Tool: Evaluation and SROI

Evaluation is an increasingly important part of undertaking engagement, helping to assure senior officers and elected members of the value of engagement work. It also helps to drive the continuing improvement of council approaches.

One means of assessing the value of engagement is through Social Return on Investment (SROI), a methodology developed since 2000 by academics, voluntary groups and the UK Government. SROI provides a mechanism for undertaking cost-benefit analysis around social projects through identifying and attributing a value to all of the inputs and outputs involved in any form of social investment.

In undertaking SROI it is important that practitioners honour seven key principles, without which the methodology cannot be effective:

- Involve stakeholders
- Understand what changes
- Value the things that matter
- Only include what is material
- Do not over-claim
- Be transparent
- Verify the result

The SROI process itself is made up of six stages:

1. **Scoping and identifying stakeholders.** What is the purpose of the analysis? Who is it for? What is its background? What resources are available for the work? Who will be undertaking the SROI? What range of activities will be analysed? What period of time is being considered? Who are the stakeholders? Once you are clear on what you are evaluating and who has insight into its effectiveness, you can move onto the second stage.
2. **Mapping outcomes.** Map out the stakeholders, all the intended/unintended changes for those groups, the resource inputs involved in the work and their monetary value (including a notional value of what things would have cost were they not provided for free). Clarify and describe the outputs for groups of stakeholders.

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3. **Evidencing outcomes and giving them a value.** Engage stakeholders to identify indicators for each of the outcomes. Establish how to measure them, collect data on each indicator, and use proxies to establish a financial value for each outcome.
4. **Establishing impact.** Calculate the amount of each outcome which would have happened regardless of the investment, using benchmarks and comparators, and calculate the amount of the change which can be attributed to other factors. Multiply the quantity of each outcome against its financial proxy, then deduct the value which would have happened anyway or which can be attributed to other factors. The remainder is the value for that outcome which can be attributed to the investment.
5. **Calculating the SROI.** The SROI ratio is the present value of all the outcomes calculated, divided by the value of all the inputs. Any figure below one means that the amount invested is greater than the social return generated by the investment, any amount above one means that the social return is greater than the amount invested. The bigger the number the greater the social return for every pound of investment.
6. **Reporting, using and embedding,** Step 5 provides the required assessment of the value of the project, but it is important that SROIs aren't simply used as exercises on paper. The real power of SROI is in how it helps to deliver continuing improvement in public and charitable expenditure. It lets councils identify investments which work, using that learning to improve processes and encourage future investment.

The Cabinet Office's 'A guide to Social Return on Investment' provides a comprehensive account of the methodology of SROIs. Practical resources for undertaking them, can be accessed here.

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