

Measuring what matters

A guide for overview and scrutiny committees about using 'social return on investment' to measure social value



Centre for Public Scrutiny

The Centre for Public Scrutiny is an independent charity that promotes transparent, inclusive and accountable public services and supports and celebrates excellent and effective scrutiny across the public sector. We support scrutineers by producing guidance, creating networks and forums and sharing our expertise through seminars, consultancy, training and events. Our website www.cfps.org.uk contains the largest on-line collection of scrutiny reviews and reports as well as other publications to tell you more about what scrutiny can do for you.

National Programme for Third Sector Commissioning

The National Programme for Third Sector Commissioning has been set up by the Cabinet Office to help increase the public sector's awareness and skills in commissioning services from voluntary organisations as well as increase the capacity of third sector organisations who wished to develop their skills in this area. The Programme is being managed by Local Government Improvement and Development, part of the Local Government Group.

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1. Why measuring what matters is important

The period up to March 2011 and beyond is likely to see some difficult decisions being made about the way public services are planned and delivered.

The UK is facing some significant challenges, for example:

- an ageing society – people living longer with more health and social care needs. At the same time the proportion of people contributing tax revenue to fund services, is reducing.
- health inequalities – significant differences in life expectancy across the country, between areas and within cities and towns. Access to and outcomes from services vary in different places.
- economic downturn – affecting people's life chances, impacting their health, well-being and economic activity. Loss of self-esteem and aspiration, relationship breakdown and personal debt.
- public sector deficit – previous levels of investment in public service reform cannot be maintained. Health and defence spending are protected but other services will have to find significant savings over the next few years.

The outcomes of the Comprehensive Spending Review were announced on 20 October 2010, setting out spending plans for 2011/12 to 2014/15. The effects of the review will be felt right across Whitehall Departments, local government and the public sector, leading to some tough decisions for councils and their partners about the future funding of services.

Alongside this the Coalition Programme for Government, structural reform and business plans published by Whitehall Departments indicate a radically reformed approach to the way that services are planned and delivered in the future. This is particularly evident for policing and healthcare but will also apply to other areas of public services. The Office of Civil Society aims to develop the capacity of local communities to identify innovative ways to plan and deliver public services (for example, through 'Big Society' projects).

In the context of the Coalition Programme and the Spending Review, the Local Government Group has made an 'offer to Government' on behalf of the sector to help achieve efficiency savings in return for local freedoms, for example the development of 'community budgets'. The Comprehensive Spending Review announcement contained details of 16 prototype areas for 'community budgeting'.

In order to achieve success, all these initiatives will need to be informed by a good understanding of what matters to local people so that services can be planned and delivered in ways that meet people's needs and aspirations for themselves, their families and neighbours and for the places they live.

2. Non-executive councillors can influence difficult decisions

In this political and financial context there is a vital role for non-executive councillors to influence decisions about planning and delivering services through councils' overview and scrutiny function.

Measuring social value could bring an extra dimension to the work of overview and scrutiny committees, amplifying the voices of people and groups in communities about the services they value. Outcomes from this kind of work through overview and scrutiny could add value to the decision-making process. Social Return on Investment (SROI) is a useful approach to measuring social value.

By using a SROI approach, Overview and Scrutiny Committees (OCS) 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'.

Recommendations from OSCs can be a powerful force for improvement and innovation at local level and this guide aims to:

- raise awareness of the benefits of measuring 'social value' at a time when difficult decisions are being made about future funding of public services.
- make the case that decisions about savings and improvements should take account of the social value of services and not just the cost of providing services.

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- develop understanding about the value that overview and scrutiny committees can make at local level - OSCs have the opportunity to strengthen the evidence base about what matters to local people.
 - encourage overview and scrutiny committees to incorporate a Social Return on Investment approach into reviews about the impacts of local policies and the implications of local decisions about future funding of public services.

As well as encouraging OSCs to be active participants in local discussions about future public service funding, the guide aims to demonstrate to executives and decision-makers:

- the contribution that OSCs can make to ensuring that 'social value' is embedded in the planning and delivery of public services;
- that measuring what matters to local people will help those planning and delivering public services to make difficult decisions about future funding;
- that corporate ownership of value measurement within local organisations is essential and leadership from councils is vital;
- there are opportunities to influence value measurement locally and drive forward better quality services

3. Using SROI to support transparent, inclusive and accountable decision-making

This guide aims to show overview and scrutiny committees and officers supporting them one particular way in which they can influence difficult decisions about future funding for public services in their areas. It is not a detailed technical guide to running a SROI analysis. Further technical guidance can be found in the 'Guide to Social Return on Investment' published by the Cabinet Office in 2009.

SROI can help to increase understanding about 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.

The seven principles¹ of SROI are:

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 to be able to present findings that decision-makers will find credible.

From an overview and scrutiny perspective, the key aspects of these principles are:

- 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 changes that would have happened anyway;
- financial proxies are used to ensure that changes relevant to all those affected has been taken account of and weighted;
- by focusing on critical 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 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 may be especially useful in the current economic climate, when councils and public sector partners are taking tough decisions about resources available to provide services. It is important that decisions about budgets are not focused only on the cost of services, but on the value they generate for people and communities.

SROI can help to inform decisions about spending on services by helping to develop an understanding of the social value that services create, helping to target appropriate resources at managing unexpected (positive and negative) outcomes, demonstrating the importance of working with other organisations and people that can contribute to creating change, identifying common ground between organisations and stakeholders about what they want to achieve.

4. Questions to ask about using SROI

OSCs may wish to use the following questions as the basis for further consideration of the issues.

1. Who are the stakeholders we need to hear from?

This will be determined by the activities that you select as part of the scope of the review. SROI is about measuring what matters to those affected and about evaluating the impact of activities. Although in theory it is possible to carry out a SROI analysis of the whole budget of public sector bodies, individual OSCs are unlikely to have the time for such a comprehensive exercise. To increase capacity, it may be worth considering a piece of work involving a range of OSCs, each reviewing a different aspect.

It is impossible to list all the potential stakeholders for any given SROI review in this guide. To identify appropriate stakeholders, think about people that might affect or be affected by activities in the scope of the review.

2. Can 'change' be measured?

A central part of SROI analysis is measuring 'change'. This means recording how the activities you are analysing use certain resources (these are often described as the 'inputs') to deliver activities (usually described as 'outputs') which result in 'outcomes' for stakeholders.

OSCs will get the information they need from the stakeholders they involve in the review. What OSCs should end up with is a measure of the difference that the activities the organisation provides are making.

3. How can we value the things that matter?

Talking to the right stakeholders means that the outcomes that matter to those who are directly affected are those that get measured and valued.

4. How can we decide what matters?

You need to identify the inputs that make activities happen and put a value on them. This may be easy if the financial cost of services is easy to establish – but there may be other, non-cash inputs that you need to include. In terms of finances, you need to make sure that you only measure what gets spent. If there is an underspend on the budget you should either measure the additional benefit that full spending would bring or reduce the value of the financial input you record by the amount of the underspend

Outputs are a quantitative expression of the activities you are reviewing. For example, if the activity is domestic waste collection the outputs would be ‘we make 10,000 domestic bin collections every week’.

Outcomes are what stakeholders experience as a result of the activities you are reviewing. You can discover the outcomes by talking to stakeholders and asking them questions like ‘what do you do differently?’ or ‘how has your life changed?’

You need to select indicators that help you measure whether the outcomes have occurred and by how much. You also need to think carefully about how long the outcomes last, as this will affect the value you put on them.

5. What impact might the actions of other organisations have?

When OSCs are considering the outcomes from activities and giving them values, they need to make sure that they attribute the values to the right organisation and the right activity. This is to help you recognise that your contribution might not be the only one that leads to the outcome and to ensure you don’t spend money achieving something that would have happened anyway.

6. Will SROI support transparent, inclusive and accountable decision-making?

A SROI analysis may be a helpful addition to the evidence base that is needed to make some of the difficult decisions in this time of financial austerity. It will help accountability by helping to keep the debate about ‘value’ rather than ‘cost’ when looking to make efficiencies.

Because it measures what matters to people and attributes values to outcomes they experience, SROI can be a useful inclusive tool to use to engage stakeholders and focus the debate on the value of results rather than who shouts loudest.

Being open and transparent about the results of a SROI review is important. Reporting back to stakeholders in a meaningful way is vital. It should be possible for people to easily understand the scope, recognise why you included the stakeholders you spoke to, the outcomes measured and the values attributed.

7. How can we be sure we've got the "right" results?

Independent assurance of the process can enhance the credibility of your results. The SROI Network offers an assurance process for Network members. This process assesses the understanding of principles and methodology demonstrated by reports. For details of membership of the Network and the assurance process, visit www.thesroinetwork.org

8. What do we do with the results?

The idea of using SROI is to influence change. Using the approach can help to inform decisions about investment – for example, stop investing in things that have no impact or invest more in things that have greater impact.

The outcomes of the review may also help to change the way you measure the impact that activities are having. Overview and Scrutiny Committees can use the outcomes to make recommendations to their council leadership and to the executives of public sector partners. Executives may welcome the additional evidence base provided by a SROI analyses as this will help them judge social value at a time when investment decisions are being made.

5. Examples of SROI in action

The following examples show the contribution that a SROI approach can make to councils measuring the social value of various projects and initiatives.

Bristol City Council

In May 2010, Bristol's Third Sector Commissioning Select Committee published a review of the council's relationship with civil society organisations. The Select Committee recognised that commissioners need to take account of the wider benefits that result from the delivery of a service.

The Select Committee recognised that SROI can help develop understanding and managing the impacts of projects and policies, putting financial values on the important impacts identified by stakeholders that do not have market values.

The Select Committee recommended that principles of approaches such as SROI should be integrated into the council's commissioning processes

Coventry City Council

nef consulting delivered a forecast Social Return on Investment analysis of Coventry's Local Enterprise Growth Initiative (LEGI) regeneration programme. The SROI ratio and stakeholder engagement suggested that the 'Job Broker' element of the programme created significant social value - an estimated £9.70 worth of social value was generated for every £1 spent.

The SROI analyses helped inform the restructuring of the programme during the first quarter of 2009 as well as showing the council the need to more accurately measure outcomes. The council has continued to develop detailed social outcomes measurement tools, provide training to staff and created a SROI model to embed in on-going monitoring and evaluation processes.

Great Yarmouth Borough Council

In 2009, the council evaluated the Target Opportunities Project, a neighbourhood employment support intervention funded through Area Based Grant. The project was chosen because of its focus on partnership working and local resident engagement.

Performance management data from the project looked impressive but the council recognised there were limitations relating to unit cost analysis. The SROI analysis showed a social value of £3.45 for every £1 spent.

As well as attributing social value to the project, the analysis demonstrated how regeneration activities can be better understood, accounted for and sustained through the involvement of local residents and other key stakeholders.

Gateshead Council

Gateshead carried out a SROI analysis of the work of North East Counselling, recognising that SROI plays a vital part in demonstrating the contribution of third sector organisations.

During the summer of 2009 stakeholders were asked about the changes that had happened for them that could be attributed to the work of North East Counselling. The main stakeholders were carers of children with disabilities and other clients, volunteers, the Primary Care Trust and NHS Trust and referral agencies.

From the evidence gathered it was possible to calculate a social value of £3.67 for every £1 spent.

6. Further resources

The SROI Network – <http://www.thesroinetwork.org/>

Bristol City Council - Third Sector Commissioning Select Committee report - www.bristol.gov.uk/committee/2010/sc/sc008/0920_13.pdf

Enterprising Coventry report - <http://www.enterprisingcoventry.co.uk/uploads/649c8e8eab454b628532202.pdf>

North East Counselling report - <http://northeastcounselling.org/introduction.html>

Great Yarmouth Borough Council - 'Developing a Business Case for Empowerment' report - <http://www.idea.gov.uk/idk/aio/17460923>

Notes

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1136243