



MEASURING VALUE: **a guide to Social Return on Investment (SROI)**

Second edition, 2008

nef is an independent think-and-do tank that inspires and demonstrates real economic well-being.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.

nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G* summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.



Value-driven organisations are using new ways to understand, measure and foster awareness of their impacts. **nef**'s (the new economics foundation's) innovative approach to social return on investment (SROI) places stakeholders – the people who matter – at the heart of the measurement process.

SROI translates social and environmental outcomes into tangible monetary values, helping organisations and investors to see a fuller picture of the benefits that flow from their investment of time, money and other resources. The benefits can then be seen in terms of the 'return' for individuals, communities, society or the environment.

This is a powerful way of viewing impact. It enables those who invest in, and have a stake in, social change to thoughtfully weigh the resources they use.

This guide sets the standard for a complete and rigorous SROI process and report.

Contents

Foreword	3	Conclusion	46
Introduction	4	Where to go for more information	47
The guide	7	Glossary	48
Stage 1: Boundary setting and impact mapping	10	Appendix 1: nef 's seven principles of good measurement	49
Stage 2: Data collection	24	Appendix 2: Storyboard exercise	50
Stage 3: Modeling and calculating the sroi	32	Appendix 3: Impact map template	52
Stage 4: Report and embed	43		

About this guide

This guide is designed for anyone with an interest in SROI and is now in its second edition. It has been written primarily with a third-sector audience in mind, but much of the content will be equally applicable to public and private sector organisations that want to demonstrate their social impact.

From our experience of working with more than 20 organisations, we know that anyone is capable of learning how to complete an SROI.

We have continued to refine our guide to make it as user-friendly as possible. However, the first time an evaluator or organisation undertakes an SROI can be challenging. We recommend that you also attend training or seek advice from an experienced practitioner to ensure that the SROI process is as efficient and as effective as possible.

Foreword

This is the second edition of **nef**'s guide to social return on investment (SROI) and incorporates lessons from practice since the first guide was launched in 2007. It aims to make evaluation and economic analysis accessible to a range of audiences, including those with limited resources. There are now fewer stages, and more thorough guidance on developing indicators and finding the right financial proxies.

Outcomes measurement is increasingly commonplace within the third sector, and organisations are keen to build their own capacity in evaluation techniques. In addition, competition for philanthropic funding has become more competitive, and organisations are responding by paying more attention to measuring and quantifying the benefits that they are generating.

SROI is a capacity-building and measurement framework that meets these needs. By incorporating social, environmental and economic impacts for a range of stakeholders, it more accurately reflects the value that organisations are achieving. At the same time, it helps organisations to evidence their claims and demonstrate that specific changes are attributable to their actions. Essentially, SROI encourages a new way of thinking about value and enables a mode of decision-making that is informed by the things that matter to people and communities. In this sense, it should not be seen as a mechanistic process, or one that requires the support of ongoing expert opinion. Instead, SROI promotes the philosophy that measurement systems should be embedded within organisation, that they should inform strategic planning, and that those delivering services are often best placed to engage with their stakeholders and respond to new information.

This guide is produced within an environment where demand for SROI has increased significantly – including support from the Office of the Third Sector, the launch of a UK-wide network, and moves towards the establishment of a social equity capital market. **nef** has pioneered the use of SROI in the UK since 2002, piloting it for policy-making through the Measuring What Matters programme and developing training for practitioners, policy-makers and other interested parties to accompany this guide. Consistent with the evolutionary tradition that this guide is located within, it will continue to be updated as SROI is used more widely and taken into new areas. We are keen to incorporate the experience of other organisations and individuals using this guide into future editions.

Introduction

What is SROI analysis?

SROI analysis is a process of understanding, measuring and reporting on the social, environmental and economic value that is being created by an organisation. **nef**'s SROI framework is an approach to measurement – developed from cost-benefit analysis, social accounting and social auditing – which captures social value by translating social objectives into financial and non-financial measures.

SROI measures the value of the benefits relative to the costs of achieving those benefits. It is a ratio of the net present value of benefits to the net present value of the investment. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 in social value.

$$[SROI]= \frac{[Net\ present\ value\ of\ benefits]}{[Net\ present\ value\ of\ investment]}$$

An SROI ratio is a comparison between the value being generated by an intervention and the investment required to achieve that impact. However, an SROI analysis should not be restricted to one number, which could be seen as a short-hand for expressing value. Rather, it presents a framework for exploring an organisation's social impact, in which monetisation plays an important, but not an exclusive, role.

While some people may not be accustomed to an approach that has a quantitative component, with practice, anyone can learn the process. Third-sector organisations have consistently told us that they found the SROI process both challenging and empowering. Ultimately, SROI is a tool that translates the social value created into data that can be understood by a range of stakeholders – from those we are trying to influence (investors and policy-makers), to those whose support we want (clients, beneficiaries, local community), to those whose support is integral to the quality of our success (staff).

Who is SROI for? SROI can be used by...

Third-sector organisations and others that create social value, as a management tool, to track projections, improve performance, inform expenditure and highlight added-value in competitive tendering. **nef** worked with a Merseyside Getting Out to Work initiative to assess the social value created through their one-on-one intensive training of ex-offenders. The analysis showed that every £1 invested in the programme generated £10.50 of social value.

Public sector and private organisations that procure social value, as a way to objectively assess contract criteria relating to social value. **nef** has used the principles of SROI to inform the development of a sustainable commissioning model with the London Borough of Camden. This has been used to award a £2 million tender for mental health services.

Bodies that invest in the creation of social value, as a way to assess performance and measure progress over time. **nef** conducted SROI analyses on behalf of the Adventure Capital Fund to assess the return on their investments in seven community enterprises.

Organisations that develop policy, for which recognition of social value is important. **nef** has used SROI to assess the social value of investing in higher-quality residential care for children and in a comparison of custodial and community sentences for non-violent female offenders. The research on children found that every £1 spent on higher-quality care generated an additional £4 in social value.

Most simply put, the SROI process involves:

- Talking with stakeholders to identify what social value means to them
- Understanding how that value is created through a set of activities
- Finding appropriate indicators, or 'ways of knowing' that change has taken place
- Putting financial proxies on those indicators that do not lend themselves to monetisation
- Comparing the financial value of the social change created to the financial cost of producing these changes

Potential benefits of using SROI analysis

SROI is a tool for proving and improving. In terms of proving, SROI provides a powerful means of demonstrating and communicating social value. It allows organisations and investors to see how much, and where, social value is being created.

In addition, SROI enables employees to take a step back from day-to-day operations and examine the work they undertake from a new perspective. The insights this generates can shape future decision-making, thus continuously improving how a project or organisation runs.

Benefits include

- *Triple bottom-line* – provides a comprehensive approach to value that includes the economic, environmental and social.
- *Accountability* – by providing both numbers and the story to support those numbers, the SROI process makes the creation of social value transparent.
- *Change management* – when used for planning purposes, information highlighted by the analysis can provide important feedback on the effectiveness of existing activities, areas of weakness, and where unanticipated but beneficial impacts have occurred.
- *Cost and time effectiveness* – by focusing on critical impacts, SROI can be a time- and cost-effective way to learn about the change a project or organisation creates.
- *Ratio* – the SROI ratio is a simple and clear indicator of the value an organisation creates for its stakeholders.

Forecasted SROI analyses

In most cases, SROI is used to assess value that has already been generated. This is called an **evaluative** SROI analysis. A recent development is the use of SROI to **forecast** how much social value a project or organisation could generate if it meets its intended objectives. The information from a forecasted SROI can be used to feed into strategic planning, helping to show how an investment can generate the most social value.

In order to validate the findings of a forecasted SROI, an evaluative analysis needs to be carried out once the project or organisation is up and running. One of the advantages of completing a forecasted SROI is that you will have identified the outcomes data that you need to collect and can put in place mechanisms for data collection from the outset.

This guide is written primarily for organisations performing an evaluative SROI.

However, the process is not too different if you are doing a forecasted SROI analysis. We have included a box at the end of each stage outlining what to do for a forecasted SROI. The key difference is in the data collection phase, where instead of collecting actual outcomes data you forecast (usually with help from others) what you would expect those outcomes to be.

A brief history of SROI and nef

SROI was pioneered by the Roberts Enterprise Development Fund (REDF), a San Francisco-based venture philanthropy fund. The concept has since evolved into a widely-used, global framework, which has been supported and co-developed by **nef**. In 2003, with support from the Hadley Trust, **nef** began exploring ways in which SROI could be tested and developed in a UK context. One of the project's primary goals was to advance an approach to SROI that was as practical and easy-to-use as possible. The objective was to integrate SROI with social accounting methodologies; in part because it is stakeholders who define value and in part because integration of existing approaches to impact management will make it easier for users to engage. In 2005, the International SROI Network agreed a framework for the use of SROI, and this guide is based on these standards. **nef** has continued to pioneer ways in which SROI and its principles can be used to improve service delivery and accountability to users by exploring its potential to measure the impact of public policy through the Measuring What Matters programme. The findings from this research and the implications for using SROI to measure and improve policy-making will be published in 2008.

THE GUIDE

The nef approach to SROI

nef advances seven principles of good measurement, which are set out in Appendix 1. These principles also inform our approach to SROI, with the four below being particularly relevant. These principles are also accepted as ‘best practice’ in the emergent global framework around SROI.

1. Stakeholders are central

nef's SROI analysis focuses on the people who are important to an organisation – its stakeholders. Moreover, it is based on social and environmental accounting principles, and has a clear process for involving stakeholders, in which each identifies his/her own social objectives for the project.

2. Theories of change – a logical framework for creating positive outcomes

A theory of change tells the story about how an organisation makes a difference in the world – that is, how it delivers on its mission. We use the ‘impact map’ as a tool to develop an organisations’ theory of change. This provides a framework for organisations to better understand how their actions actually create change, by analysing the cause-and-effect chain of inputs, outputs, outcomes, and impacts. By completing an impact map, organisations develop a pathway into impact measurement based on their own organisational capacity and priorities.

3. Materiality – focus on what is important

SROI analysis is about enabling organisations to gather better rather than more information. A ‘materiality check’ involving stakeholders highlights the areas that are important, or material, to an organisation. The SROI focuses on these areas, thus ensuring that organisations are gathering information on the things that matter to their stakeholders, rather than gathering lots of information that is never used.

4. Understanding impact – the difference made by your organisation or initiative

nef's SROI analysis provides a method for taking into consideration what would have happened anyway (‘deadweight’), any unintended negative consequences, displaced benefits (‘displacement’), and the extent to which outcomes are the result of your organisation as opposed to other factors (‘attribution’). This ensures that the SROI is a robust and rigorous process that can tell the story of how your organisation makes a difference in the world.

The four stages of a nef SROI analysis

Stage 1 - Boundary setting and impact mapping page 10	Step 1: Establish the parameters for the SROI analysis Step 2: Identify, prioritise and engage stakeholders Step 3: Develop a theory of change
Stage 2 – Collecting data page 24	Step 1: Select indicators Step 2: Identify financial values and proxies Step 3: Data collection
Stage 3 - Modelling and calculating page 31	Step 1: Analyse inputs Step 2: Add up the benefits Step 3: Project value into the future Step 4: Calculate the SROI Step 5: Conduct the sensitivity analysis Step 6: Value added and payback period (optional)
Stage 4 – Reporting and embedding page 42	Step 1: Prepare the SROI report Step 2: Communicate and embed

Using this guide

This guide has two purposes: to increase understanding about SROI generally, and to provide a step-by-step prompt for practitioners preparing an SROI analysis. While all the information required for an SROI is contained in this guide, it can be difficult to put into practice the first time. We recommend you attend a training course or consult an experienced SROI practitioner before embarking on your first SROI.

Each section contains exercises to work through, top tips to refine thinking, and case studies to serve as examples of how to complete each stage. If you are new to SROI, give the whole guide a quick read and then start over at the beginning to work through the exercises in each stage.

Keep in mind that the complexity of each SROI analysis will vary, as you can measure change in one project, a set of projects, or across an entire organisation. Similarly, the organisation under study may be small, in which case the SROI could be simpler, or it could be very large and thus require more time.

It is also worth bearing in mind that you only have to take the analysis as far as you want or is practicable for your organisation. You can derive significant benefits from the early stages even if you don't proceed to the final calculations. The first stage, for example, provides you with a framework for clarifying your organisation's mission and understanding what is important to your stakeholders. The impact map provides a framework for collecting outcomes data that can help you to assess the impact of your organisation even if you don't calculate an SROI ratio.

Above all, we encourage you to use your common sense as you work through this guide. You will have to modify some steps and techniques to suit your organisation. We encourage such creativity and are keen to hear from you if you have any refinements that you would like to share more widely.

Helpful hints

When approaching the SROI calculations, the use of accounting-based language may be unfamiliar to some, and seem more complicated than it actually is. Please refer to the glossary at the back as you progress through the guide for help with this.

We strongly recommend that you do some 'back of the envelope' work alongside the guide, particularly during Stage 3, in order to get the hang of SROI analysis. Also, in the text, we highlight where seeking guidance from finance officers or accountants may be useful. The important thing is to have a go and build your own confidence and abilities through the process.

What to look for – using this guide

Each phase includes, where applicable:

- A description of the phase
- Definitions of key terms
- Reference to examples
- Top tips for completing the phase
- A checklist

Over to you

▲ When this symbol appears, it means there is a learning exercise to complete.

Stage 1: Boundary setting and impact mapping

Understand what you want to measure. Engage stakeholders.
Construct a theory of change.

An SROI analysis can take many different forms and fulfil a range of purposes. It can encompass the social value generated by an entire organisation, or focus on just one specific aspect of the organisation's work. It can be used as a tool for strategic planning and improving, for communicating impact and attracting investment, or for making investment decisions. Moreover, there are a number of ways to organise the 'doing' of the SROI. It can be carried out largely as an in-house exercise or, alternatively, can be led by an external researcher.

In this first phase, we prepare the framework for the SROI by clarifying what we will measure and how we will measure it. This occurs across three steps:

Step 1 – Establish the parameters for the SROI analysis

Step 2 – Identify, prioritise and engage stakeholders

Step 3 – Develop a theory of change

Top Tip: Keep good records

Good record keeping is essential to successfully completing the SROI. When you get to Stage 4, you will see that the SROI report needs to contain a lot more than just the ratio. The report also needs to document the decisions and assumptions you made along the way. Keeping a record of your planning and progress from the start will make writing the report a lot easier. You might want to start a dedicated notebook or MS Word document for this purpose.

Step 1: Establishing the parameters for the SROI

Decisions about the scope of an SROI should be made as the outcome of strategic discussions within the organisation and through consultation with stakeholders. In the first instance, the organisation needs to be clear about why it is conducting the SROI, what resources are available, and broadly what its priorities are for measurement.

Step 1 is designed to help you think through these decisions at the organisational level before moving on to identify and consult stakeholders in the next step.

Top Tip: Moving between steps

We have divided the SROI into separate stages and steps to make it easier to follow. Sometimes you will find yourself working across steps or moving back and forth between stages. This is realistic and can be very productive. For example, you may already have established informal contact with stakeholders even before you embark on the organisational discussions in Step 1. Don't think you have to keep them out of these discussions until you have 'completed' Step 1. Just make sure that you move on to more formally engage a wide range of stakeholders. Similarly, you might find that your discussions with stakeholders in Step 2 lead you to revisit some of the organisational-level decisions you made in Step 1.

Initial scoping

The following questions are designed to help you generate some initial thoughts about what your SROI will cover and how you will carry it out. If you have not already done so, you should consider setting up an internal SROI planning team to help think through these questions and start to make decisions about the parameters for your SROI. This team should include representatives from management to ensure that there is high-level support for the process. Being involved in the SROI planning team need not take up a lot of time. A few meetings may be sufficient as the main objective is to create collective ownership of the SROI.

Top Tip: SROI planning team

Setting up an SROI planning team is useful even if you involve an external researcher. Winning management support at this early stage can help to make resources available for the SROI, which in turn might allow you to extend the scope of your analysis.

▲ Exercise 1.1: Initial scoping

Make sure you keep track of your answers as they will inform your project plan.

1. What do you want to measure?
A specific project, or the impact created by the entire organisation?
2. Are you an independent researcher, or do you work within the project area or organisation you wish to study?
Think through how this will affect the design of the analysis, including implications for resources and time availability.
3. Why do you want to begin this process now?
Are there specific motivations driving the work, such as strategic planning or funding requirements?
4. Who is this analysis for?
Consider primary and secondary audiences.
5. What is the timeframe for the analysis?
Consider how this will impact on what you are realistically able to measure.
6. Who will be responsible for the work?
Consider both who will do the research and who will have responsibility for overseeing and managing the project. Will the SROI be carried out in-house or involve an external researcher?
7. What resources will be required and are these available?
Consider time and funding.

After completing Exercise 1.1, you should be able to make a decision about how you will set the boundaries for the SROI and who will carry it out. You need to weigh up what will be most useful against what is actually feasible for your organisation to do. Start noting any decisions you make in a draft project plan.

Example 1.1 provides an illustration of how you might go about establishing the boundaries for an SROI.

Example 1.1: Establishing parameters

A large housing foundation approached **nef** for help in calculating its social return. The foundation has about 35 employees and is involved in a large range of activities, ranging from youth clubs to physical estate improvement projects. A staff team and a nef advisor worked together to set the parameters for the study. The primary motivation for undertaking the SROI was to better communicate impact to its primary funder, the housing group to which it belongs. There was no dedicated funding available for the SROI. As such, it was decided that the SROI would be conducted in-house and responsibility would rest with the quality manager at the foundation. The planning team, which included senior managers, would oversee the process. It was decided that it would be good to publish the results of the SROI alongside the financial accounts and so the timeframe for completion of the SROI was set to coincide with the end-of-year reports, which was four months away. The short timeframe and the fact that it had to be completed in-house with limited resources meant that the foundation decided to focus on just one of its projects with a plan to consider other projects in subsequent years. It chose to focus first on its financial inclusion project, which gives debt advice to tenants; this project has direct relevance for the housing group, the foundation's primary funder, as one of the outcomes of the project is that tenants can pay their rent.

Once you have made these initial planning decisions, you can think in more detail about what you will measure. Exercise 1.2 contains questions to help you learn more about the activities that you will analyse. Refine your draft project plan in response to these questions.

▲ Exercise 1.2: What will you measure?

1. What are the activities for which you want to determine an impact?
For example, if you are looking at a waste management organisation, do you want to measure the impact of a recycling programme or a computer refurbishment operation, or both? Describe the activities.
2. Describe the intended participants, or target population.
For example, if you are looking at a skills training agency, do you want to track all of the participants, or a smaller segment; for example looking exclusively at subcategories, such as those recovering from mental ill health, or those who are aged between 16 and 24?
3. Over what time period will the social returns be measured?
For example, will you consider social returns created from the beginning of a project through to its conclusion, or just over one financial year? Or will you follow one intake of participants in the project? Often organisations will project returns over the life of the outcome being achieved, so for young offenders this might mean for a life of reduced contact with the criminal justice system.

Top tip: Keep it simple the first time around

If this is your first attempt at an SROI analysis, it is always best to start with something simple in order to get the hang of the methodology. Measuring the impact of one project may be easier than measuring the impact of the whole organisation. As in the example above, some organisations are involved in many different areas of work. To build your confidence and skill, complete your first SROI on one project within your organisation.

Background information

So far, in the preceding sections, you will have determined the framework for the study and decided which areas of work to measure. Now you will add detail about the areas of work chosen. The best way to learn more about your area of work is to conduct a literature review of the activities themselves, the organisations involved, and then the broader issue or industry type. This will help you connect with stakeholders and identify an appropriate research method. It will also give an overview of what previous studies have thrown up in relation to costings, as well as provide a policy context and background for the final report.

Example 1.2 illustrates how you might research background information.

Example 1.2: Finding background information for MillRace IT

MillRace IT is an Essex-based social firm that recycles computers and, in the process, trains people recovering from mental ill health. We could look to the following sources of information to learn more:

- MillRace IT's website, annual review, reports to funders, and financial accounts.
- Information about waste management and recycling in Essex – public policy documents, local recycling networks etc.
- Information about the employment challenges and needs of people recovering from mental ill health – public policy documents, mental ill health advocacy organisations and, academic research.
- Information from previous studies on costs and benefits relating to employment and other outcomes.

Top tip: Use the Internet for the literature review

A lot of the background information will come from the documents described above. There may also be wealth of additional information that can be collected at this time through the Internet. First, read about the project or organisation on any affiliated websites. Then look for organisations with similar characteristics and for relevant policy reports on UK or international government websites. By doing some of this initial research now, you gain a broader understanding of the data already available while brainstorming ideas about what information you will need to collect from stakeholders in later stages.

Top tip: Start building a library

Keep a good record of any reports and information you track down – you will need these again when attaching financial values to indicators in Stage 2 and when accounting for deadweight in Stage 3.

Formulate and communicate a project plan

You are now ready to summarise your decisions in a project plan. You might want to use the following headings:

- Scope of the SROI
What will you measure?
- Workplan
Who will carry out the SROI?
- Resources
What time, money and other resources will the analysis require?
- Timeline

This project plan will change as the SROI proceeds. It is important nonetheless because it gives you a framework for communicating with others in your organisation about the SROI. Many well-designed 'proving and improving' projects stall or do not meet expectations because of a lack of communication and clarity as to responsibilities and resources. Use the project plan as a tool to secure management support and commitment to the SROI.

Complete the checklist in Exercise 1.3. If you can answer all the questions positively, then you are ready to move on to Step 2.

▲ Exercise 1.3: Checklist

- Is there Board and senior management support for the SROI analysis?
- Is there agreement that internal, or external, resources will be made available?
- Have you decided which areas of work the analysis should cover?
- Has it been determined who will participate in the work and what their roles and responsibilities will be?
- Has background information been collected on the project or organisation, including an understanding of how it operates and who the key participants are?
- Were you able to answer the questions in the previous sections?

Step 2: Identifying, prioritising and engaging stakeholders

The best way to determine what is important to include in the SROI analysis is to ask its stakeholders. A stakeholder is any person or group of people that can affect or is affected by your activities. Examples of stakeholders include people who participate in projects, employees, customers, suppliers, members of the local community, public sector agencies and funders or investors.

In this step you will:

1. Construct a comprehensive list of stakeholders.
2. Choose which of these stakeholders are key to your SROI analysis.
3. Learn how to find out about the goals and objectives of key stakeholders.
4. Collect information about the goals and objectives of key stakeholders.

In an SROI analysis, stakeholders may need to be engaged on two separate occasions. The first contact in this step is directed at understanding the goals and objectives of stakeholders. This is used to construct the impact map, which we will come to shortly. The second contact with stakeholders may occur in the data collection phase, where the objective is to collect information on actual outcomes.

It will not always be necessary to consult stakeholders at the data collection phase if sufficient data already exists but it should be borne in mind when thinking about the input that will be required from individuals and groups involved in the SROI.

Identifying stakeholders

Use Exercise 1.4 to brainstorm as many stakeholders as possible. The list you generate will be important as we move through this step, so make sure you add it to your records.

▲ Exercise 1.4: Identify stakeholders

To determine which people or organisations are considered stakeholders, use the following questions as a guide for your brainstorming.

- Who are the direct beneficiaries?
For example, if it is a training programme for ex-offenders, the direct beneficiaries would be the ex-offenders.
- Who are the indirect beneficiaries?
For example, other beneficiaries of reduced reoffending would be the families of the ex-offenders, the wider community, and the State.

- Who contributes to the project, either financially or otherwise?
For example, funders, staff, volunteers, partner agencies.
- Who else either makes the project happen or is affected by it, even if only peripherally?
For example, in the case of the training programme, there might also be reduced costs to the health system as ex-offenders settle into more stable lives. You could also include taxpayers as a stakeholder because they are involved in paying for criminal justice costs.

Prioritise stakeholders

Now you must prioritise your stakeholder list because it is neither possible nor relevant for you to consult all stakeholders. This again does not require a lot of time – it is mainly a ‘thinking through’ exercise. Key stakeholders are those who are either most affected by the impact or whose influence can most directly affect the outcome of an area of work. How you define key stakeholders is determined by what it is you seek to measure. In segmenting stakeholders, consider their differing motives and interests, as well as their respective importance to or influence on the project. When engaging with stakeholders later on, they may help you identify new ones you hadn’t previously thought of. This may lead you to re-assess stakeholder interests and to possibly re-think stakeholder groups.

It is important to be transparent about why certain stakeholders are excluded from the analysis. You can do this by including a stakeholder audit trail. A stakeholder audit trail documents all the stakeholders that were included/excluded, the reasons why you made these decisions, and how you engaged with them (we will come to this shortly).

We return to the MillRace IT example to illustrate how you might go about prioritising stakeholders.

Example 1.3: Selecting key stakeholders for MillRace IT

It was decided that the areas of impact that were most important to Millrace IT were around environmental and employment benefits. Based on a quick review, stakeholders were either identified to be included, or excluded from the analysis. In each case, a reason was given. Excluding stakeholders from the SROI analysis does not mean that they are not important, nor does it diminish their input to the organisation; in some cases it simply means that value to them is being counted elsewhere.

Key stakeholders	Reason for inclusion
Employees	Normally employees will be excluded because of deadweight – that is, the assumption that if they weren’t employed here they would be employed elsewhere - but in this instance they also received a share of the outcome
Project participants – people recovering from mental ill health	Central to the organisation’s mission
The family members of project participants	Also close to outcomes being achieved
RDC – the commercial company that offers office space to MillRace IT	MillRace IT could not exist without them
Local government in Essex	Proxy for broader benefit to local community
National Health Service	Proxy for wider benefit to society

Excluded stakeholders	Reason for exclusion
Board members	Not key beneficiaries
Individual customers who purchase recycled IT equipment	Could buy computers elsewhere (deadweight)
Organisations that purchase IT services	Could buy services elsewhere (deadweight)
Members of the local community	Benefit too diffuse to measure in this analysis
Local mental health care system	Counted in savings to NHS
Social Firms UK	Largely counted in motivation to work with participants
Other social firms	Benefit too small to be worth measuring
UK taxpayers	Counted in savings to State (double counting)

▲ Exercise 1.5: Prioritise stakeholders

In Exercise 2.2, review the list of stakeholders you prepared earlier and specify which stakeholders are key to your SROI analysis. You may also find it helpful to further segment stakeholder groups into subgroups where it is clear that a different type or level of value is being obtained by each of these subgroups - for example, local residents and those local residents which are economically inactive.

Engage with stakeholders

The next task is to think about how we can best engage our key stakeholders to find out about their goals and objectives for the organisation or project being evaluated. The information that is collected from stakeholders feeds into the **theory of change** we develop in the next step and is crucial in deciding what we will measure. We suggest you read ahead a little so that you understand more fully the aim of engaging stakeholders.

Top Tip: Theory of change

If you are not familiar with the term 'theory of change', it refers to the story of how your organisation or project makes a difference in the world: that is, how it uses its resources to provide activities that then lead to particular outcomes for individuals, the community, and society.

In engaging stakeholders at this point, we are interested in three things.

1. What are their objectives for this project or organisation?
2. What are their goals, beyond the scope of the project or organisation?
3. As a consequence, what is it important for the SROI to capture?

We distinguish between a stakeholder's goals generally and objectives for a project in order to show how the achievement of project-level objectives can help stakeholders to reach their own individual aspirations.

The Millrace IT trainees, for example, explained that their larger goal was to one day obtain a permanent, full-time job in the IT industry. Their objective for their participation in MillRace IT was to reach a specific accreditation for IT maintenance.

There are three main ways of finding out about the objectives and goals of

Top tip: Be practical about engaging stakeholders

It is particularly important for external researchers to be sensitive about the amount of time and resources stakeholders can give to this process, whether they are staff, funders, or participants. It is useful, therefore, to think about their goals and objectives in advance of meetings so as to ensure that the time is used as efficiently as possible. If it is likely that you will have to come back to the same group of stakeholders to collect data, make sure that you tell them this in advance of the first meeting, so they know what to expect. Also, where you are asking people to give a significant amount of time to the process with no obvious benefit to them, consider providing incentives such as lunch, travel expenses, or vouchers to improve attendance.

stakeholders:

1. Making assumptions
2. Collecting the information from existing sources, where this information has already been sought
3. Collecting the information directly from stakeholders

Best practice would, where possible, entail collecting the information from either existing material or from stakeholders directly. In reality, a combination of the three methods is used, depending on how expensive or difficult it is to gather information, and the amount of information that is already available.

Best practice techniques of stakeholder engagement, as set out in the AA1000 Assurance Standard developed by AccountAbility, include the following:

- Using statistically robust sampling techniques to ensure that a representative range of stakeholder groups is included in the analysis
- Ensuring the independence and objectivity of those persons (internal or external) conducting the research
- Involving stakeholders in the design of the engagement process, and encouraging feedback
- Acknowledging differences among stakeholders
- Ensuring confidentiality
- Documenting the rationale and processes of stakeholder engagement

We strongly recommend that you adhere to these best practice guidelines wherever possible.

Top tip: Methods for engaging stakeholders

Collecting information about stakeholders' goals and objectives can be as simple as phoning someone or as complex as holding a facilitated focus-group session. The following is a list of methods:

- Get stakeholders together in one place and ask them directly.
- Try a workshop format, with informal discussions and a flipchart to record responses. You might want to use the storyboard approach detailed in Appendix 2.
- Have stakeholders complete a form during a regularly scheduled meeting – for example, an Annual General Meeting of an organisation, or other set gathering.

- Ring representatives from key stakeholder groups and ask them.
- Email a short form around to representatives from key stakeholder groups.
- Have a social event and ask staff members to walk around and speak to stakeholders.
- Look at documents, such as annual reports or policy statements.

In general, be mindful of the needs and sensitivity of individual stakeholders when asking them for information.

When gathering information from participants, ask staff that work with them about to the best way of engaging them. For some groups, such as young people, formal group settings may not be appropriate, and one-to-one interviews might work better.

▲ Exercise 1.6: Stakeholder engagement plan

Now that key stakeholders have been identified, determine what approaches you will use to understand their goals and objectives. Example 1.4 shows one way of recording this information. It also forms part of your stakeholder audit trail.

Example 1.4: Key stakeholder engagement plan for MillRace IT

Stakeholder groups	Method of engagement	How many from each group to contact?	When to complete	Who is responsible	Goals	Project-specific objectives
Participants	Walk around training site and speak to participants over tea during break	Speak to at least 4 of the 6	Next week	SROI researcher	State findings here	State findings here
Family members of participants	Send a short letter home with participants, asking them to answer three questions	Send one letter home with each participant.	Two weeks time	MillRace IT training manager	State findings here	State findings here
National Health Service	Look up goals under mental ill health policies, record those and assume objectives for MillRace IT	N/A	By the end of this week	SROI researcher	State findings here	State findings here
RDC	Ring liaison at RDC	N/A	Next week	SROI researcher	State findings here	State findings here
InterAct	Ring Chief Executive of InterAct	N/A	By the end of this week	SROI researcher	State findings here	State findings here
Local government	Ring main contact in the Environment Department	1 person per relevant department	Next week	SROI researcher	State findings here	State findings here
Employees	On the same day interviewing participants, also interview employees over tea	Speak to at least 7 of the 10	Two weeks time	SROI researcher	State findings here	State findings here

Top Tip: Stakeholders

First, as you can see from the example above, the way you contact key stakeholders does not need to be overly complicated. It does, however, need to be explicit. Don't forget that you may be in contact with key stakeholders again later in the process to collect outcome-related data. Therefore, it is a good rule of thumb to introduce the SROI research, explain why you want their participation, and warn them that you may be in touch down the line for additional information. Also provide them with the opportunity to ask questions. This is a tried and true method for winning support.

Example 1.5 illustrates the type of table that you should now be able to generate based on the work you have completed so far in Step 3.

Example 1.5: Table of stakeholder objectives and goals for MillRace IT

Stakeholder	Description	Goals	Objectives for MillRace IT
Participants (32)	People recovering from mental ill health, either as trainees or volunteers	<ul style="list-style-type: none"> • Improve quality and stability of life • Continue recovery from mental ill health • Sustainable employment 	<ul style="list-style-type: none"> • Increase self-confidence • Learn practical skills • Become more employable • Continue recovery from mental ill health
Emplo2yees (6)	Staff of MillRace IT, which include some who are recovering from mental ill health	<ul style="list-style-type: none"> • Help people recovering from mental ill health qualify for jobs • Improve the environment • Earn income from employment 	<ul style="list-style-type: none"> • Train participants in IT maintenance • Recycle old computers for further use • Increase MillRace IT's financial sustainability
Participants' families	Family members and partners living with participants	<ul style="list-style-type: none"> • Participant to recover from mental ill health • Participant to gain sustainable employment 	<ul style="list-style-type: none"> • Participant to gain marketable skills • Participant to increase self confidence • Respite from care of family member
InterAct	Founding organisation, and charity that refers clients for placement at MillRace IT	<ul style="list-style-type: none"> • Place ILM participants into further training or jobs 	<ul style="list-style-type: none"> • Train participants to increase long-term employability • Profits from MillRace IT which are donated back to InterAct
RDC	Commercial computer recycling partner	<ul style="list-style-type: none"> • Improve the environment • Fulfil corporate social responsibility goals 	<ul style="list-style-type: none"> • Support those recovering from mental ill health • Increase recycling targets for equipment that cannot be sold on
Local government	Essex County Council and Borough Council	<ul style="list-style-type: none"> • Improve the environment • Reduce unemployment 	<ul style="list-style-type: none"> • Achieve recycling targets • Improve local employment • Reduce waste disposal expenditure
National Health Service	Local Health Authority and Social Services	<ul style="list-style-type: none"> • Fill gaps in provision of mental health services • Reduce in-patient care costs 	<ul style="list-style-type: none"> • Continued recovery for participants • Increased employability for participants • Reduce care costs in the long-term

Step 3: Develop a theory of change

The theory of change is an account of how the organisation takes in resources (inputs) to do its work (activities) which leads to direct results (outputs) and longer-term or more significant results (outcomes), as well as the part of those outcomes the organisation can take credit for (impacts).

In this step, we will use an impact map to develop our theory of change. In doing so, we will:

- Identify how the project works and how it affects key stakeholders (linking this to stakeholders' objectives).
- Capture this through an analysis of inputs, outputs, outcomes, and impacts.

Understanding key terms

Inputs

Inputs are resources used to run the activities – money, people, facilities and equipment. This is the investment against which the value of the impact is compared; often most key stakeholders make some kind of investment. It is important to think through what all stakeholders bring to the mix, not just those that are providing the funding.

Activities

This is the intervention that you provide. For example, it might be a training course.

Outputs

Outputs are the direct and tangible products from the activity; for example the number of people trained, or the number of computers recycled.

Outcomes

Outcomes are changes that occur for stakeholders as a result of the activity; for example, a new job, improved quality of life or increased community cohesion. This is the **result** of the organisation's work and closely relates to the objectives of the stakeholder. Outcomes are the most important things to measure and can take place directly as a result of an output, or indirectly over time as the result of other outcomes being achieved.

Outcomes can be **positive** or **negative**, and it is important that your impact map details both – even if the negative outcomes are unintended consequences. Making visible any negative outcomes is important because these must be subtracted from the social value that you create. From an improving perspective, it prompts you to think about how you can work to reduce these negative outcomes.

Outcomes may also require knowledge of what happens after the stakeholder has stopped working or engaging with the organisation. This may mean that some tracking is required and if you are not yet tracking today, you may be required to estimate how long an outcome lasts. For example, some people gaining work may drop back into unemployment. There may also be additional long-term outcomes that result indirectly from gaining employment, such as improvements in mental health and well-being.

Impacts

Impacts refer to the difference made specifically by your organisation or project in achieving the outcomes described above. There are several factors that need to be taken into consideration.

Attribution takes account of the fact that outcomes will also be influenced by other organisations and factors, especially where the stakeholders' objectives can only be achieved through the combined efforts of more than one organisation. For example, while MillRace IT trains people recovering from mental ill health, InterAct works

with the participants before they enter the training programme, and in some cases, family members at home support the participants throughout the training period. Therefore, when a participant moves on to employment, MillRace IT cannot take all of the credit for the outcome. When we calculate the SROI, we address the extent to which an organisation can take credit for the outcome produced.

Deadweight is the extent to which the outcomes would have happened anyway and is estimated by using benchmarks. An example of deadweight at MillRace IT is the extent to which computer recycling would take place if MillRace IT did not exist. It turns out that there are many places local customers could go to have their computers recycled, even at the same site as customers could drop off computers with Millrace IT. Therefore, people could have recycled their computers anyway, and the deadweight for computer recycling is 100 per cent. We calculate the deadweight because it can help an organisation express the value of its work and also weights the final impact depending on how difficult it is to achieve outcomes, which can vary across beneficiaries. For example, an employment project working with young people who have been unemployed for six months would probably find that the participants would be more likely to get jobs anyway (greater deadweight) than the participants of an employment project working with young ex-offenders who have been unemployed for two years.

Displacement (or substitution effect) occurs when the benefits claimed by a project participant are at the expense of others outside the project. For example, if participant A gets a job following the project as a result of improved skills, but that job is at the expense of person B – who was not in the project and now loses a job (is displaced) – this leads to a net job change of nil. While displacement is difficult to measure, it is still useful to think through.

Impacts, therefore, are the outcomes adjusted to take account for the **difference made by your organisation**.

[Impact] = [outcomes] – [deadweight, attribution, displacement]

Introducing the impact map

The theory of change lays out the cause-and-effect chain that leads to social value creation. We often do this diagrammatically by way of an impact map, then sketches out how stakeholders contribute inputs to an activity, and how these lead to an output, an outcome, and eventually an impact. The best way to familiarise yourself with this methodology is to go through an example.

As we work through the example, don't worry if in your own case there are some blank boxes on the impact map. Not every stakeholder will, for example, be involved in an activity or provide an input. Some may simply have an interest in the outcome, as is the case with the National Health Service in the MillRace IT example.

Example 1.6: Impact map for MillRace IT

Stakeholder	Input	Activity	Output	Outcome	Impact
Participants (32)	<ul style="list-style-type: none"> • Skills • Time 	<ul style="list-style-type: none"> • Trained in computer recycling 	<ul style="list-style-type: none"> • IT skill set • No. of recycled computers 	<ul style="list-style-type: none"> • Increased self-confidence • Improved mental health • Sustainable employment • Improved life stability 	Explored deadweight and displacement; determined no deadweight or displacement
Employees (6)	<ul style="list-style-type: none"> • Skills • Time 	<ul style="list-style-type: none"> • Train participants in computer recycling • Sell computers and support services 	<ul style="list-style-type: none"> • No. of trained participants • No. of recycled computers Income 	<ul style="list-style-type: none"> • Sustainable employment • Increased financial sustainability for organisation • Improved mental health of participants 	Explored deadweight and displacement; determined no deadweight or displacement
Participants' families	<ul style="list-style-type: none"> • Time 	<ul style="list-style-type: none"> • Encourage family member 	<ul style="list-style-type: none"> • Continued participation 	<ul style="list-style-type: none"> • Improved mental health of participants • Increased income for family <ul style="list-style-type: none"> • Less time spent on care for family member 	Explored deadweight and displacement; determined no deadweight or displacement
InterAct	<ul style="list-style-type: none"> • Funding • Staff time • Referrals 	<ul style="list-style-type: none"> • Referrals, pre-training support 	<ul style="list-style-type: none"> • No. of clients enrolled • No. of trained participants 	<ul style="list-style-type: none"> • Employment for participants 	Explored deadweight and displacement; determined no deadweight or displacement
RDC	<ul style="list-style-type: none"> • Office space • Technical support • Computers to recycle 	<ul style="list-style-type: none"> • Workshop management • Training Computer recycling 	<ul style="list-style-type: none"> • No. of computers recycled • No. of trained participants 	<ul style="list-style-type: none"> • Potential employees • Improved corporate social responsibility • Achievement of environmental targets 	Explored deadweight and displacement; determined 100% of computer recycling is deadweight because of RDC presence
Local government	Not applicable	Not applicable	<ul style="list-style-type: none"> • No. of computers recycled and diverted from landfill 	<ul style="list-style-type: none"> • Reduced landfill expenditure • Improved local environment 	Explored deadweight and displacement; determined no deadweight or displacement
National Health Service	Not applicable	Not applicable	<ul style="list-style-type: none"> • Prolonged support for participants, improved skills for participants 	<ul style="list-style-type: none"> • Reduction in care costs • Improved mental health of participants 	Explored deadweight and displacement; determined no deadweight or displacement

By examining the impact map above, some things become clear:

- You can see how the information collected during stakeholder engagement is critical to the impact map.
- It is not usually possible to complete the impact column until after data has been collected. However, by using existing research as a benchmark, it is possible to make an educated guess as to whether or not deadweight or displacement will be applicable for each stakeholder group. It is useful to capture some of these ideas in the impact map.

The impact map presents your **theory of change** – the story of how your organisation makes a difference in the world – in a diagrammatic form.

Materiality check

After completing the impact map, it is a good idea to perform a 'materiality check'. Remember that materiality is about considering what is most important or central to the analysis. Take a moment now to look at your impact map and decide what you will include as you move forward to data collection. This is the final boundary-setting exercise and should include a consideration of the relative importance of outcomes to:

- Stakeholders
- The organisation
- The overall social value being created

You might at the same time also want to think about whether there are any outcomes you will have to exclude because of a lack of data availability.

Let's return to the MillRace IT example to help you think through this final boundary-setting exercise.

Example 1.7: Materiality check for MillRace IT

At this point in the process, we review the impact map above and determine which outcomes are not appropriate for inclusion in the SROI analysis, either because they are not material or data is currently limited. The outcomes that are left out in the MillRace IT case are explained below:

- 'Improved environment' is expressed in the SROI in terms of tonnes of computers diverted from landfill, broken down by types of equipment, customer and geographical location. At this point, this is all of the information currently available to assess environmental outcomes. Wide measures around improved environment are excluded.
- RDC's outcomes are not included, as they are not deemed material when trying to understand how MillRace IT creates social value.
- 'Improved local employment' is limited in the SROI to meaning the monetised benefits realised when someone moves into full-time employment.
- 'Decreased unemployment' is not currently measured, as the data explaining how many people go from MillRace IT into employment is not readily available within MillRace IT, although if more resources allowed, we would be able to retrieve it from referring agencies, such as InterAct. We are able to express the benefits realised when one person moves from MillRace IT into employment in Year One.
- The role that charity customers purchasing IT equipment play in extending the social value created by MillRace IT is currently unknown. By tracking the distribution chain of charity customers who deliver to organisations in the developing world, however, this information could be included in an SROI in future years.
- Data on the desired outcomes for participants' families is not currently collected. However, it may be in future years.

▲ Exercise 1.7: Impact map and materiality check

Now it is your turn to give it a try. Use the impact map template in Appendix 3. Perform a materiality check and make revisions to your project plan as necessary.

Stage 1 for forecasted SROIs

If you are carrying out a forecasted SROI, first map out what your proposed project or organisation would look like. Then follow all of the steps outlined in this stage for your proposed project or organisation, including stakeholder engagement. This means that in Step 2 you draw up a list of who the stakeholders would be if the project was already operating and then engage with those who would be key stakeholders to construct an impact map and theory of change.

Stage 2: Data collection

Select indicators to measure change. Identify financial values and proxies. Collect outcomes data.

Although we have called this stage 'data collection', you are not quite ready to collect outcomes data. The first step in this stage gets you ready for data collection by helping to select indicators for each of your outcomes. In the second step, we then move on to attaching financial values or, where necessary, proxies to these indicators. Finally, in Step 3, you will collect outcomes data.

In summary, the three steps in this stage are:

Step 1: Select indicators

Step 2: Identify financial values and proxies

Step 3: Collect Data

Step 1: Select indicators

An **indicator** is a piece of information that helps us determine whether or not change has taken place. They are specific pieces of information, signs or signals that can be measured to determine whether a given output or outcome has occurred, or has been achieved. For example, if one of the outcomes of an IT training programme for women is increased confidence, an indicator refers to the way we will know that the confidence of a participant has increased. We could, for example, use a self-reported measure where participants are asked to rate their confidence level at the start and at the end of the training. Another way of knowing that change had occurred would be to monitor for behaviours or actions that would suggest increased confidence – such as applying for more jobs, or attending interviews.

What gets measured is often what gets prioritised and resourced; finding the right set of indicators is therefore an important part of the SROI process. For this reason, SROI analysis is concerned with 'outcome indicators'. Although it is possible to set and measure indicators for outputs, measuring outputs alone tells only part of the story. In fact, it is quite often unable to tell us about the difference an activity has made to people's lives. There is also a danger that a narrow focus on outputs will create perverse incentives for staff and/or produce unintended consequences as outputs, in and of themselves, are not a measure of how lives, communities and society have changed. For example, a job creation programme can only understand its true value if it looks at the quality of the jobs as well as at the number of jobs created. This is because a 'good' job will make a much bigger difference to the life of the recipient than a low-wage, unfulfilling job. Simply measuring the number of jobs created and rewarding staff for this can, therefore, create a situation where staff place individuals in jobs irrespective of whether these jobs will make a positive difference to the life of the individual concerned.

Outcome indicators can be both qualitative and quantitative. Sometimes for complicated and hard-to-measure outcomes, it is necessary to use more than one indicator. It is always preferable, where possible, to blend subjective (or self-reported) and objective indicators that compliment each other.

What to consider when choosing indicators

The impact map is the starting point for developing an indicator set. Matching indicators to outcomes can sometimes be easy and sometimes more difficult. Organisations usually have more information about outputs than outcomes. Therefore, it may be necessary to reference data held by other organisations (often government departments). It is worthwhile brainstorming possible sources of this information with colleagues and undertaking some web research.

Let's go through some examples for a mental health day service. It is important to remember that these are just examples; organisations and stakeholders should develop the right indicators for their particular circumstances, requirements and budget.

Example 2.1: From outcomes to indicators

Outcome	Indicator
Reduced social isolation	<ul style="list-style-type: none"> • Participants are trying new things and socialising more • Participants report increase in self-confidence and social skills • Participants join clubs, and/or develop new social networks • Participants are accessing relevant public services, for example, using public transport
Decreased stigmatisation of people with mental health problems	<ul style="list-style-type: none"> • Participants are involved in activities outside of the mental health services • Participants report fewer incidents of discrimination • Involvement of local community in organisation's activities • Change in attitudes within the local community

You will see that some of the outcome indicators do not refer strictly to endpoints but capture the **'distance travelled'** by a beneficiary. This is a really important point, especially where benefits may take a while to be seen. For instance, a training programme that works with long-term unemployed might, by the end of its first year, have placed some of its clients in full-time employment. Other clients, however, will not have reached this endpoint but will have travelled some of the way towards this goal. They might, for example, be in volunteering positions or doing part-time work. These sorts of outcomes also need to be captured and so you need to think about ways of devising indicators that are able to collect data on distance travelled.

A tool called the Outcomes Star has been developed to assist homelessness charities capture the distance travelled by their clients. This is a very good example of how you can measure progress towards an outcome objective. If you are looking for ideas on how to capture distance travelled for your programme, you can find more information about the Outcomes Star here:

<http://www.homelessoutcomes.org.uk/resources/>

▲ Exercise 2.1: Selecting indicators

Return to your impact map. Identify an indicator for each outcome that you have chosen to include your SROI analysis. Should you require more information on selecting indicators, see www.proveandimprove.org

Step 2: Identify financial values and proxies

The next step is to find ways of expressing the indicators in financial terms. This process is sometimes referred to as monetisation and it is the step that people tend to struggle with most. The good news is that this section is not as difficult as it may seem from the outset, and gets easier each time it is completed. In addition, as SROI becomes more widespread, monetisation will improve and there will be scope for pooling good financial proxies.

Sometimes monetisation is a straightforward process; for example, where it relates to savings to the State which are publicly available. This might be the case where the outcome you are interested in is an improvement in physical health and the indicator you have chosen is a reduction in GP visits. Data on the cost of GP visits is available from the NHS and you could use this as your monetised value.

For other indicators, monetisation requires a bit more creativity and digging around. In selecting financial values there is a trade-off between cost, data availability and accuracy. When data is unavailable or difficult to obtain, you may choose to use proxies. **A proxy is a value that is deemed to be close to the desired indicator, for which exact data is unavailable.** Proxies are very useful because they enable you to include outcomes for which there is no direct monetary value. In your report, however, it is important to be clear which assumptions have been made in selecting proxies so that others can track the rigour of your analysis.

Proxies should not be seen as conveying a hard-and-fast value on a particular outcome but as a way of expressing it in financial terms that ensures it can be included in the analysis. Clearly this is a subjective process and for this reason we carry out sensitivity analyses to test different assumptions (Stage 3). Moreover, while every effort should be made to derive the most accurate and reasonable proxies possible, they can and should be changed as and when new or better information becomes available. It should be remembered that proxies are representations of the outcomes in monetary terms, and are not intended to convey a sense of 'worth' in the traditional sense of the word. The principle of inclusion is therefore more important than the value placed on the indicator.

Example 2.2 lists the kinds of proxies that you might consider using. As with indicators, organisations and their stakeholders are best placed to choose the right values and it is possible to experiment with different values until you find the right ones for your circumstances. In some situations, you may have to resort to using a value that differs from its market value: for example, it is often suggested that the price of carbon emissions is grossly undervalued within emission trading schemes. As such you could use a proxy that more accurately reflects the scarcity of environmental resources and the increased impacts of carbon emissions on climate change.

Example 2.2: Financial proxies

Stakeholder	Outcome	Indicator(s)	Possible Proxies
Person with mental health problem	Improvement in mental health	<ul style="list-style-type: none"> • Increase in time spent socialising • Participants engage in new activities • Reduced need for psychotherapeutic services 	<ul style="list-style-type: none"> • Cost of membership of a social club/network • Percentage of income normally spent on leisure activities • Value of counseling sessions
Local community	Improved access to local services	<ul style="list-style-type: none"> • Take-up of those services 	<ul style="list-style-type: none"> • Savings in time and travel costs of being able to access services locally
Person with physical health problem	Improved physical health	<ul style="list-style-type: none"> • Reduced visit to GP surgery • Participant reports improvements in health • Increase in exercise 	<ul style="list-style-type: none"> • Cost of visiting private GP clinic • Cost of health insurance • Cost of gym membership
Care-giver	Improved well-being	<ul style="list-style-type: none"> • No. of hours respite/spent in leisure activities 	<ul style="list-style-type: none"> • Value of hours spent engaged in these activities (e.g. minimum wage)
The environment	Less waste	<ul style="list-style-type: none"> • Increase in recycling • Decrease in waste going to landfill • Reduced carbon emissions 	<ul style="list-style-type: none"> • Cost of landfill charges • Value of carbon
Prisoners	Improved relationships with family and social ties	<ul style="list-style-type: none"> • Number of family visits • Satisfaction with family visits 	<ul style="list-style-type: none"> • Cost and time spent on travel
Young people	Decrease in drug use	<ul style="list-style-type: none"> • Reduction in drug use 	<ul style="list-style-type: none"> • Amount spent on drugs by problematic drug user
Offenders	Reduced reoffending	<ul style="list-style-type: none"> • Reduction in frequency and severity of crimes 	<ul style="list-style-type: none"> • Foregone wages due to time spent in prison
Care leaver	Reduced homelessness	<ul style="list-style-type: none"> • Access to housing upon leaving care • Satisfaction with appropriateness of housing 	<ul style="list-style-type: none"> • Rent
Local community	Improved perception of the local area	<ul style="list-style-type: none"> • Residents report improvements in local area 	Property prices

Top tip:

Be imaginative in deriving financial values and proxies

Deriving appropriate proxies can be challenging and often two heads will be better than one at this stage. Here are some pointers to get you started:

- Think about what is close to the indicator that is already traded in the marketplace, which indicates a willingness to pay on the part of participants.
- Who can you involve to help you? Often those closest to the initiative are the best at selecting good proxies. Brainstorm with colleagues, or ask participants as part of the data collection phase to help you think this through.
- Reflect back to your literature review. Did you come across studies that might contain costings that you could use?
- Have you researched this online? The Internet can be a good source of data and spark new ideas.
- Do not be too concerned with the fact that money might not actually have changed hands (for example, costs of NHS counselling); these are not actual financial values. The aim is to include those things that were hitherto undervalued in decision-making.
- Think about what has changed in the person's life as a result of the intervention; are they spending money in a different way? Remember that the way people spend their income is an indication (albeit limited one) of the things they value.

▲ Exercise 2.2 Financial values and proxies

Create a table like the one below and begin filling in what you can under each heading. Read through the rest of the material in this stage and then go back and see if you can improve upon the indicators you put down or if you have now thought of new indicators for boxes previously left blank.

There may be indicators which you choose not to monetise. You can still include these in the report in other ways - for example by reporting on it qualitatively.

Outcome	Indicators	Monetisable y/n	Proxy?
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Step 3: Data collection

The next step is collecting data for each of your indicators. Do make use of existing data where it is available, but in many cases you will also need to go out and collect new information. It is useful to review the data the organisation already collects as well as what is available from other sources because primary data collection can be costly and time consuming. If you are carrying out a retrospective SROI, it can be difficult to gather data about an impact after the event. Existing data and self-reported change will have to suffice or, if you are really struggling, you may have to start by putting in place data collection mechanisms and carrying out a forecasted SROI (see explanation on Page 5) to be revisited at a later date.

The data we collect will come from the following sources:

- *Primary stakeholders*
People directly involved in the creation of social value – for example, project participants or employees
- *Organisations*
Membership organisations, government departments, market research firms, consulting companies and partner organisations
- *Published research*
Universities, government departments and research organisations

In Stage 1 we explored ways of engaging with stakeholders. To remind ourselves, this included:

- One-to-one interviews
- Focus groups
- Workshops and seminars
- Questionnaires (face-to-face, over the phone, in the post, on the Internet)

Although similar techniques and methods are used for data collection, the two phases are distinct and have different purposes: stakeholder engagement is about ensuring you are measuring the right things, whereas data collection is about gathering evidence that change has taken place.

Data collection can prove to be the most taxing stage of the process. Even after refining your list of indicators, finding relevant data may be challenging. It will sometimes be necessary to use the best available information, or make assumptions or estimates in the absence of better data. If your organisation does not already have anyone with research skills on staff you may want to invest in some additional training.

Top tip: Data collection

Prioritising data collection by level of difficulty will help you to focus limited resources and determine whether you need to narrow the scope of your analysis. Do not worry about not being able to collect every piece of data. You may even conclude, given current organisational priorities, that it is necessary to go back to Stage 1 and redefine your boundaries. Nevertheless, you can always expand your scope later, when more resources are available and organisational priorities permit. Be sure to keep track of all your data sources, however, as well as a list of indicators for which you will collect data in the future.

As you start to collect data, you may find you have to substitute a proxy for a specific indicator that you had initially hoped to use. For example, if your desired indicator was 'change in number of people who are economically inactive' but data is unavailable, then 'change in number of people claiming benefits' may have to suffice.

Collecting data to measure impact

The SROI approach encourages discussion around impact, which requires you to take into consideration:

- Attribution – the extent to which outcomes can be attributed to the organisation being evaluated.
- Deadweight – what would have happened anyway whether an intervention took place or not

- Unintended consequences – unintentional negative impacts that your organisation might be having. This includes ‘displacement’, which is the extent to which benefits are being displaced from elsewhere, rather than creating additional value. In most cases, this is less of an issue (and more difficult to measure) than attribution and deadweight.

Measuring impact can prove to be challenging and may require the use of **benchmarks**. Benchmarks are data on outcomes for similar stakeholders that were not involved in the specific project or organisation under study. For example, it may be information about a wider or neighbouring area, or data from an earlier time-period that is used to see if a trend has changed. For example, say you are interested in whether your project has led to a reduction in crime: you might want to compare the reduction in crime in your programme area to a similar area that did not have this intervention. You may find that crime had also decreased in the comparison area. In this case, the ‘impact’ of your organisation would be any difference between the crime reductions in these areas.

If it is not possible to measure attribution accurately, it might be useful to get together with other organisations that are contributing to the outcome and discuss what might be an acceptable estimate. Even if you do not have the resources to carry out research into this, you should use your best estimate as attribution is an important issue for an organisation to grapple with when assessing its impact.

It is important to be honest about any negative impacts that your activities might be having. Identifying them will help you minimise them in the future. A fully transparent SROI will put a value on negative impacts and include them in the analysis, so you will need to find proxies to measure them. A typical negative impact (or ‘externality’ as it called by economists) is environmental damage. An organisation may be creating great social value in taking children on trips abroad but have a large carbon footprint. The SROI framework helps negotiate the trade-offs between these positive and negative impacts.

Issues to consider when collecting data

Time constraints

When seeking data that is not available internally, be realistic in your estimate of the time that will be required to collect it. Your requests may be met with slower-than-expected response times as well as a lower-than-expected data quality, both of which may require you to undertake further analysis before incorporating them into your model.

Double-counting

When including valuations of indicators that relate to more than one stakeholder, care should be taken to avoid double-counting. Double-counting occurs when the same value is counted twice to **the same stakeholder**. For example, if a disabled person gets a job, benefits might accrue to them (expressed through income); to their carer (respite time); and to the Government (tax and benefits). Counting the value to all three stakeholders is not considered double-counting. However, if the income gained through employment was intended to represent the improved well-being that employment brings about, then valuing the well-being benefit separately would constitute double-counting.

Expectations

In our experience, it is easy to spend a lot of time seeking data that you think ‘should’ be available but in the end isn’t. Setting limits on how long you will spend finding data is important. Try to stick to the budget you have set. If you can’t find the data you want, use a proxy and move on.

Example 2.3 Data Table for MillRace IT

	Indicator	Data	Source / description
Inputs	Grant	£10,325	MillRace IT
Outputs	No. of participants (trainees and volunteers)	20	MillRace IT
	No. of tonnes of computers recycled per annum	50	MillRace IT
Outcomes	Increased employability measured by number of participants that move on to employment	3	InterAct
	Full time salary for participants once they move on from MillRace IT	£13,500	Based on an average of participants' starting salaries who have gained employment, InterAct
	Tax payment	£1,600	Income tax for full time salary, based on statutory rates
	Benefit reduction	£6,900	DWP statutory rates for Incapacity benefit, Income Support and Job seekers allowance
	Cost to National Health Service for in-patient care	£20,500	Department of Health
	Increased self confidence	Qualitative	Determined by stakeholder interviews, conducted June 2005
	Reduction in use of care services – number of people no longer requiring requiring care	4	Assumed 4 of 32 participants no longer uses in-patient care, Conservative assumption based on information collected from stakeholder interviews, conducted June 2005
	Cost to send to landfill one tonne of waste in Essex	£39	Office of the Deputy Prime Minister, data current from June 2005
Impact	Dead-weight: Amount of computers that would be recycled anyway	100%	RDC (another recycling operation) is located on the same site and can recycle the computers, as well as several other organisations operating in the region
	Dead-weight: Alternative work placement opportunities	0	If MillRace IT closed, participants would not have a comparable place to go to, there is no other IT training Social Firm that offers the same high level hands-on training in the locality
	Displacement	0	Based on nature of client population
	Millrace-IT share of outcome (attribution)	75%	Based on stakeholder interviews, participants expressed that it was MillRace IT above all other organisations that helped them, yet InterAct, family members, and the health system also play a significant role in recovery

▲ Exercise 2.3: Data collection

Complete your own data table based on the one above, outlining sources and assumptions, then complete the following checklist:

- Have you considered attribution of outcomes between different organisations?
- Have you started to consider how you will factor in deadweight and displacement for each of the outcomes?
- To what extent have you matched indicators to each outcome?
- Will all of the indicators translate into a financial value?
- Are you clear about what assumptions you will be making?
- Are you happy with the proxies that you are using?
- Have you tested their appropriateness with stakeholders/colleagues?
- Have you been clear about what data you will not pursue at this time?
- Have you been clear about how that may affect your results?
- Have you allowed sufficient time for data collection from external resources?
- Have you been clear about what benchmark data you are using?
- Have you been clear about how it differs from your participant population?
- Have you been able to collect the data required?
- If not, have you been able to find alternatives?

Stage 2 for forecasted SROIs

Follow Steps 1 and 2 to identify indicators and financial values for your impact map. The main difference is in Step 3. Instead of collecting actual outcomes data, you need to forecast what the outcomes would be. For example, if you are planning to set up a job creation agency, you need to provide a forecast of how many jobs that agency will create. Forecasting is best done as a group and by using previous research on similar programmes. Make sure you keep a record of the assumptions on which you base your forecasting and test these in the sensitivity analysis in Stage 3.

Stage 3: Modelling and calculating the SROI

Calculate the present value of benefits, value added, SROI ratio and payback period. Perform a sensitivity analysis.

Creating SROI calculations is about more than slotting figures into an equation. It is about thinking through inputs, activities, outputs, outcomes and impacts, and then making judgements about how each key stakeholder group is affected by this process.

Stage 3 assumes some familiarity with the use of Excel spreadsheets. The calculations are not complicated – even if you have no experience with these kinds of projections, give it a go. The finance-director or accountant can also serve as a good on-site guide. The more you practice the calculations, the easier they are to complete. An online version is being developed at the time of writing that will help with many of the tricky bits.

This section has five steps of which Steps 1–5 are the most important.

Step 1: Analyse inputs

Step 2: Add-up the benefits

Step 3: Project value into the future

Step 4: Calculate the social return on investment

Step 5: Conduct the sensitivity analysis

Step 6: Calculate the value-added and payback period (optional)

Only embark on Step 6 if you are feeling confident and if you think it would be of use to your organisation.

Step 1: Analyse inputs

So far we have looked at the sources of value that will become the 'return'. We also need to look at the investment that was required to generate that return. In order to be clear about the investment, it will be necessary to analyse and understand the organisation's financial accounts. You should also bear other non-financial inputs in mind, such as volunteer time, and, where possible, monetise these for inclusion on the investment side of the calculation.

Examining financial accounts for relevant information

When reviewing the financial accounts, we are looking for the relationship between the expenditure and social impact.

Some organisations will use standard methods of reporting financial information and many of us are used to seeing this material. Often, this information is expressed according to amount of funds brought in and the amount spent on specific categories, or line items.

Some of the standard headings are:

Sources of revenue	Uses of revenue
<ul style="list-style-type: none"> • Government contract • Grant from Trust or Regional Development Agency • Sales • Donations 	<ul style="list-style-type: none"> • Rent • Utilities • Salaries • Insurance • Equipment

However, some organisations have become increasingly sophisticated in the way they report the resources they bring in and how these resources are put to use. An example may be found in an organisation that runs youth activities, employment training, and a door-to-door recycling programme: the organisation may report on the resources used by breaking them down into the amount spent on running the youth activities, as distinct from running the employment training. A more detailed example is given in the table below:

Sources of revenue	Uses of revenue	Detailed use of revenue
<ul style="list-style-type: none"> • Government contract • Grant from Trust or Regional Development Agency • Sales • Donations 	Social: <ul style="list-style-type: none"> • After school club 	<ul style="list-style-type: none"> • Salaries • Expenses
	Economic: <ul style="list-style-type: none"> • Work placement scheme 	<ul style="list-style-type: none"> • Salaries • Expenses
	Environmental: <ul style="list-style-type: none"> • Door to door recycling programme 	<ul style="list-style-type: none"> • Salaries • Expenses

Although this may be an oversimplification of what the financial accounts actually look like, thinking about your financial accounts in this way can help you to see where and how funding relates to activities that create social, environmental or economic value.

▲ Exercise 3.1: Analysing input

Construct a table to record the main financial information. You can use the following headings as a guide, but don't be alarmed if you have to include fewer or more.

Sources:

- Sales income
- Donations
- Grant income
- Contract income
- Subscriptions
- Private investment
- Loan funding
- An estimate of the value of volunteer time

Uses:

- Rent
- Insurance
- Equipment
- Utilities
- Salaries
- Programme-related expenses

Record any additional relevant information if the financial accounts make explicit links to social impact.

Revenue or capital

Now that you have an overview of income and expenditure, we need to distinguish between revenue and capital expenditure. This sounds a lot more complicated than it actually is, but if you are still struggling after the explanation here then speak to one of your accountants who should be able to help you with this step.

Accountants treat revenue differently from capital. The main difference between them is the time period in which the money is spent, and the purpose behind the spending. Simply put, the term revenue describes money that comes into an organisation, which is then used for day-to-day operations over the financial year. By extension, the way that same money flows out of the organisation – i.e. how it is used up – is referred to as revenue expenditure.

In order to assess how healthy an organisation's finances are, accountants separate out money that comes into the organisation to purchase something out of the ordinary that will last more than one year. This money inflow is referred to as capital and the way this money is used up is described as capital expenditure.

You will need to consider whether you are exploring the social return on:

- A single year's grant – revenue expenditure
- An investment in the business where the benefit will occur over several years – capital expenditure

We do this in order to determine whether or not we need to project our SROI over a period of more than one year. In doing this, we ask whether or not the costs incurred are one-off or purchase items that last a long time, such as buildings, machinery, computer systems.

Identifying relevant costs and investments

So far we have looked at the financial accounts as a whole. If, however, our SROI only seeks to examine the value of a specific project or part of an organisation, then we need to make sure that we separate out the costs which relate to delivering that project.

Some of the relevant costs will be easy to identify from our analysis in Exercise 3.1. For other costs it will be necessary to split these between activities. For example, take the fictional case of a social enterprise that provides training and debt-advice services. The SROI is only interested in calculating the return on the training services. One of the costs we need to consider is rent for the building occupied by the social enterprise. To accurately calculate the rent associated with the training service, we need to split the total rent between the training and debt-advice arms. We could do this either in terms of the time the building is used for each activity, or in terms of the space used by each activity.

The way you allocate costs between activities may vary and needs to be clearly documented in your report. For example, a manager's time could be split on the basis of time spent on each activity, whereas the heating bill could be split according to the amount of space being used. You may want to get help from your organisation's accountant when you are splitting costs.

At this point it is also important to consider non-financial inputs, such as volunteer time. Monetise these wherever possible so that they can be taken into consideration when calculating the size of the investment.

Totalling up the costs and investments

Having identified all the relevant costs and monetised as many non-financial inputs as possible, you can now add these up to determine the total investment that was required to generate the benefits you are interested in for your SROI.

▲ Exercise 3.2: Adding up the investment

Return to your table of inputs. Identify the relevant costs, monetise non-financial inputs and sum these to determine the total investment.

Step 2: Add up the benefits

The next step in constructing the SROI model is to add up all the monetised benefits. The starting point for this is the indicator set and financial values developed earlier. We will first describe the process for adding up benefits and then give an example which will help to illustrate the process.

If you do not have access to the online software being made available to members of the UK SROI network, open up a new Excel workbook. On one sheet list all of your proxies and assumptions. Then open a new sheet for each of your stakeholders. For each stakeholder, list the indicators of change in the first column and the number of participants it refers to in the second, being sure that the participant population is the same. For example, you may select participants who entered a programme on a specific date or over a fixed time period. Then multiply the number of participants by the financial value to get a total unit value for that outcome. If you have encountered and valued any negative impacts you will need to subtract these from the value of the benefits. You will need to construct a final spreadsheet at the front of the document that summarises the calculations; this should list all of the stakeholders and the total benefits that accrue to them each year.

The case study below provides an example of a forecast of annual benefits to the participant and to the State in the MillRace IT case. For this example, we have kept it simple. It will become more complex as you build in more outcomes, stakeholders and values.

Example 3.1: Adding up the benefits for MillRace IT

Indicator	Value (£)
Benefits to participants	
Employee wages (for some participants)	13,500
Less welfare benefits lost (weighted average)	-6,900
Less increase in tax contribution	-1600
Less increase in National Insurance	-500
Net benefit per participant that moves on to full-time employment	4,500
Number of participants that move on to full time employment per annum	3
Total benefits to participants (=3x£4,500)	13,500
Benefits to local government	
Cost to send one tonne of waste to landfill	39
Number of tonnes recycled per annum	50
Net savings to local government (=£39x50)	1,950
Benefits to national government (per employee)	
Welfare benefits saved (weighted average)	6,900
Number of participants that no longer require welfare benefits per annum	3
Net savings in welfare benefit expenditure (=3x£6,900)	20,700
Savings in the cost of mental health provision	20,500
Number of participants who do not require intensive care	4
Total health care savings (=4x£20,500)	82,000
Net benefit to national government	102,700
Combined benefits (across all stakeholders)	118,150

Now that you have added up the benefits, we need to factor in deadweight, attribution and any unintended negative consequences. It may also be useful to create a pie chart of the benefits by stakeholder so that you can look at how value is shared out and see if it reflects the organisation's mission. If you can't follow Example 3.1 and 3.2 the first time, read the more detailed description below the table.

Example 3.2: Accounting for deadweight and attribution for MillRace IT

Combined benefits	
Aggregate annual benefits	118,150
Less deadweight from computer recycling (118,150-1950)	116,200
Less attribution	75%
MillRace IT's share of outcome	87,150

MillRace IT's SROI model explained

The following explains how to calculate the benefits for those participants that move on to full-time employment after they complete their training at MillRace IT. First, our assumption is that each person who moves on to full-time employment will earn £13,500; this is based on how much participants who have moved on have earned.

Now that some of the group have gained employment, however, there are costs to the benefits they receive. In earning the wage of £13,500, they now have to pay taxes and national insurance. This leaves them with a net benefit of £4,500. Furthermore, while 20 people may participate in the skills training in a given year, we assume that only 3 will actually progress to full-time employment. Therefore, the individual employment benefit of £4,500 is multiplied by the 3 participants, which equals a total employment benefit for participants of £13,500 each year.

Next, we look at the benefits created for local government from the savings in waste management costs. Here, it cost the County Council £39 to process one tonne of landfill waste. MillRace IT recycled 50 tonnes in 2004, which leads to a benefit of £1950 per year.

The stakeholder with the greatest financial benefit is the Government through the savings in benefit expenditure and the decreased cost of medical care. Note that in the MillRace IT model above, we calculate the loss of benefits for the same three people that now gain full-time employment, but we only calculate this under the benefit savings for Government so as to avoid double-counting outcomes. The Government saves £6900 in benefits per person, for a total of £20,700 for all three participants. It is interesting to compare the £4500 the participant gains through employment to the £6900 the participant loses in benefits. If we only examined the financial gain in one year, then it would appear that the participants actually have a negative impact of £2400. However, participants can increase their salary once they return to full-time employment, whereas they are not able to increase their benefit in subsequent years. The Government saves £20,700 in benefit costs each year that three people move into full-time employment.

In calculating the benefit to Government of reduced healthcare expenditure, the State is found to save £20,561 for each person who no longer requires in-patient medical care. The assumption here is that of the 20 participants per year, 4 of them will prolong their recovery through their participation in the training programme at MillRace IT, and, as such, will not relapse into needing in-patient care. The assumptions here are based on participation, as opposed to moving on from the programme. Therefore, four participants sustaining their recovery who previously required in-patient care will lead to a Government savings of £82,224. It is worth noting that the use of the statistic on in-patient care is in fact a proxy to stand in for the total amount Government spends on mental health care provision per person in one year. Presently, the closest data available is the amount Government spends on treatment in the form of hospitalisation per person per year, although it is our hope that in future years this information will become more accurate.

All of the benefits are totalled, and so we now consider the deadweight from the recycling and the attribution rate. Deadweight refers to what would have happened anyway, and because MillRace IT is located on the premises of a large-scale private sector computer recycling facility, the deadweight in this case is as high as it can get – 100%. Attribution refers to how much of the benefit MillRace IT is responsible for. In this case, we assume the attribution rate to be 75% – which is an estimate based on conversations with the participants and other stakeholders. What we assume here is that MillRace IT is largely responsible for the benefits achieved – the employment benefit and the savings to government. However, InterAct contributes to the process through working with clients to get them ready for their work experience, as do family members and the health system that supports them. These other factors account for 25% of the outcome.

Step 3: Projecting value into the future

Outcomes can have longevity even if the organisations supporting them are no longer involved. For this reason, we often project value into the future. In doing so, there are three things that need to be taken into consideration:

1. Discount rate
2. Benefit period
3. Drop off

Let's start with discount rate. To calculate the SROI ratio, we need to compare the present value of benefits to the present value of the investment made to generate those benefits. Before we can do this, we need to understand a concept called 'time value of money'. The time value of money means that in general, £1 now is worth more than £1 will be worth in a year's time. This is something most of us are familiar with and as such, we hope our employers will adjust our salaries each year by inflation to compensate for how the value of money changes over time. The discount rate you use should reflect the uncertainty (or risk) of achieving the estimated benefits, as well as the uncertainty of your assumptions. **nef** normally uses the HM Treasury recommended rate as set out in the Green Book, which was 3.5 per cent in May 2008. Other organisations, especially those in the United States, often use a government bond rate, such as the London Inter-Bank Offered Rate (LIBOR), which can be found in financial newspapers, plus a risk premium.

How does this apply to SROI? If the benefits we aim to achieve in a project take two years to occur, and we want to know how an investment of £10,000 given to us now will compare with the benefits achieved over that two-year time period, we need to 'discount' the future value of those benefits. In doing this, we are able to see what the value of the benefits created over two years would be worth now, and then compare this amount to the investment. For some benefits, such as environmental benefits, discounting may not be appropriate as the value of the outcome is not likely to decrease in the future.

We also need to decide on the 'benefit period'. Be as realistic as possible about assuming a time period over which your model will account for accrued benefits. The period should be long enough to comprise most of the benefits your activities will generate, but not so long as to overestimate your impacts. The longer the period, the more likely other interventions will contribute to the impacts, such as another training course that leads to a promotion.

The final consideration when projecting into the future relates to drop-off. The concept of drop-off recognises that the benefits will not endure for all stakeholders over the entire benefit period. For example, a training programme with ex-offenders may help 30 per cent of participants to get a job by the end of the first year. Some of these participants will remain in their jobs and so the benefit of the intervention continues over future years. However, some will also fall back out of work. Drop-off adjusts the projected future benefits to take into consideration these cases where the benefit does not endure.

Example 3.3: Projecting returns over multiple years for YouthWork

To help you get used to the SROI model, this is a second example to consider. **nef** forecasted the social benefits generated through YouthWork, a fictional social enterprise based on a real example. Key assumptions are listed below. The figures have been changed for purposes of simplicity in presentation. Drop-off relates to those people who fall back out of work.

	Year 1	Year 2	Year 3	Year 4	Year 5
Average benefits to each participant					
Participant wages	£9500	£9785	£10,610	£10,925	£11,250
Less welfare lost	(£6800)	(£6800)	(£6800)	(£6800)	(£6800)
Less increase in tax contribution	(£950)	(£979)	(£1061)	(£1093)	(£1125)
Net benefit per participant	£1750	£2007	£2749	£3033	£3325
Benefits to State per participant					
Welfare payments saved	£6800	£6800	£6800	£6800	£6800
Increase in tax contribution	£1425	£1545	£1592	£1640	£1690
Net benefit to the State	£8225	£8345	£8392	£8440	£8490
Combined net benefit					
	£9975	£10,352	£11,141	£11,473	£11,815
Total participants in job	50	50	50	50	50
Less deadweight	45	45	45	45	45
Less deadweight and drop-off	45	40	35	31	27
Total annual benefits (benefits x jobs)	£498,750	£517,575	£557,050	£573,625	£590,750
Less deadweight	£448,875	£465,818	£501,345	£516,263	£531,675
Less deadweight and drop-off	£448,875	£414,060	£389,935	£355,648	£319,005

Assumptions

Average starting salary in Year 1 for all participants is £9500

Average annual growth in salary is 3% from year 1

Welfare payments = £6800 per year (£130 per week)

Income tax = 10% of salary plus 5% for employer contribution

Deadweight = 10% (e.g., $50 \times 0.9 = 45$). That is, we can only claim benefit for 90% of the benefits, because 10% of the participants probably would have found a job without the intervention.

Displacement is assumed to be zero

Drop-off = 12% annually (e.g., $45 \times 0.88 = 40$). That is, each year 12% of the prior year's employed participants lose their job.

Time period to accrue benefits = 5 years

Discount rate = 3.5%

Investment: public funding (New Deal) paid in year 0 = £500,000 to fund one-year pilot project

YouthWork example: Present value of benefits

Below are the present value calculations for the social benefits created by YouthWork. We also provide calculations that include assumptions for deadweight and drop-off to illustrate the potential impact of these factors

PV of benefits

$$£2,464,750 = \frac{£498,750}{1.035} + \frac{£517,575}{1.035^2} + \frac{£557,050}{1.035^3} + \frac{£573,625}{1.035^4} + \frac{£590,750}{1.035^5}$$

PV of benefits less deadweight

$$£2,218,275 = \frac{£448,875}{1.035} + \frac{£465,818}{1.035^2} + \frac{£501,345}{1.035^3} + \frac{£516,263}{1.035^4} + \frac{£531,675}{1.035^5}$$

PV of benefits less deadweight and drop-off

$$£1,750,444 = \frac{£448,875}{1.035} + \frac{£414,060}{1.035^2} + \frac{£389,935}{1.035^3} + \frac{£355,648}{1.035^4} + \frac{£319,005}{1.035^5}$$

Grant funding obtained at the start of a programme does not need to be discounted, since it is received 'today'. However, some funding is distributed over several years during a programme's lifetime. Any funds received in future years under such a scheme would need to be discounted along with any forecasted benefits.

Step 4: Calculate the SROI

SROI measures the value of the benefits relative to the costs of achieving those benefits. It is the ratio of the net present value of the benefits to the net present value of the investment. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 in social value. You can calculate this simply in Excel by adding all of the projected net benefits (less deadweight, attribution etc.) and dividing them by the investment.

$$[SROI] = \frac{[Value\ of\ Benefits]}{[Value\ of\ Investment]}$$

Example 3.4: SROI for MillRace IT

The returns are calculated annually due to the nature of Social Firms, in that their 'output' is the ongoing training and support for disabled people. This means that no benefits are projected forward. The calculations that we do in this instance for SROI are simply:

$$SROI = \frac{\text{Net benefits}}{\text{Net investment}}$$

In our example, this can be expressed as follows:

$$SROI = \frac{£76,825}{£10,325}$$

SROI generated by MillRace IT

	Total value created	MillRace IT share	Investment	SROI	MillRace IT share
Aggregate benefits	£107,825	£78,288	£10,325	10.44	7.58
Less deadweight	£105,875	£76,825	£10,325	10.25	7.44

Step 5: Conduct the sensitivity analysis

After calculating an SROI ratio, it is important to assess the extent to which your results would change if your assumptions changed. This is referred to as a 'sensitivity analysis'. The aim of such an analysis is to show which assumptions have the greatest impact on your model. For example, in MillRace IT, if we assumed that no people moved on to full-time employment, but 80 per cent of participants no longer required NHS care, how would our SROI ratio change?

Within a sensitivity analysis, we create a table and then change one assumption at a time, re-calculating the SROI at every step. When we are done, we can see clearly which assumptions cause the greatest change in the SROI figure.

Example 3.5: Sensitivity analysis for MillRace IT

To help you get used to the SROI model, this is a second example to consider. nef forecasted the social benefits generated through YouthWork, a fictional social enterprise based on a real example. Key assumptions are listed below. The figures have been changed for purposes of simplicity in presentation. Drop-off relates to those people who fall back out of work.

MillRace IT sensitivity analysis			
Indicator	Baseline assumption	New assumption	SROI
Grant income (£)	10,325	5,000	15
		20,000	4
Number of participants that enter full time employment	3	5	9.6
		0	4.1
Share of outcome (attribution)	75%	90%	9.2
		60%	6.2
Cost per client to NHS (£)	20,561	30,000	11
		10,000	3.3
Number of participants that no longer need intensive health treatment	5	10	15.4
		0	-0.5

Understanding the sensitivity analysis

Since our calculations depend largely on assumptions, it is prudent to test the sensitivity of those assumptions. We change five areas in the MillRace IT case:

1. Amount of grant income (or investment).
2. Number of participants that move into full-time employment.
3. MillRace IT's share of outcome (or attribution rate).
4. Care cost per client to the National Health Service.
5. Number of participants that no longer need intensive treatment.

These categories were chosen because they are the ones that are most important in framing the SROI model for MillRace IT. The key finding of the sensitivity analysis is that the SROI ratio remains well above 1:1 for all assumption adjustments, except if the number of people no longer receiving in-patient care, or a similarly priced Government-funded health service, drops to zero. Again, it is important to stress that the use of in-patient hospital care is a proxy to stand in for the total amount the Government spends on treating those with mental ill health (which for the time being is unavailable data).

▲ Exercise 3.3: Calculate the social return on investment

Calculate the SROI and sensitivity analysis for your organisation.

Checklist

- Have you included all data in your model, referencing all sources?
- Have you been clear about what assumptions you are making?
- Have you performed a sensitivity analysis on the assumptions in your model?

Step 6: Value added and payback period (optional)

By now you have calculated your SROI ratio and performed your key tests of rigour. This is considered a complete SROI analysis and you can stop here. If, however, you remain keen and have an appetite for more sums, you can also calculate the value added and payback period.

Value added is the difference between the present value of net benefits and the present value of net investment.

$$[Value\ Added] = [Present\ Value\ of\ Net\ Benefits] - [Present\ Value\ of\ Net\ Investment]$$

The value added is often related back to the number of participants. For example, in the MillRace IT example we end up with a figure for 'value added per participant'.

Example 3.6: MillRace IT and Value Added

In the table below, we determine the value added by MillRace IT. To arrive at these figures, we take the total benefits created per year, or the 'aggregate benefits'. Next, we multiply the new figure of £118,150 by the attribution rate of 75% to determine MillRace IT's share, arriving at £88,613. From there we subtract the investment amount from the MillRace IT share of value created to determine the MillRace IT's share of 'value added', or £78,288.

	Total value created	MillRace IT share	Investment	Value added	MillRace IT share	VA per participant	MillRace IT share
Aggregate benefits	£ 118,150	£ 88,613	£ 10,325	£ 107,825	£ 78,288	£ 3,692	£ 2,446
Less deadweight	£ 116,200	£ 87,150	£ 10,325	£ 105,875	£ 76,825	£ 3,631	£ 2,401

We can then divide this number according to the number of participants to arrive at a share per employee or participant. We then run through the same calculations on the second row to factor in the deadweight from the recycling. In the end, we arrive at MillRace IT's share of value added, which is £76,825, or £2,401 per participant.

Payback period describes how long it would take for an investment to be paid off. Specifically, it answers the following question: at what point does the amount of the investment equal the value of the social returns generated by a project or organisation? Many funders and investors use this kind of calculation as a way to determine how risky a project is. While a short payback period is generally desirable, a long payback period is a feature of activities that can generate significant, long-term change, thus requiring longer-term core funding.

To calculate, first divide annual net benefits for all participants by 12 to get net benefits per month. Then divide net investment by net benefits per month to get payback period in months. When aggregate benefits differ each year, you will need to calculate one year at a time. For example, the payback period for YouthWork is between one and two years, so the 'net investment' in the second year is the initial funding less aggregate benefits created in year 1. The basic formula is below.

$$[\text{Payback Period in Months}] = \frac{[\text{Net Investment}]}{\left(\frac{[\text{Aggregate Annual Net Benefits}]}{12} \right)}$$

Top Tip: getting help from Excel Software

Microsoft Excel software has a function for determining present value. It allows you to enter the discount rate, time period and amount. Depending on what you are looking for in terms of present or future value, the equation you set up may change. However, the help function in Excel can walk you through how to set up the calculation.

Stage 3 for forecasted SROIs

Follow the steps as you would for an evaluative SROI. The only difference is that you use the forecasted outcomes data, rather than actual value

Stage 4: Report and embed

Present the findings in a way that is transparent about assumptions and decisions made. Make recommendations. Embed the process within the organisation's management systems.

In this final stage of the SROI process, our focus is on using the results of the SROI to create change. We do this in two steps:

Step 1: Preparing the SROI report

Step 2: Communicating and embedding

Your final report should comprise much more than the social returns calculated. The report should be a tool for both proving and improving. To fulfil the proving function, the report needs to include enough information to allow another person to verify your calculations. That is, it needs to include all the decisions and assumptions you made along the way. To fulfil the improving function, it should include all the information that you were able to find out about the performance of the organisation which might be useful to strategic planning.

Consider including the following quantitative and qualitative information to produce a comprehensive and considered report:

- Information relating to the organisation: include a discussion of its work, key stakeholders and activities.
- Description of the SROI process: include the scope of the analysis, details of stakeholder engagement, methods of data collection and any restrictions on the analysis.
- The impact map with relevant indicators and any proxies.
- An audit trail for decision-making including which stakeholders were included and which were excluded.
- Detail on any indicators that have not been measured or monetised.
- Details of the calculations: include the sensitivity analysis and a discussion of any estimates and assumptions.
- Case studies or quotes from participants that illustrate particular findings, especially where it might not have been possible to monetise indicators.
- An executive summary aimed at a broad audience, including participants.

You may also want to consider getting your report independently verified by a recognised expert.

Preparing the report is one of the most important parts of the SROI process as this is the place where you can make recommendations to influence what happens as your organisation or project moves forward. After all, there is little point in going to the trouble of carrying out an evaluation if you do not make recommendations and then act upon them. We will talk about a plan for communicating recommendations shortly. For the moment, it is important to be aware that the extent to which recommendations are taken up by others in your organisation will depend on the level of organisational buy-in you have achieved – which is why we have stressed involving colleagues throughout the process – and on how you phrase the

recommendations. If staff feel threatened by research findings, they are less likely to embrace change. It is important therefore to stress the positive as well as negative findings and to present them in a sensitive fashion. It is important to be able to distinguish between benefits that are not happening and benefits that cannot be evidenced. Make sure to include recommendations for ways to improve data collection and evidencing of outcomes. It may help to explain to staff that unless they initiate these changes, the value that they are creating cannot be measured and represented.

Top Tip: Presentation of social return calculations

In presenting the social return calculations, be sure to supplement the quantitative results with a qualitative discussion that highlights the assumptions and limitations underlying the analysis. For example, include a table that shows the results of the sensitivity analysis and a discussion that describes the effect of varying your assumptions on social returns. Also discuss how any excluded programmes, stakeholders, or stakeholder objectives may limit the analysis. If comparable data is available for a similar programme or for your sector, then comparing your organisation's social returns to other organisations' returns will also give you more context.

Issues to consider

In presenting the results of your analysis, consider your audience and tailor the qualitative discussion to each stakeholder. Stakeholders will have different objectives, and the relationship of each stakeholder to your organisation will vary. A bespoke approach can provide an impetus for new dialogue with your stakeholders.

Example 4.1: Executive summary for MillRace IT

A portion of the executive summary of the MillRace IT SROI report follows and is an example of how to combine the story about social value creation along with the numbers generated by the calculations.

The aggregate social value created by MillRace IT each year is projected to be approximately £76,825. MillRace IT's SROI ratio of 7.4:1 implies that, for every £1 invested, £7.40 of social value is created each year for society in terms of reduced health care costs, reduced benefits costs, and increased taxes collected. However, there are a number of other benefits, such as increased self-confidence of those recovering from mental ill health, suggesting that the social return calculations are likely to underestimate the true social value created by MillRace IT.

As the SROI analysis demonstrates, MillRace IT creates value in two key ways. First, by participating in MillRace IT, clients extend the time for which they are supported and reduce the likelihood of a relapse in their condition. Second, a number of participants leave MillRace IT to go on to employment. By creating a supportive environment and teaching marketable skills in an area where there is much demand, MillRace IT effectively combines financial sustainability and high quality support for those recovering from mental ill health.

This report is aimed at creating a baseline for future measurement. Even without a formal evaluation system in place, SROI is a tool that meaningfully demonstrates added value.

▲ Exercise 4.1: Preparing the SROI report

Prepare your SROI report. Include findings, analysis, and recommendations as to what the organisation can learn from the information generated through the SROI process.

Checklist

- Have you included a qualitative discussion of the assumptions and limitations underlying your analysis?

- Have you included clear statements at each stage to show where you have dropped activities, stakeholders, their issues or indicators?
- Have you tailored the presentation of your results to each stakeholder?

Step 2: Communicating and embedding

The SROI process is intended to be iterative and should not end with the production of a report. The tools and techniques should be embedded in the organisation and feed into ongoing strategic planning. The recommendations are the starting point; if staff act upon these then this should be reflected in the ratio the next time around.

It is also important to secure commitment to further SROIs. The way you approach this will vary depending on your role in the organisation. A starting point might be to present the findings from the study to staff, trustees and stakeholders, stressing the benefits as well as the challenges of the process. This would give you the opportunity to also present a plan for making SROI analysis a routine and regular component of the organisation's reporting. Such a plan should set out:

- A process for regular data collection.
- A process for training of staff to ensure knowledge and expertise is retained in the organisation, even if there is turnover.
- A clear timeline for the next SROI.
- A description of the resources that will be required for ongoing SROI evaluation.

In embedding the SROI, it is important to think also about data security. The spreadsheets should be protected and treated in a similar way to financial accounts. It may be that once the data collection mechanisms are in place the responsibility for SROI is able to sit with your finance team and becomes integrated with the financial accounting system.

▲ Exercise 4.2: Recommending and embedding

Prepare a plan for sharing recommendations and embedding the process within the organisation.

Checklist

- Are your recommendations balanced and sensitively phrased?
- How can you pre-empt any negative reactions to the findings?
- Does anyone else need to be trained, or supported with SROI?
- Where will responsibility for future updates sit within the organisation?
- Are you comfortable that all staff are ready to communicate the results externally?
- Is there a plan in place to make sure that SROI data collection and analysis becomes routine and regular?

Stage 4 for forecasted SROIs

Again follow the steps as you would for an evaluative SROI analysis. If carrying out a forecasted SROI, this stage is very important as your report will feed into a decision about whether to establish the proposed organisation or project. Moreover, if a decision is made to go ahead with the project or organisation, then you need to make sure that the SROI process becomes embedded from the outset to allow an evaluative SROI to be performed at a later stage.

Conclusion

You have now completed the full SROI analysis and we hope you have found the process to be useful and stimulating. We are regularly updating this guide and would like to hear about your experiences. Please contact the authors if you have anything to share with us.

Should you require more information, the next section provides a list of resources and other organisations that may be able to help you.

Where to go for more information

nef (the new economics foundation)

www.neweconomics.org

020 7820 6300

info@neweconomics.org

In addition to this guide, nef provides SROI training and consultancy services. For information about these services and additional SROI-related publications, contact us by phone or visit the nef website.

You may also find Prove and Improve, nef's dedicated measurement and evaluation website, a useful resource: www.proveandimprove.org

UK SROI Network

www.sroi-uk.org/

Membership-based organisation for SROI practitioners and those interested in measuring value.

European SROI Network

www.sroi-europe.org/

The European counterpart to the UK network

London Business School Online SROI Primer

<http://sroi.london.edu>

Developed in collaboration with nef, the online primer includes interviews with practitioners and trainers.

Roberts Enterprise Development Fund (REDF)

www.redf.org

REDF developed the original SROI model.

Other guides

Scholten P, Nicholls J, Olsen S and Galimidi B (2006) Social return on investment: A guide to SROI analysis. Utrecht, Netherlands: Lenthe Publishers. ISBN 90-75458282

Glossary

Attribution	The consideration of what share of an outcome is attributable to, or results from, the organisation.
Boundaries	Something that indicates or fixes a limit on the scope of your analysis.
Deadweight	The effect of what would have happened anyway (i.e. without your organisation's intervention). For example, a certain number of participants in an employment training are likely to have obtained a job without the programme.
Displacement	A substitution effect that occurs when the benefits claimed by a programme participant are at the expense of others outside the programme.
Distance travelled	The progress that a beneficiary makes towards an outcome-objective.
Drop-off	The deterioration of an outcome-objective over time, such as the number of participants each year who lose a job. See durability of outcome.
Durability of outcome	Sustainability of the outcome-objective, such as length of time a participant remains in a new job. See drop-off.
Impacts	Difference made by an organisation or project.
Indicator	Information that allows performance to be measured. This usually takes the form a statistical value which links an organisation's activities to its outputs and outcomes.
Inputs	The resources used to run the activity such as money, people, facilities, and equipment. This is the investment against which the value of the impact will be compared.
Materiality	The importance and significance of information. Information is material if its omission or misrepresentation could influence stakeholder decisions.
Monetise	To assign a financial value to an indicator. For example, jobs can be monetised through net change in participant income.
Net present value	The present (discounted) value of future cash inflows minus the present value of the investment and any associated future cash outflows.
Outcomes	Changes resulting from the activity for individuals, community, or other stakeholders. For example, a new job, increased income or community cohesion.
Outputs	The direct and tangible products from the activity - for example, the number of people trained.
Present value	The current value of one or more future cash payments, discounted at some appropriate interest rate known as the discount rate.
Proxy	A value that is deemed to give a close approximation of a desired indicator.
Scope	The range or extent of activity or influence.
Social Enterprise	A business with overarching social objectives whose surpluses are principally reinvested in the business or in the community for that purpose (rather than being driven by the need to maximise profit for shareholders and owners).
Social Firm	A market-led business set up specifically to create employment for disabled people.
Socio-economic	Of, relating to, or involving a combination of social and economic factors. For example, a new job can bring both economic (e.g., increased income) and social (e.g., improved life stability) benefits.
Stakeholder	Those people or organisations that affect or are affected by your organisation.

Appendix 1:

nef's seven principles of good measurement

1. Measure for social, economic and environmental well-being

nef believes that measures should provide meaningful evidence about the extent to which a contribution is made to a better, fairer and more sustainable society. This means that, ultimately, measures should increase our understanding of whether interventions contribute to enhanced social, economic and environmental well-being.

2. Measure with people

Measurement should, as far as possible, involve the people closest to or most affected by an organisation, policy or service. This ensures that measures are relevant and that they reflect what really matters to people. The process we are advocating is about giving a voice to those not already involved in the measurement process rather than seeking out interest groups that are already well represented.

3. Measure outcomes

Putting things in terms of outcomes – rather than the more easily measured outputs, resources or activities – is more meaningful as it allows us to assess the extent to which a change has occurred in people's lives, in communities and in society.

4. Develop a learning and responsive culture

Effective measures will provide evidence that can be used to inform future implementation and decision-making. But what is also required is a willingness to learn from the evidence, and from past experience.

5. Measure the difference made

Measures should identify the difference made, and how much of that difference can be attributed to the specific intervention being evaluated. This fosters honesty about the impact of a given intervention.

6. Be transparent about priorities and values

Decision-makers should be able to justify why they have chosen the measures used. This involves making explicit the basis on which they have prioritised what to measure.

7. Measure assets, strengths and opportunities as well as risks, failures and deficits

Measuring people's assets, rather than focusing solely on what people lack and why they fail, can make abilities and strengths visible. These can then be used to build better lives and communities.

Appendix 2: Storyboard exercise

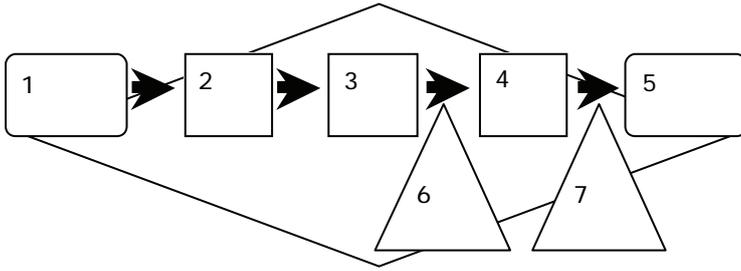
Bring together a group of stakeholders for a meeting. These might be people who affect or who could benefit from the project. Make sure that they have a good grasp of what the project is about, and then in the light of that knowledge invite them to read through the eight questions in the left-hand column of the table below. Ask them to think about the answers they would give from their particular perspectives as project workers, participants or potential beneficiaries.

Divide the group into pairs or threes and ask them to use the questions as the basis for having a conversation about the project – perhaps with one person asking the questions and the others describing ‘their take’ on how the project might work. Together they will build a picture (showing a logical progression) of how they see the project might have an effect. The right-hand column in the table provides some prompts as a guide for that conversation.

Questions	Prompts
1. What is the context in which you are working or living that means you can see the value in setting up this project?	You could describe the project area as it is now, and the need that you hope the project will address.
2. What are the activities and actions that are being planned as part of the project?	These could include project planning, obtaining resources and involving people in different ways as well as delivering the physical elements of a project.
3. What initial results (changes) would you expect to see once these activities and actions have begun and the project is on its way?	‘Changes’ could be in the attitudes and behaviour of people affected by the project, as well as more visible, physical changes to the area.
4. What medium-term changes do you expect to see as a result of the project?	You could define ‘medium-term’ as 8 to 16 months and define ‘long-term’ as beyond 16 months from the project’s start date. However, this of course depends on the nature of the project.
5. What long-term changes do you expect to see as a result of the project?	At this stage focus on positive changes – but make a note of potential negative effects as part of Question 8 below.
6. How do the initial results (in box number 3) lead to the medium-term changes that you identified in Question 4 above?	Questions 6 and 7 present an opportunity to explore the assumptions that have been made that one change will automatically lead to another. To test the assumptions about those changes you need to be clear what else needs to happen or be part of the experience to make it so.
7. How do the medium-term changes (in box number 4) lead to the longer-term changes that you identified in Question 5 above?	For example, just achieving a qualification may not be enough to ensure people get a job – perhaps some additional intervention, such as guidance on how to prepare for a job interview is needed to make this more likely to happen. So try to describe precisely how each of the more immediate changes will lead to further changes in the future or for a wider group of people. Sometimes asking ‘Why is that important?’ of each thing you mentioned in response to Questions 3 and 4 can help with this.
8. What barriers do you foresee in implementing the actions or activities, and what might prevent the positive changes you have identified from coming about?	This question is a useful opportunity for a reality check.

Build the storyboard

Prepare a large sheet of paper (A3 or larger depending on how many people are taking part in the exercise) by reproducing the blank flow-chart diagram as in the picture below.



Having allowed the stakeholders (in pairs or groups) to discuss each of the eight questions in detail, invite them to summarise (in note form) their responses in each of the corresponding numbered boxes on the flow chat. You can fill in the boxes in any order, so by all means start with the easy ones. Feel free to add extra comments to boxes as and when ideas occur to people during the conversation.

With a large group you could give people post-it™ notes, invite them to summarise their responses on those and then attach them to a large wall-sized version of the flow chart.

If you cannot get everybody 'in the room' at the same time, you could take a large version of the flow chart to different venues and on separate occasions invite people to take part, attaching their contributions as and when they are able to do so. This will be much harder to manage, but at least people will see that they are contributing, literally, to a 'bigger picture'.

Appendix 3: Impact map template

Stakeholder	Input	Activity	Output	Outcome	Impact

One of the other centres at **nef**

Photo: Marcelo Alves



Centre for Global interdependence

We are living in an interdependent world. But some nations, including the UK, are abusing it by exporting the cost of their high-consuming lifestyles around the globe.

We cannot 'solve' global poverty without simultaneously addressing global warming. **nef**'s centre for Global Interdependence is addressing the inseparable challenges of poverty and a rapidly warming global climate in order to find global answers by building coalitions, publishing ground breaking research, winning change and giving hope.

Finding solutions to the interdependent problems of climate change, peak oil, ecological degradation, growing inequality, persistent poverty and in many countries, static or declining levels of well-being will mean building a new global system.

The global economy should be designed to benefit people and to protect the planet, with individual well-being and environmental sustainability at the core of economic policies and structures.

From its beginning, **nef** has challenged the way the global economy is organised – the unfairness and the blindness at the heart of its measurements of success, the brutal treatment meted out to its victims. What began with a challenge to the G7 summits in the mid -1980s, and their assumed right to speak for the economic future of the whole planet, continues as a systematic attempt to articulate, popularise and implement a new kind of global economics.

**For more information please call
020 7820 6300**

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