

Agenda Item No:

Report to: Overview and Scrutiny (Resources)

Date of Meeting: 21st February 2012

Report Title: Scrutiny Review of Social Return on Investment (SROI)

Report By: Scrutiny Review Team

Purpose of Report

To report recommendations arising from the scrutiny review on Social Return On Investment (SROI).

To detail review team membership, terms of reference, methods, key findings, conclusions and recommendations to Cabinet.

Recommendation(s)

- 1. That, subject to comments by the Resources Overview and Scrutiny Committee, the recommendations of the Review Team are forwarded to the 2nd April Cabinet for consideration.**

Reasons for Recommendations

To provide the Council with a tool to assess the value of its investments in identified areas that fall outside of those normally recognised by accountants, and that can be resolved in financial terms by the application of the SROI process.

Introduction

1. A Policy-based Scrutiny Review on Social Return on Investment (SROI) was included in the 2011/2012 Overview and Scrutiny annual work programme. The review began in September 2011, concluded in January 2012 and fell within the remit of the Resources Overview and Scrutiny Committee.
2. The decision to undertake this review was partly inspired by the cross party supported Cabinet Office 'Measuring What Matters' document. (Attached as Appendix A). This document argued that as public services need to make difficult choices in reducing expenditure, there is a vital role for non-executive councillors to influence decisions about planning and delivering services through councils' overview and scrutiny function.
3. 'Measuring What Matters' proposed that, by using a SROI approach, Overview and Scrutiny Committees could strengthen the evidence-base about what matters to local people, helping those who plan and deliver public services to make judgements about the best ways to achieve short term savings and long term improvements based on 'value', not just 'cost'.
4. There are many things which we value, as societies and individuals, which cannot be easily captured in economic terms. And yet, most decision making in the private, public and third sectors are based solely on costs and price. Social Return on Investment (SROI) is an analytic tool for measuring and accounting for a much broader concept of value. It incorporates social, environmental and economic costs and benefits into decision making, providing a fuller picture of how value is created or destroyed.
5. The report suggested that Social Return on Investment (SROI) is a useful approach to measuring social value. The Scrutiny Review set out to test this assertion and to consider whether SROI would be a useful analysis tool for Hastings Borough Council to use in its wider decision-making, or in its scrutiny function or both.

Membership of Review Team

6. The Review Team Members were:

Councillor John Hodges (Chair)
Councillor Andrew Cartwright
Councillor Richard Stevens
Councillor Peter Pragnell
Councillor Simon Corello
Councillor Matthew J Lock

7. Officer support was given by:

Jane Hartnell, Head of Policy, Partnerships & Sustainability
Catherine Jobling, Chief Accountant
Kevin Stower, External Funding Manager
Mark Horan, Policy and Partnerships Officer

Terms of Reference

8. The Review Team agreed the following Terms of Reference:

- To better understand what a SROI analysis is and how one is undertaken
- To understand the strengths and any shortcomings of this type of approach and seek insight from those who have used it
- To explore whether an SROI approach would be an appropriate model for use within HBC
- To understand how HBC currently assesses VFM and the social value of its investments
- To identify how SROI analysis could be used in HBC to support:
 - a) Scrutiny Reviews
 - b) Wider investment decisions
- To identify the information and resources needed to undertake a SROI analysis in HBC (gap analysis)
- To form a view of the usefulness and business-case for using SROI analysis in HBC and make recommendations to Cabinet on the next steps, including a suggested list of applications for an SROI analysis.

Methodology

9. To undertake the review, the Team members:

- Undertook a desk-top and on-line literature review of this (detailed in appendix B) - this enabled understanding of the tool, helped to understand how the process operates in practice and to learn from the experiences of others.
- Took part in a 'Webinar' - a web based seminar introducing SROI run by the New Economics Foundation (NEF). Other Members and officers were invited to attend the seminar to learn about SROI and ask questions of experts. This enabled greater understanding and the opportunity to quiz 'experts'.
- Received a presentation from the External Funding Officer on alternative and complimentary tools e.g. Local Multiplier and Social Accounting and Audit.
- Completed initial stages of a mock SROI analysis using a now completed Area Based Grant funded project to gain greater understanding of the approach and identify barriers to its application.
- Met regularly to consider findings, form a view about the tool and develop a set of recommendations.

Review Findings

1. What is SROI?

a) Understanding SROI

10. The Review Team needed to establish a working understanding of SROI. Building on the research and information obtained in 9, the following summary was agreed:
11. SROI is a framework for measuring and accounting for the much broader concept of value. It seeks to improve well-being by incorporating social, environmental, and economic costs and benefits. SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring this 'triple bottom line' that features within the outcomes of an activity or programme, and assigns a monetary value to them. This enables a ratio of benefit to costs to be calculated e.g. a ratio of 3:1 indicates that for every pound of investment made it will deliver three pounds of social value.
12. SROI is about value, rather than money. It brings into accounting terms value that is otherwise disregarded under standard accounting procedures. SROI is much more than just a number; it is a story about change on which to base/inform decisions that includes case studies, qualitative, quantitative, and financial information. There are two forms of SROI analysis:-
 - 'Evaluative' is conducted retrospectively and based upon actual outcomes that have already taken place.
 - 'Forecast' predicts how much social value will be created if the activities deliver their intended outcomes.
13. SROI tends to concentrate on outcomes as these are the parts that will change. It can help to measure where you lack evidence; it is also a powerful communication tool; it can also demonstrate that you are doing a good job.
14. The difficult part is within the outcomes, deciding what to measure (i.e. measuring what matters) stakeholders need to be involved in the process, as they are the ones who will have experienced the change to their lives. Once a difference is established a way is needed to assign a value to the change by measuring the consequences of that change in other arenas. From this calculation you then need to modify the apparent value of the change by considering and subtracting:-
 - Deadweight - that which would have happened anyway without your intervention
 - Attribution - how much is being attributed to the value because the project is being measured
 - Displacement - movement of value from one place to another, e.g. one person moving into a job will stop others from having the job.
15. SROI analysis can help to increase understanding of the impacts of policies, projects and services. It identifies and values those impacts, from the perspective

of people affected. Using a SROI approach helps to include those things that do not result in changes to income or costs but are nonetheless important. The aim is to give the people who are most affected a voice in decisions about allocating resources.

b) 7 Key Principles of SROI

16. The Review Team recognised that there are 7 key principles* that underpin successful SROI approach:

1. Involve stakeholders:

Inform what gets measured, how it is measured and valued by involving relevant stakeholders, especially people directly affected.

2. Understand what changes:

Describe how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.

3. Value the things that matter:

Use financial proxies to recognise the value of outcomes. Many outcomes are not traded in markets and as a result their value is not recognised.

4. Only include what is material:

Decide what information and evidence must be included to give a true and fair picture, so that stakeholders can draw reasonable conclusions about impact.

5. Do not over-claim:

Only claim the value that organisations are responsible for creating.

6. Be transparent:

Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.

7. Verify the result:

It is important to consider appropriate independent assurance of the process, in order be able to present findings that decision-makers will find credible.

* For a full description see pp97-96 'A guide to Social Return on Investment,' Nicholls et al, Cabinet Office 2009, free download at www.thesroinetwork.org

17. The review took place at a particularly challenging time as the organisation faces unprecedented budget cuts, has to do more with less and build resilience for the future. These challenges underpin the recommendations made.

2. How is an SROI analysis undertaken?

The Impact Map

18. The 6 stages of an SROI analysis are undertaken and recorded by completing an Impact Map (see Appendix B).
19. A working example of this Impact Map is attached at appendix (ii) using the example of a 'Meals on Wheels' service. A step by step walk through video of this worked example can be viewed at the following link: <http://www.sroi-uk.org/sroi-analysis>.

NB It is the intention to show this at the O & S Resources Committee to help aid Members' understanding of the tool and process.

3. Strengths and Limitations of SROI

a) Strengths

20. The review team concluded that SROI has strengths as follows:

Stakeholders are central to the process of determining what is valuable

The relationship between the resources available, activities (outputs) and outcomes can be demonstrated

Allowance is made for outcomes contributed by other organisations and for the changes that would have happened anyway

Financial proxies (monetary values) are used to ensure that changes relevant to all those affected have been taken account of and weighted

By focusing on most important impacts, a SROI analysis can be completed relatively quickly and can be an effective way of identifying ways to manage information - making it quick to measure value in the future

SROI can help politicians and managers to consider what happens if strategies are changed, thinking about ways to use resources to generate more value for people and communities

Accountable organisations are sustainable organisations - governance is better related to stakeholders' requirements and can ensure that organisations are responsive and effective.

SROI can be used for forecasting or evaluation (or both) to help inform decisions on future activity or evaluate the success of past activity or projects.

21. Much of the literature, worked examples and available web resources further strengthen the case for SROI analysis and the review team found it difficult to find non complimentary examples or commentary on SROI.

22. Given the financial climate, SROI continues to increase in popularity within policy circles, where advocates view it as an essential tool to address increasingly difficult budget decisions.

b) Limitations

23. The Review Team determined that rather than identifying shortcomings for SROI that it is more appropriate to be clear what SROI is not and when it is not an appropriate tool.
24. SROI is not a tool that will make hard-to-measure-things any easier to measure, nor is it a tool that will make decisions for you.
25. SROI will also not remove the need for making judgements and is principally used to assign a value to an outcome rather than an output. Outputs are measures of activity and can only demonstrate efficiency - they do not demonstrate quality.
26. In order for SROI techniques to be applied successfully the objectives of a project must be clear at the outset - SROI cannot be applied if objectives evolve over time or are different from that proposed at the outset.
27. Other measurement tools may be more appropriate in some circumstances e.g. Local Multiplier and Social Accounting and Audit. The appropriate methodology will depend on the nature of the decision to be made.
28. Other factors that could limit the successful application of SROI are:

An over emphasis on verifying the result (and the legitimacy of the verifier) could obscure the benefits to be had in undertaking SROI.

SROI appears relatively untested in terms of responding to budget cuts, although in theory the model will apply as well when determining the impact of reducing resources as when deciding where to allocate them.

Negotiating and reaching consensus on value may be hard fought, timely, costly and capacity draining and therefore may suggest that there should be an appropriate significance to the level of investment/disinvestment to be applied before the use of a full SROI analysis is undertaken.

4. Potential for Using SROI in Hastings Borough Council

a) How does HBC currently assess Social Impact?

29. The review team concluded that, at present, Equalities Impact Assessments are the nearest to a tool used to assess the social impact of HBC services. These are predominantly undertaken when there is a change or new element of service provision in the offer.
30. The Council's equalities commitments are a key cross cutting priority for the Council and these are embedded in the breadth of Council services, along with its commitments to engage with local people and to be clear and transparent about decision-making.

31. The Review Team recognised that SROI principles could be applied in allocation of external funding e.g. Community Partnership Fund commissioning, and a recommendation is made that this be considered during the Council's review of funding to Voluntary and Community organisations.
32. Through the course of these discussions on Social Impact, the review team noted that if the Council was to introduce a particular Social Impact Assessment tool such as SROI into the Council's funding programmes, then it was important not to impose this on our Voluntary and Community Sector partners without setting out how the Council would also apply such a tool to its own decision making processes. The alternative view was also put that many third sector bodies are keen to use SROI to demonstrate the benefits of the investment they can make.

b) The potential application of SROI in HBC

33. The review team considered many of the benefits of introducing SROI as a tool within HBC's 'toolbox' for supporting decision-making. The team concluded that:
34. As SROI is a tool to assess value not just cost, it could therefore be helpful at a time when the Council has to make less money go further and ever more careful value judgements have to be made to allocate fewer resources.
35. The seven basic SROI principles accord with the Council's current commitments and strategic priorities, particularly the commitment to openness and transparency.
36. A simple 'impact map' toolkit supports the application of these principles to complete an SROI analysis.
37. These 7 principles usefully underpin any impact assessment and in the context of HBC's current practice could help better align various impact assessments currently undertaken e.g. Equalities, Economic and Environmental Impact Assessments.
38. SROI can be applied in a variety of circumstances and HBC provides or oversees the provision of a wide range of services either directly or indirectly - SROI is sufficiently flexible to be applied to a range of circumstances.
39. SROI also enables comparison between distinct items, for example, comparing the impact of potential investment between the building of say...a new community centre or a new sports hall.
40. Elements of SROI are already indirectly embedded in Council practice e.g. Equalities Impact Assessments, Full Cost Recovery Grant Funding and Commissioning used for Area Based Grant funded activity and Community Partnerships Funding.
41. SROI encourages reaching consensus on value judgements, necessitates dialogue and encourages a collegiate approach (both internal and external to the organisation). This process of negotiation with varied stakeholders encourages a shared or co-produced investment/ownership. As a consequence of Neighbourhood Renewal Funding, Area Based Grants etc, the Council has developed and tested means of engaging the local community in such dialogue through community engagement activity with Communities of Identity and

geography e.g. AMBs and supporting the establishment and development of groups such as Hastings Intercultural Organisation.

42. Having established good relationships with Voluntary and Community Sector partners and funding some of these partners to undertake services on behalf of HBC, encouraging such partners to apply SROI methods could enable our partners to strengthen the communication and transparency that their valuable service offers.
43. If SROI is incorporated into the Council's funding processes and formats e.g. through use of the impact map, this could further improve the value of the information received to inform the difficult decisions to be made on which organisations HBC chooses to fund.

c) Challenges to introducing SROI within HBC

44. The review team completed a gap analysis to assess what would need to be put in place in order to successfully introduce SROI as a tool in HBC at this time.
45. The review team Members recognised the impact that the Council's current financial challenges place on officers and services. In particular:
 - continuing to meet the needs of residents while making considerably less money go further; and,
 - walking the tight-rope between continuity and change in terms of how the Council provides services and arriving at those difficult decisions on the scale and type of services to be provided.
46. Members recognised that the recent senior management restructure and the loss of 40 posts in the Council in 2010/11 has an impact on staff. Members noted that staff may already be required to deal with a broader range of subjects than previously and that capacity to embrace a new approach may be limited.
47. Members also recognised that the key challenge for Members, senior managers and all staff during 2012/13 was to prepare for the 'cliff edge' at the beginning of 2013/14 when unprecedented budget cuts will leave the Council with almost 50% less Government grants than it received in 2010/11.
48. It was suggested that this may limit the desire, capacity and time available for officers and some Members to implement SROI as an unfamiliar tool and method, and it was recognised that unfamiliar tools/methods such as SROI may be perceived to threaten or undermine staff roles and corporate processes that have served the Council well to date, rather than to augment the corporate tools available.
49. While economic pressures may hamper Council Officer appetite to employ unfamiliar tools such as SROI, and financial pressures dictate that the Council's staff contingent is likely to shrink further, the nature and circumstances leading to the review detailed in above suggests that there is an appetite and opportunity for Scrutiny Committee Members to lead and pilot SROI as a tool in the context of their Scrutiny review annual programme - noted in the recommendations that follow.

50. It was noted that an SROI analysis could potentially flag up gaps in current practice that the Council might not have capacity to address at this particular time, given already difficult economic pressures on its staff and that a negative SROI analysis may have a detrimental effect on the perception of a project in the future.
51. The review team also acknowledged that above all, the Council is a politically led organisation, where decisions are ultimately taken by elected Members by virtue of their democratic mandate - whether or not SROI analyses (or similar tools) support these decisions.
52. Financial costs of identifying and training an assessor/accreditor, gathering the relevant data and subsequent calculations to support SROI analyses was also considered. Although these costs were debated, the review team considered that in house expertise of SROI could be developed, with a view to sharing with partners or selling this expertise to others.

Equalities Implications

53. Because SROI assesses investment in terms other than purely financial and focuses on the views and values of stakeholders and appropriated outcomes for them, the review team concluded that it would support completely the Council's commitment to equality and engagement and assist with implementation of these commitments.

Conclusions and Recommendations

54. Broadly the review team support the principles of SROI analyses as a tool to support decision making, acknowledging that it isn't a panacea and there are other tools that may be more or less effective depending on the task at hand and the nature of the decision to be made.
55. The review team are brutally aware that, given the unprecedented financial challenges the organisation faces, there will inevitably be resistance among both Members and Officers to the introduction of unfamiliar concepts or methods, whilst acknowledging at the same time that SROI principles are, to varying degrees, already indirectly embedded in Council processes.
56. If SROI is to grow at HBC it will only do so with support of senior organisational champions (both political and managerial). The scope for further take up of SROI is dependent on the appetite of the organisation and therefore the following recommendations encourage further testing and familiarising of SROI, initially via the Scrutiny process.
57. Review Team Recommendations:

To Cabinet

1. That the concept and principles of SROI analysis are supported to complement the Council's current commitments to 'openness and transparency' and best use of Council funds outlined in Priority Six of the current Corporate Plan.

2. That the SROI principles and the 'Impact Map' are cascaded to all Members, Directors and Heads of Service to raise awareness of the concept and the toolkit.
3. That the learning and outcomes of this review be forwarded to the Team reviewing the Council's Support to Voluntary and Community Organisations for their consideration as part of their work.

To Annual Overview and Scrutiny Committee

4. That an SROI analysis is undertaken as part of the 2012/2013 Scrutiny Work Programme in order to demonstrate the usefulness of SROI as a tool and that the outcomes of this analysis are used to influence the extent of wider use within HBC.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	Yes
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	Yes
Organisational Consequences	Yes
Local People's Views	Yes

Background Information

<http://www.cfps.org.uk/publications?item=106&filter=measuring%20what%20matters&offset=0>

Officer to Contact

Officer Name Mark Horan
Officer Email Address mhoran@hastings.gov.uk
Officer Telephone Number 451485
