

LSEP Project

Social Return on Investment Briefing

December 2009

Introduction

The Social Return on Investment tool aims to demonstrate the impact and values of projects, services or organisations. The framework tool measures and manages the outcomes of an organisation's activities. It focuses on stakeholders and places financial value on the impacts identified by stakeholders, which do not have a market value.

There are two types of SROI: evaluative and forecast. Evaluative SROIs take place retrospectively and are based on outcomes that have already taken place. Forecast SROIs predict how much social value will be created if activities meet their intended outcomes.

SROI is distinct because it places a financial value on outcomes. This means that the financial value for a variety of outcomes can be added together to provide a comparison for the financial investment made. This results in a ratio of total benefits. E.g. a ratio of £4 of social value created for every £1 invested.

However, SROIs can demonstrate qualitative and quantitative findings. This can help organisations maximise their outcomes.

Why do an SROI?

An SROI can help organisations improve the services they deliver. It can help organisations:

- Understand the social, environmental and economic value created by work
- Maximise positive change created and identifies ways of managing negative outcomes that arise.
- Re-evaluate which organisations or people your organisation should be working with.
- Improve the way they engage with stakeholders.
- Find a way to collect more useful and better quality information.

Benefits of doing an SROI

Carrying out an SROI can:

- Help attract funding
- Demonstrate and account for achievements made by organisations
- Help organisations maximise their social impact
- Improve the lives of people organisations work with

Who can use SROI?

SROI can be used by both providers and commissioners. As a provider the SROI can help you demonstrate the value of services – particularly preventative services. As a commissioner, SROI can help define what goods and services you should commission and how these contribute to outcomes, targets and indicators.

The SROI process

An SROI involves six stages.

1. Establishing scope and identifying key stakeholders. It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how. Often service users, funders and other agencies working with the client group are included in an SROI.

2. Mapping outcomes. Through engaging with your stakeholders you will develop an impact map (also called a theory of change or logic model) which shows the relationship between inputs, outputs and outcomes.

3. Evidencing outcomes and giving them a value. This stage involves finding data to show whether outcomes have happened and then giving them a monetary value.

4. Establishing impact. Those aspects of change that would have happened anyway or are a result of other factors are taken out of the analysis.

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

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

Further Information

For more information about the LSEP project and about SROI, please visit <http://www.sitra.org/index.php?id=1061>.