

## **Fact sheet 20: Social Return on Investment (SROI) analysis**

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This fact sheet aims to give you basic information to help you to understand how an SROI evaluation is conducted and how its final ratio is calculated. This fact sheet includes:

- What a SROI analysis is and how it is relevant to you;
- Basic principles of conducting an SROI analysis and
- SROI ratio and what it can mean, including next steps.

This fact sheet will also provide links to other useful fact sheets and documents that relate to evidence.

### **1. Why SROI?**

In 2012, Under the Public Services (Social Value) Act, it became law that all public bodies in England and Wales were required to consider social value and improvements to the economic, social and environmental well-being of communities. Social value refers to the added benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods. Social value can be measured in a number of ways, of which SROI is one method. SROI places a monetary value on the social value created (such as happiness and social inclusion) and measures these. See related factsheet, [Fact sheet 14: Social Value](#).

### **2. What is SROI?**

Social Return on Investment (SROI) is a framework for measuring and accounting for added value that is created as a result of a service, initiative or organisation. It seeks to document a much broader concept of value by telling the story of how change is being/has been created in relation to happiness, wellbeing, health, social inclusion, confidence and empowerment, for example. SROI calculates these social, environmental and economic outcomes and applies a monetary value known as a financial proxy to represent what the value of this change is. SROI analysis calculates a ratio of benefits to costs, balancing actual financial inputs such as wages, consumables etc., with the social value proxies created as a result of engagement with a service, initiative or organisation. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 of social value.

There are two types of SROI - evaluative SROI and forecast SROI. Evaluative SROI is conducted retrospectively, looking back at a certain amount of time, e.g. past twelve months or two years. This approach is based on activities and outcomes that have actually occurred during this time. A forecast SROI looks to the future and predicts how much social value is expected to be created if future activities meet their intended outcomes. Which SROI approach to use depends on the circumstances and what the SROI aims to achieve.

SROI can:

- Map the full range of outcomes of a service and consider other relevant outcomes;
- Value these outcomes in order to make a comprehensive and informed assessment about value for money; and
- Frame the discussion on where these outcomes are relevant and how they may be included in commissioning.

Commissioners can use the principles of SROI to:

- Improve services and their outcomes;
- Unlock potential in their supply base;
- Reconfigure services or change commissioning practice to better meet people's needs;
- Support or evidence links to policy objectives and avoid unintended consequences; and
- Potentially save money.

### 3. How do you conduct a SROI?

SROI methodology uses a mixed methods approach which involves both qualitative and where relevant, quantitative data. The method involves engagement with stakeholders throughout and typically there is a four-phase process, involving:

- **A scoping exercise** to identify who the key stakeholders are and the full scope of the research – who it will involve, groups or aspects of service to evaluate, who will be responsible for data collection and how the research will be conducted. This phase also looks at the type of SROI that will be calculated – a forecast or evaluative.
- **Desktop-based logic modelling** to identify the inputs (activities), outputs (results) and outcomes (impacts) associated with engagement with the service (see also [Fact sheet 12: Logic Modelling & An Outcomes Based Approach](#)) and,
- **Engagement activities** to identify the wider impact of the project on stakeholders. Engagement activities should be planned around the specific needs to of the groups and can include a combination of interviews and focus groups, questionnaires, case studies and data analysis. For each of the outputs and outcomes that are reported by stakeholders, a financial proxy is given. For example, the cost of confidence may be valued at the cost of achieving that confidence with a course. The final ratio balances the cash inputs into a service with the social value created and highlights that for every £1 input into a service, £X is returned in social value.
- **Reporting and embedding findings**  
This section is just as important as the research and involves presenting the findings and research along with any conclusions and recommendations.

### 4. SROI ratio

Once the logic model and engagement stages have been completed, the inputs, outputs and outcomes can be recorded on an impact map along with agreed financial proxies. The impact map records financial proxies, which are agreed among the stakeholder group engaging in the research as defined during the scoping phase. The impact map can also record deadweight (the percentage chance that the change would have happened without the activity); attribution (who else contributed to the change?) and drop-off (does the change drop-off in future years?). Once the impact map has been fully completed, an SROI ratio is calculated, highlighting that for every £1 input into the service, £X is returned in social value. A Microsoft Excel document can be pre formulated to calculate the SROI ratio, taking into account a number of related factors. An example of one aspect of the impact map can be seen in figure 1 below. See also the example at <http://www.thesroinetwork.org/sroi-analysis/the-sroi-guide> and the online tool and resource available at: <http://www.globalvaluexchange.org/>. This contains a host of invaluable information relevant to SROI including financial proxies and sources used in other SROI evaluations.

## Sensitivity testing

Sensitivity analysis allows the influence of each indicator and proxy used within the impact map to be assessed for its impact upon the overall result. This can also test assumptions made and determine their impact in the final SROI calculation. This aspect of adjusting proxy amounts and numbers involved helps to verify results and understand the impact of individual factors and indicators upon the final SROI ratio (for more information see <http://www.thesroinetwork.org/sroi-analysis/the-sroi-guide> - section 5.4).

## The final ratio

This SROI amount is in no way comparable to any other evaluations where SROI calculations have been used, either as part of your own service, or any other. The ratio must only be considered in conjunction with an accompanying report, summary and recommendations, which are necessary to fully understand the research being conducted and its impact. The value can be used to consider what is working well, or not, within the service, while identifying any areas for future development in order to meet pre-set aims and objectives. The financial proxies arrived at must have been agreed and developed with stakeholders who have been involved in the research, and the findings fed directly back to them. To this extent, the SROI ratio presented is subjective and relevant to the individuals on the day that the research was conducted. The ratio presented offers an insight into the holistic health and wellbeing benefits and other impacts, and not an actual financial representation of what has actually been spent by stakeholders. The SROI figure is important in understanding the much wider impact that resonates outside of the service into the wider community.



### More on this topic and further reading

For a more definitive step-by-step guide to this process, please see the SROI Network's 'How to Guide'; Nicholls et al 2012. A Guide to Social Return on Investment. Available at: [http://www.thesroinetwork.org/publications/doc\\_details/241-a-guide-to-social-return-on-investment-2012](http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012) (Accessed 27.02.2014)

SROI Network:

<http://www.thesroinetwork.org/>

For more information see: <http://unltd.org.uk/portfolio/7-3-social-return-on-investment/#sthash-.rNnDkUpT.dpuf>

For more detailed information on Social Value see [Fact sheet 14: Social Value](#).

The Social Value Guide:

<http://www.socialenterprise.org.uk/advice-services/publications/the-social-value-guide>

Social Return on Investment – The Impact Map for the worked example					
Organisation	Wheels-to-Meals				
Objectives	Provide luncheon club for 30 elderly local residents with additional health and social benefits by bringing residents to meals				
Scope	Activity	30 places for eligible elderly and/or disabled local residents 5 days a week, 50 weeks of the year			
	Contract/Funding/Part of organisation	Local Authority Grant			
Stage 1			Stage 2		
Stakeholders	Intended/unintended changes	Inputs		Outputs	The Outcomes
		Description	Value £		
Who do we have an effect on? Who has an effect on us?	What do you think will change for them?	What do they invest?		Summary of activity in numbers	How would you describe the change?
elderly / disabled residents	residents use health services less	time	£0	luncheon club:  – group activities (board games, craft, mild/therapeutic exercise, info and awareness sessions)	the mild/therapeutic group exercise sessions made residents fitter, they had fewer falls and ended up in hospital less
	residents get out of the house more				the GP practise nurse group sessions helped residents manage their health and symptoms better and they were healthier
					residents made new friends and spent more time with others through the group activities
local authority	residents provided with nutritious meal	meals on wheels contract (annual)	£24,375		residents had nutritious meals with 3 (out of) 5-a-day and they were healthier
Wheels-to-Meals volunteers (retired)	keep active	time (at min wage) 4 volunteers x 3 hrs x 5 days x 50 wks x £6 (forecast)	£18,000	– transport for 30 people	material outcomes for residents only (not for council). All outcomes for this stakeholder already considered above.
neighbours of elderly/ disabled residents	look out for neighbours	time	£0	– 7500 hot meals annually	healthier volunteers (retired)
					reduction in neighbourly care/shopping and break-down of informal community networks
Total			£42,375		

Figure 1: An example Impact Map for calculating SROI