

## The Social Return on Investment (SROI) method. How does it work? What are the benefits?

### What is a social return?

A social return is a positive outcome of a project or policy for people (individuals, communities, societies). These outcomes can be difficult to assess.

### Why measure social returns in money?

There are many things we value that cannot be easily measured by money, but these often need to be funded or paid for as well as compared to things that are easy to measure in money. Therefore, alternative tools to measure social and environmental outcomes have been developed and the social return on investment (SROI) method is one of them (NEF, 2009, SROI Network, 2012). In short SROI it is a systematic way to put a financial value on outcomes, which are normally not measured in monetary terms. SROI can help to measure a broader concept of value, taking into account social, economic and environmental factors.

### An example

SROI puts a monetary value on the outcome of an activity. As an example a SROI analysis for a community garden project at Gorgie City, Edinburgh, Scotland, UK is given. It shows that the community garden project benefits a wide range of stakeholders including volunteers, visitors, the NHS, the local council and the environment (Gorgie City Farm, 2011). To explain the concept in more detail we have created a short model calculation based on data from the Gorgie City Farm (2011) report (see table next page). We assume £10k investment and only present the SROI on health benefits for volunteers and NHS funders.

A self-assessment questionnaire was used to measure the following project outcomes for volunteers:

- Improvements in confidence and self-esteem
- Better mental health
- Eating more healthily
- More active

They also measured the following outcomes for the NHS:

- Reduced demand for mental health services
- Reduced and increased cost of prescribing

The SROI finds a financial proxy for the value (e.g. cost of a training course based on documented sources) and then assumes the duration of the effect. Expert assumptions are made to estimate the percentages (%) of Deadweight, Displacement, Attribution and Drop-off. These four categories are defined as:

- **'Deadweight'** (What would have happened anyway?)
- **'Displacement'** (Outcome been created at expense of others?)
- **'Attribution'** (How much of the outcome is due to external factor?)
- **'Drop-off'** (percentage decrease of outcome with time)

Another assumption is the discount rate for multi-year effects. In the following table we have used 3.5%. All assumptions can be tested in a sensitivity analysis showing what-if SROI results for other percentages.

### Benefits and Limitations

It can be concluded that the SROI delivers many **benefits**. Firstly it provides 'hard figures' (e.g. pounds) which most of us, and especially funders, are familiar with. It forces projects to collect social and environmental data, engage stakeholder and monitor outcomes. It gives a standardised framework on how to evaluate outcome, and a decision support tool for the governance of projects including planning and sensitivity analysis. For public health, monetary values can more easily be compared with alternative interventions or prescriptions.

The main **limitations** are the cost and skills to perform the method, the assumptions, which can be arbitrary, and the temptation that outcomes are exclusively judged on money and over-interpreted. Also sometimes it is not possible to accurately capture all invaluable outcomes and it might not be appropriate to attach monetary values to everything.

### References:

Gorgie City Farm (2011) Gorgie city farm community gardening project. Social return on investment (SROI) report. Federation of City Farms and Community Gardens. Bristol, UK, [www.farmgarden.org.uk](http://www.farmgarden.org.uk)  
New Economics Foundation (2009) A Guide to social return on investment, Cabinet Office, London, UK [www.neweconomics.org/publications/entry/a-guide-to-social-return-on-investment](http://www.neweconomics.org/publications/entry/a-guide-to-social-return-on-investment)  
SROI Network (2012) A guide to Social Return on Investment. Written by Jeremy Nicholls, Ellis Lawlor, Eva Neitzert and Tim Goodspeed, and edited by Sally Cupitt, SROI Network, Liverpool, UK, [www.sroi-uk.org](http://www.sroi-uk.org)

**Exemplified social return on investment (SROI) calculation (Source: Gorgie City Farm, 2011, calculation inputs simplified to demonstrate method)**

Stakeholders (who experiences change?)	Outcomes (how will the stakeholder benefit) - description	Indicator (how will you measure the Outcome?)	Quantity	Duration (years Outcome lasts)	Financial proxy for Outcome	Value of the financial proxy	Source	Deadweight (What would have happened anyway?)	Displacement (Outcome been created at expense of others?)	Attribution (How much of the outcome is due to external factor?)	Drop-off (percentage decrease of outcome with time)	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Volunteers</b>	Improvements in confidence and self esteem	No. of volunteers reporting increase in self confidence	10	1	Cost of training course 'How to be more self-confident'	1195	nef's SROI for Coventry's Local Enterprise and Growth Initiative (unpublished)	40%	0%	40%	0%	£4,302	£0	£0	£0	£0
	Better mental health	No. of volunteers reporting fewer visits to doctor/counsellor	5	1	Cost of local counselling for people on low incomes (1hr/week for a year, @£22/hour)	1144	<a href="http://www.wellspring-scotland.co.uk/">http://www.wellspring-scotland.co.uk/</a>	40%	0%	40%	0%	£2,059	£0	£0	£0	£0
	Eating more healthily	No. of volunteers who reported eating more healthily	15	5	Money not spent on takeaways and snacks (av. household spend/year)	354	Family Spending Survey 2009	15%	0%	40%	50%	£2,708	£1,354	£1,354	£1,354	£1,354
	More active	No. of additional hours spent walking	900	3	Cost per hour of joining a guided walk	2	<a href="http://www.transpentland.co.uk/transpentland_walks.html">http://www.transpentland.co.uk/transpentland_walks.html</a>	30%	0%	40%	50%	£756	£378	£378	£0	£0
<b>NHS</b>	Reduced demand for mental health services	Reduction, in hours, of visits by volunteers to doctors	300	1	Cost of GP consultation	31	<a href="http://www.sroiproject.org.uk">www.sroiproject.org.uk</a> & <a href="http://www.pssru.ac.uk">www.pssru.ac.uk</a> 'Unit Costs of Health and Social Care')	50%	0%	40%	0%	£2,790	£0	£0	£0	£0
		Reduction, in hours, of visits by volunteers to support workers	500	1	Cost of a consultation with a community nurse	35	<a href="http://www.sroiproject.org.uk">www.sroiproject.org.uk</a> (originally from Scottish NHS Cost Book 2008)	50%	0%	40%	0%	£5,250	£0	£0	£0	£0
	Reduced cost of prescribing	No. of volunteers who have reduced their medication levels	10	5	Cost saved per person	23	Cost of low level dose (20mg) of Fluoxetine (anti-depressant) for one year from British National Formulary ( <a href="http://www.bnf.org">www.bnf.org</a> )	50%	0%	40%	90%	£69	£7	£7	£7	£7
	Increased cost of prescribing	No. of volunteers who have increased their medication levels	2	1	Increased cost per person	-630	Cost of increase from 20mg to 60mg of Fluoxetine (anti-depressant) for one year from British National Formulary ( <a href="http://www.bnf.org">www.bnf.org</a> )	50%	0%	40%	0%	-£378	£0	£0	£0	£0

**Total Impact** £17,556 £1,739 £1,739 £1,361 £1,361  
**Present value per year** £17,556 £1,678 £1,678 £1,313 £1,313  
**Discount rate** 3.50%

**Total present value** **£23,539**  
**Investment** **£10,000**  
**Social return on investment** **2.35**