31:1.

There is however a number of considerations to the forecast SROI analysis conducted on FCB:

- The total number of farmers, subscribers and City Cousins included in this analysis is based on conservative growth predictions for the business. On average during the 2011 financial year FCB is likely to serve 950 subscribers, 70 City Cousins and 80 farmers. These numbers are predicted to grow at a steady rate to 1250 subscribers and 100 City Cousins by the 2014 financial year. The number of farmers is likely to stay the same.
- This analysis excludes the investment and outcomes of the commercial kitchen activities, which will allow FCB to expand its catering arm and also create more employment opportunities and secure job pathways for an estimate of 13 employees. This analysis also excludes any social value creation from the proposed indigenous employment strategy, which is currently being scoped.
- FCB activities are likely to reduce the impact on the environment as a result of promoting an increased use of sustainable farm practices by farmers, a reduction in food miles and reduced food wastage. This analysis was not able to include the reduced environmental impact as it was not possible to engage with representatives of environmental organisations in Queensland.

Recommendations

The SROI analysis revealed a number of areas where FCB can improve its operations and better demonstrate the social value it creates. The following are recommendations for FCB based on the SROI analysis:

1. *Assure produce quality.* Survey results have shown that customers sometimes receive produce of a lower quality which often only lasts a few days. In the long term this may encourage subscribers to sign up with competing suppliers. Closer controls need to be implemented from the point of purchase all the way through to consumption by customers to ensure that the quality standards are kept at a high level.
2. *Build customers trust in FCB through higher transparency.* Survey results have shown that subscribers and City Cousins would appreciate a higher level of transparency of FCB's operations. They would like to see more of a 'guarantee' that the farmers are actually getting an increased revenue share. Perhaps FCB can produce more regular reports detailing the percentage of revenue remitted to farmers, the percentage of food rejected/wasted, the percentage of food purchased outside the Community Supported Agriculture (CSA) model (in case of low supplies), the percentage of organic food and average food miles. Some have expressed an interest in seeing audited statistics.

3. *Establish FCB's measurement and evaluation frameworks.* This SROI analysis has demonstrated the value in formally engaging with farmers, subscribers and City Cousins to understand from their perspective what changes and how they value the change as a result of being involved in FCB. This analysis should form the basis of a measurement and evaluation framework to help FCB understand if they have been successful. An online survey tool, survey monkey, was used to engage with subscribers and City Cousins. To establish the long term impact of FCB it is important to repeat the stakeholder engagement in the future. We recommend sending out surveys to City Cousins and subscribers per annum. This could impact KPIs and performance reporting, and ultimately provide an input into strategic planning. This will also assist FCB in addressing customers trust by being more transparent with their reporting.
4. *Communicate the impact.* The SROI analysis is more than just a ratio: it is a powerful story of the impact FCB has on its stakeholders. FCB should use this analysis with existing and potential investors to demonstrate what it has already achieved and can potentially achieve in the future.
5. *Measure outcomes of the commercial kitchen.* Use this methodology and lessons learned from this analysis to be clear about the theory of change resulting from the operations of the commercial kitchen and engage with stakeholders at the start of the project and at regular intervals (e.g. yearly) to understand the value creation over time.

Appendix

1.0 SROI principles

The following principles guide the work conducted for an SROI analysis:

Principle	Definition
Involve stakeholders	Stakeholders should inform what gets measured and how this is measured and valued.
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.
Value the things that matter	Use financial proxies in order that the value of the outcomes can be recognised.
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.
Do not over claim	Organisations should only claim the value that they are responsible for creating.
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.
Verify the results	Ensure appropriate independent verification of the account.

For further information on the SROI principles and methodology, please see the SROI Guide published by the SROI Network in May 2009:

www.thesroinetwork.org

2.0 Stakeholder Engagement

A mixture of phone and on-site interviews were used to gather input for the SROI analysis. The table shows the stakeholder group, type of engagement, duration and location.

Stakeholder Group	Type of engagement	Duration	Location
Farmers	<ul style="list-style-type: none"> One-on-one 	<ul style="list-style-type: none"> 30 minutes 	<ul style="list-style-type: none"> Phone interview
Subscribers	<ul style="list-style-type: none"> Survey 	<ul style="list-style-type: none"> 15 minutes 	<ul style="list-style-type: none"> Online survey
City Cousins	<ul style="list-style-type: none"> Survey 	<ul style="list-style-type: none"> 15 minutes 	<ul style="list-style-type: none"> Online survey
Food Connect Brisbane	<ul style="list-style-type: none"> One-on-one 	<ul style="list-style-type: none"> 2 hours 	<ul style="list-style-type: none"> Phone interview
Food Connect Foundation & Think Food	<ul style="list-style-type: none"> One-on-one 	<ul style="list-style-type: none"> 30 minutes 	<ul style="list-style-type: none"> Face to face
Funders (SVA)	<ul style="list-style-type: none"> One-on-one 	<ul style="list-style-type: none"> 30 minutes 	<ul style="list-style-type: none"> Phone interview
Federal government (DEEWR)	<ul style="list-style-type: none"> One-on-one 	<ul style="list-style-type: none"> 30 minutes 	<ul style="list-style-type: none"> Phone interview

Below summarises the involvement of stakeholders at each stage of the project:

Stakeholder Group	Scoping	Defining Outcomes	Defining Indicators & Financial Proxies	Verification
Farmers	x	✓	✓	x
Subscribers	x	✓	✓	x
City Cousins	x	✓	✓	x
Food Connect Brisbane	x	✓	✓	✓
Food Connect Foundation & Think Food	x	✓	✓	x
Funders (SVA)	x	✓	✓	x
Federal government (DEEWR)	x	✓	✓	x

3.0 Survey questions (Subscribers & City Cousins)

Please contact FCB and for all detailed survey results

Subscribers – List of Questions

1. Are you currently a Food Connect subscriber?
2. How long have you been a City Cousin for Food Connect?
3. How would you rate your level of satisfaction with us?
4. Have you used our online ordering service?
5. What are your 5 favourite fruit?
6. What are your 5 favourite vegetables?
7. What are your 5 least favourite fruit?
8. What are your 5 least favourite vegetables?
9. What fruit and/or veg would you like to see more of in the boxes?
10. Can you suggest any improvements in how we package our produce? *(see excel spreadsheet for answers)*
11. Do our box types and sizes meet your needs?
12. If you would like to join a focus group to discuss the box types we offer, please enter your name and email address here *(see excel spreadsheet for answers)*
13. What products would you like to see added to the Extras range?
14. How often do you read the following?
15. Do you find them informative? And in what way? *(see excel spreadsheet for answers)*
16. What would you like to hear more about?
17. Have you been on a Food Connect Farm Tour? If you have, please tell us how you found it
18. If you haven't been on a Farm Tour yet, are you planning to do so?
19. What are the 3 major reasons that led you to become a City Cousin for Food Connect?
20. What has changed for you as a result of being part of Food Connect? *(see excel spreadsheet for answers)*

Subscribers – List of Questions

21. Generally, how much of your fresh fruit & veg do you purchase through Food Connect per month?
22. Has your consumption of fresh produce increased since becoming a City Cousin to Food Connect?
23. How much of the produce in the box do you use?
24. Where else would you normally buy your fresh fruit & veg?
25. What advantages do you see in purchasing your fresh fruit and veg through Food Connect?
26. Is the produce that you get in your Food Connect box better than what you get at your next best alternative?
27. Before Food Connect how far did you travel to buy your fresh fruit & veg?
28. How far do you travel to get to your City Cousin?
29. What do you value in Food Connect?
30. In your opinion, what are some of the benefits of Food Connect that are already being achieved?
31. Do you spend more or less on your fresh fruit & veg from Food Connect compared to buying it from other sources?
32. If you've answered 'more', do you think the extra cost is justified by the social and environmental benefits?
33. Have you made new connections to other community members as a result of Food Connect?
34. Is there anything about Food Connect that you would like to see improved? (*see excel spreadsheet for answers*)
35. What is your household structure?
36. Your age?
37. Are you female or male?
38. What is the highest level of education you have completed?
39. What is your approximate annual household income before tax?
40. How would you describe your current employment status?

City Cousins – List of Questions

1. How long have you been a Food Connect subscriber?
2. How long have you been a City Cousin for Food Connect?
3. How would you rate your level of satisfaction with us?
4. Have you used our online ordering service?
5. What are your 5 favourite fruit?
6. What are your 5 favourite vegetables?
7. What are your 5 least favourite fruit?
8. What are your 5 least favourite vegetables?
9. What fruit and/or veg would you like to see more of in the boxes?
10. Can you suggest any improvements in how we package our produce? *(see excel spreadsheet for answers)*
11. Do our box types and sizes meet your needs?
12. If you would like to join a focus group to discuss the box types we offer, please enter your name and email address here *(see excel spreadsheet for answers)*
13. What products would you like to see added to the Extras range?
14. How often do you read the following?
15. Do you find them informative? And in what way?
16. What would you like to hear more about?
17. Have you been on a Food Connect Farm Tour? If you have, please tell us how you found it
18. If you haven't been on a Farm Tour yet, are you planning to do so?
19. What are the 3 major reasons that led you to become a City Cousin for Food Connect?
20. What else do you do and / or have you done for Food Connect, beyond your City Cousin responsibilities? *(see excel spreadsheet for answers)*
21. On average, how much time do you put in per week to support Food Connect?
22. How many of your subscribers do you talk to each week either on the phone or in person?

City Cousins – List of Questions

23. What has changed for you as a result of being part of the Food Connect? *(see excel spreadsheet for answers)*
24. What discount do you think is appropriate for being a City Cousin?
25. How would you like to be rewarded for being a City Cousin? *(see excel spreadsheet for answers)*
26. Generally, how much of your fresh fruit & veg do you purchase through Food Connect per month?
27. Has your consumption of fresh produce increased since becoming a City Cousin to Food Connect?
28. How much of the produce in the box do you use?
29. Where else would you normally buy your fresh fruit & veg?
30. What advantages do you see in purchasing your fresh fruit and veg through Food Connect?
31. Is the produce that you get in your Food Connect box better than what you get at your next best alternative?
32. Before Food Connect how far did you travel to buy your fresh fruit & veg?
33. What do you value in Food Connect?
34. In your opinion, what are some of the benefits of Food Connect that are already being achieved?
35. Do you spend more or less on your fresh fruit & veg from Food Connect compared to buying it from other sources?
36. If you've answered 'more', do you think the extra cost is justified by the social and environmental benefits?
37. Have you made new connections to other community members as a result of Food Connect?
38. Is there anything about Food Connect that you would like to see improved? *(see excel spreadsheet for answers)*
39. What is your household structure?
40. Your age?
41. Are you female or male?
42. What is the highest level of education you have completed?
43. What is your approximate annual household income before tax?
44. How would you describe your current employment status?

4.0 Impact Map

The impact map details the theory of change (described in section 4.1), the indicators, financial proxies and the calculations used to calculate the social value for each outcome, and finally the SROI. Please see the document “Food Connect Brisbane_SROI Impact_Map_May_2011.xls”.