

WHITE PAPER

on

**SOCIAL RETURN
ON INVESTMENT
(SROI)**

in Lind Invest

LIND INVEST

WHITE PAPER ON SOCIAL RETURN ON INVESTMENT (SROI)

IMPACT MEASUREMENT AT LIND INVEST

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Lind Invest and impact measurement

At Lind Invest we are engaged in creating persistent, long-term improvements for vulnerable and socially marginalised people's condition of life and at the same time, creating value for society. For that reason, we engage in organisations and projects, which support people and get the most out of their potential. To estimate and analyse the effect of the supported organisations, impact measurement is crucial. Our impact measurement approach is based on the Social Return on Investment (SROI) method. The method quantifies and evaluates the economic and social outcomes of the organisations' work for the target groups and society.

At Lind Invest we use the method to make an SROI analysis for screening projects but also when following up on projects, to ensure that there is a reasonable relationship between input and outcome. Thereby, we secure that the greatest possible improvements for the target groups as well as for society are created.

The purpose of the analysis is to estimate the value an organisation creates from its activities. The analysis is used internally to investigate, by which activities the value is created and how the improvements are created for the target group and society. Externally the analysis can be used to document the value creation and to disseminate the SROI method.

Lind Invest expects that organisations likewise are interested in proving their value creation, and therefore document and follow their work. On this basis and through dialogue, Lind Invest will examine and analyse the outcome of the organisations' activities.

The following document is an overview of Lind Invest's use of the SROI method and approach to valuation of social improvements.

The method: Social Return on Investment (SROI)

The method Social Return on Investment has been developed to quantify and value outcomes on target groups and society, created by social projects and organisations. The SROI method starts with an identification of the individuals who are affected by the social project. These are referred to as the target group. The target group is categorised according to how and by which intensity they are affected by the project. Afterwards, the outcomes are assessed and assigned a monetary value. These values are compared to the total input (financial support and volunteers' working hours). In this way, the SROI ratio is calculated, which shows the monetary outcome produced per dollar put in the project.

There are different approaches to the SROI analysis. At Lind Invest we use the SROI method developed by the former Office of the Third Sector (OTS)¹ in the Cabinet Office of the UK Government. The SROI method is based on social revision and cost-benefit-analysis and consists of seven principles: Involve stakeholders, understand what changes, value the things that matter, only include what is material, do not over-claim, be transparent and verify the result²:

1. **Involve stakeholders:** involve beneficiaries and other stakeholders when planning what to measure and how.
2. **Understand what changes:** develop a theory of change and gather evidence of positive and negative change.
3. **Value the things that matter:** rate the importance of different outcomes by valuing economic, social, and environmental benefits and costs (not captured in existing financial accounting value).
4. **Only include what is material:** report on everything relevant and significant – but no more.
5. **Do not over-claim:** compare your results with what would have happened anyway.
6. **Be transparent:** explain all your evidence and assumptions clearly.
7. **Verify the result:** have others check your results.

STRENGTHS OF THE METHOD

The method has several strengths. Firstly, it can be used to cover a large part of the complex effects social projects and organisations have on target groups. Secondly, it can be used to assign a monetary value to 'soft' impacts that are often difficult to quantify. It makes it possible to capture the most important outcomes of a project, assign a value to them and give a realistic picture of the effects social projects have on target groups. Thirdly, the SROI method is an effective tool to compare organisations' input with their value outcomes, by the SROI ratio. The SROI ratio can be used by organisations to show their outcomes and at the same time get an overview over which of their initiatives that create the highest value. Another strength of the SROI method is, that it is an effective communicative tool, and it gives an overview for the organisations.

CHALLENGES OF THE METHOD

A challenge of evaluating social projects is to capture all the relevant effects that an organisation has on the target group as well as on society. Further, the organisation will affect the target group directly, but it will typically also affect family members, friends, and the local community indirectly. Furthermore, the impact will work differently on the participants depending on their characteristics, motivation, family situation, etc. This makes it impossible to account for all the individual differences and possible outcomes of a project and assign a value to them.

The SROI calculations are therefore built on some assumptions, average outcomes and thus contain some uncertainty.

HANDLING UNCERTAINTY

Lind Invest uses a conservative approach to data processing, to take account of the uncertainty. By using this approach, the counterfactual outcome will be handled. Lind Invest takes account of how much of the value, that will be created in the absence of the organisation's effort. Further, Lind Invest takes account of how much others have contributed to the value created, like family, friends, or other organisations (attribution).

By using this approach, the likelihood of overestimating the outcome is minimised, and the result of the SROI analysis expresses a minimum value. Thus, a potential underestimate of the outcome is likely.

Assumptions, estimates, and average outcomes are based on statistics and studies, so the assumptions have valid reasons.

APPLYING THE SROI METHOD

An SROI analysis can be an evaluation of an effort in a period but also a forecast of the expected outcome in the future. In Lind Invest we produce a yearly SROI analysis of the organisations we support. Here we calculate the value an organisation created in the last year, and for some specific organisations, we also calculate a forecast which shows how the outcome will evolve.

The SROI method is used through six steps illustrated in Table 1. First, the analysis starts with an identification of the individuals who are affected by the social project and a definition of the purpose of the analysis. Then the input and the outcome are assessed and assigned a monetary value, followed by the calculation of the SROI ratio. In the end, a sensitivity analysis can be carried out, and the result will be reported.

Table 1: Six steps in a Social Return on Investment analysis³

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Purpose of the analysis and identification of stakeholders <ul style="list-style-type: none"> • Determine the purpose • Identify stakeholders • Decide the stakeholders' involvement 	Statement of result <ul style="list-style-type: none"> • Construction of effect-diagram • Identify inputs • Evaluate monetary value of inputs • Specify outputs • Account for results 	Adding monetary value to the results <ul style="list-style-type: none"> • Develop result indicators • Collect data involving the results • Determine duration of results • Add monetary value of the results 	Statement of the measured effect <ul style="list-style-type: none"> • Deadweight and displacement • Attribution • Drop off • (Phase in) • Calculation of effect 	Calculations of SROI <ul style="list-style-type: none"> • Calculation of future effect • Calculation of present value • Calculation of SROI ratio • Sensitivity analysis • Payback period 	Report, use and implementation <ul style="list-style-type: none"> • Report • Use and implementation

There are different statistical methods to increase the validity of the result in our analysis. Higher levels of analysis, result in a stronger cause/effect relationship and more valid results⁴. Table 2 shows the levels of analysis and the statistical methods used at each level. The specific level of analysis will vary in the different analyses.

Table 2: The level of analysis and the statistical method

Level	Design	Description
5	Randomised experiment	Participants are randomly assigned to control and treatment groups by the researcher. The randomisation ensures that differences between control and treatment groups are not causing the effect. This makes it possible to isolate the effect of the treatment (for example the effect of receiving nutritious food).
4	Randomised quasi-experiments	Participants are randomly assigned to control and treatment groups by naturally occurring events. The randomisation ensures that differences between control and treatment groups are not causing the effect. This makes it possible to isolate the effect of the treatment (for example the effect of receiving nutritious food).
3	Regression analysis	Non-experimental evaluations, where the treatment is isolated by keeping several different characteristics of individuals in the data constant (for example gender, age, educational level, etc.).
2	Before and after measure (with control group if possible)	The same group is measured before and after treatment is received. If possible, a control group can be identified by finding the 'typical' development for persons like the treatment group.
1	Cross-sectional study (with control group if possible)	The measure of a group at one point in time. Respondents <i>can</i> be asked about their situation <i>before</i> and <i>after</i> receiving treatment. If possible, a control group can be identified by finding the 'typical' development for persons like the treatment group.

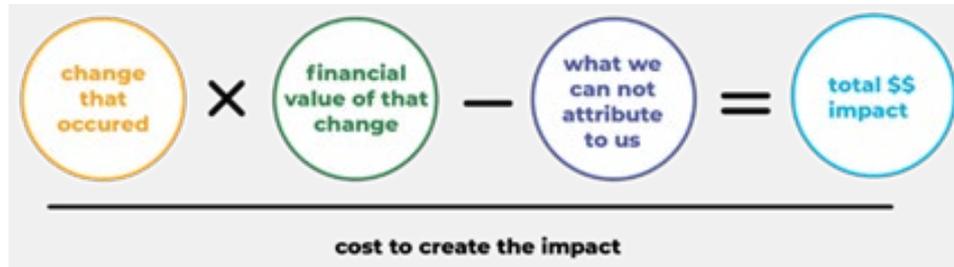
Note: A 'treatment' refers to a given activity/treatment that a person receives. This could be nutritious food, counselling, education, etc.

ESTABLISHMENT OF CONTROL GROUPS

To reach a higher level of analysis, a control group can be included. A control group serves as a counterfactual outcome and can thereby be used to isolate the effect of an organisation's work. It requires that the control group is representative of the target group, so they are comparable. For that reason, the control group will vary for each organisation. A control group will take account of the general effect in a period, and a control group is selected based on statistics and studies. E.g., the report from United Nations Development from 2015-2016⁵ is used to establish a control group for the WAWCAS analysis. The use of control groups is described in greater detail in every report using control groups. A control group is complex to establish as a target group typically exists of a broad group of different people. Thus, it is only a few of the reports that Lind Invest publishes, where a control group is established.

VALUE CREATION IN RATIO AND RETURN

The result of the SROI analysis is a ratio, which describes the relationship between input and the financial value of a change. Specifically, it measures that for each invested dollar in an effort it creates an impact of x dollar in value for the target group and society. The result can also be measured in percentages of return.



When forecasting, a ratio for a multi-year period is calculated. E.g., in WAWCAS and LittleBigHelp, an SROI ratio is calculated for a 5-year and a 10-year period. This is necessary as the effects of the organisations' work continues and changes over time. But there is uncertainty related to the forecast. It is uncertain for how long time the effect will persist and by which intensity. Therefore, the forecast and its estimates are calculated conservatively by considering all possible risks. To compare the SROI ratio across organisations an annualised SROI ratio is calculated. The annualised SROI ratio captures the yearly return over a period.

As an example, imagine that an organisation creates value for 4,000,000 dollars (outcome) with the input of 1,500,000 dollars. Here the SROI ratio will be 2,67, which means that for each dollar invested in the effort it creates an impact of 2,67 dollars in value for the target group and society. This corresponds to a return of 167 %. If the total outcome increases by 3,000,000 dollars each year for the following 4 years, then after 5 years the SROI ratio is 10.67. The annualised return will then be 61 %.

Data

The preparation of the SROI analysis requires that the organisations themselves have followed and documented the target group's participation and other relevant outcomes. Lind Invest collects data based on close dialogue with each organisation. The collected data is both qualitative and quantitative and is collected through surveys etc. The surveys are answered by the target group and are designed by Lind Invest in cooperation with the organisations. The surveys are used to document the change in outcomes for the target group, so the effect can be calculated.

Lind Invest is in close dialogue with the organisations that we support about the datasets and data collection, so the analyses become more comprehensive. The data we collect, and use comes from:

- Financial reports
- Volunteers' and employees' working hours
- Participants' registration
- Number of activities
- Surveys answered by participants and volunteers
- Interviews with focus groups and relevant stakeholders

Table 3: The different terms of the SROI method and the data sources

Term	Definition	Data source
Input	Stakeholders' financial donations and the value of volunteer's time.	Financial accounts: expenses, employees, and volunteers' working hours.
Output	The effort, e.g., therapy or handing out food.	Registration of participants and activities.
Outcome	The change of e.g. improved health due to the project.	Registration of participants, focus group interviews, and surveys for participants, volunteers, and families.
Deadweight	States how much a share of the total effects, that would have taken place without the project.	Surveys Statistics Studies
Displacement	States how much of the effects have replaced other effects.	
Attribution	States how much of the effect is due to efforts from other projects, organisations, or people.	
Drop-off	States how much the effect devaluates over time.	
Present value	The present value of the total outcome in the period of evaluation.	The recommended discount value from the Ministry of Finance.
Sensitivity analysis	An estimate that shows how the ratio is affected if the values identified are either lower or higher than expected.	Based on uncertainty in data and estimates is a sample space conducted.

DATA PROTECTION

Lind Invest uses data following the General Data Protection Regulation (GDPR)⁶. This applies to the dialogue with, support to, and data collection from organisations.

QUALITATIVE AND QUANTITATIVE DATA

To ensure coherence between the target group, activities, results, and outcomes, it is crucial to define which issues should be handled. To define the issue, as much information as possible will be collected, so it is clear what to measure. This happens by establishing a Theory of Change⁷, which is a comprehensive description of how and why the desired change is expected to happen in a particular context. The Theory of Change contributes to transparency in the correlation between input and outcome. The information is collected qualitatively through dialogue with the specific organisation and the target group. By this method, the parameters that should be measured in the SROI analysis are identified.

Quantitative data is used to measure the parameters, where the organisations themselves register and document their activities. Further, surveys are handed out to participants and volunteers in the organisations. Lind Invest uses qualitative data sources consisting of interviews and dialogue with the organisations. The qualitative data contributes to the information collection and the quantitative data is used for measuring the effects of the different activities.

The validity of the data can be a problem, as the organisations themselves collect the data. Further it is a challenge to register and document all relevant parameters, which has the consequence that the level of detail can vary. To handle these challenges, Lind Invest is in close dialogue with the organisations and guides them, how to collect data in the best possible way, to ensure a high level of validity.

SURVEYS AND UNCERTAINTY

The use of surveys causes some uncertainties related to bias, motivation, and representativity, which are necessary to handle. Participants are often pleased with the organisations' activities and can therefore be disposed to overestimate the outcome of the activity, as they associate the organisation with something positive. This positivity bias can lead to an overestimation of an organisation's activities. To handle this, Lind Invest makes use of deadweight, displacement, attribution, and drop-off (defined in Table 3).

Further, as the surveys are non-compulsory to answer for the participants, the representativity of the sample may be a challenge. To handle this, Lind Invest is always aware, that the surveys should be distributed randomly, which we communicate to the different organisations. Our attempt is that the sample should be representative of the population.

If the sample is not representative of the population, the outcome will represent the effect for a subpopulation. E.g., if it is the healthier that has answered the survey, then the answers will represent the effect for the participants in a better position, which on the one hand can overestimate the effects. On the other hand, as they have a better starting point, they can't attain the same positive changes as those in a bad position based on health. This will lead to an underestimation of the outcome. To handle this representativity problem deadweight, displacement, attribution, and drop-off are used.

- **Deadweight:** States how large a share of the total effects, that would have taken place without the project. This is deducted since it cannot be assigned to the project's effort.
- **Displacement:** States how much of the effects that has replaced other effects.
- **Attribution:** States how much of the effect that is due to efforts from other projects, organisations, or people. This must be deducted to isolate the effect of a project.
- **Drop off:** States how much of the effect that devaluates over time. This report evaluates the value creation in one year and thus no drop off is used in the calculation.

The different adjustment measures (deadweight, displacement, attribution and drop-off) are used in the SROI analysis to ensure the outcome is not overestimated. The adjustment measure varies from

each project, as e.g., drop-off is only used when a forecast of the SROI ratio is calculated. The value of the adjustment measures is decided based on the surveys, where the participants answer whether they for example has received help from other organisations.

Valuation of social efforts

Two categories of values are used to evaluate social effort:

- Financial values, which are estimates of monetary value-creation. E.g., increase in income or saved public expenditures.
- Social values estimate well-being outcomes, which are given a monetary value based on an amount, that could have created an equivalent improvement.

Table 4: Method to calculations of social value

Financial values			
Source	The use in SROI analysis	Description of the source	Strengths/weaknesses
Database	Projection of public values, wages, and measuring schooling.	An expected increase in income e.g., because of education.	<ul style="list-style-type: none"> • Real, historical values • Missing data outside of Europe
Cabi – The Social Calculator	Social security and tax income	An expected increase in tax income and lower costs to the social security system due to employment.	<ul style="list-style-type: none"> • The societal value of employment • Based on employment for an entire year
VIVE	Public cost reduction due to improvements for socially marginalised people.	An expected decrease in the use of social services due to improved mental health.	<ul style="list-style-type: none"> • Exact knowledge of expenditures associated with being socially marginalised. • Cannot be used to cover improvements within a group, only between groups.
Danish Health Authority	Loneliness (public cost reduction)	An expected decrease in the use of social benefits due to feeling less lonely.	<ul style="list-style-type: none"> • Takes account of reduced ability to work as well as increased health expenditures. • Does not take account of reversed causality.
Social values			
Source	The use in SROI analysis	Description of the source	Strengths/weaknesses
HACT (Benefit transfer)	Valuate the social effect of employment, health, financial conditions, local and social environment, homeless, spare time.	Estimate an increase in income that gives the same value as an increase in well-being, e.g., due to being physically active.	<ul style="list-style-type: none"> • Can evaluate activities and improvements that do not have a known market price. • Cannot be used to capture small improvements, e.g., in the psyche.
Market price	Valuation of activities.	Estimate of a market price for an activity, which gives the same effect on well-being, e.g., as having a mentor.	<ul style="list-style-type: none"> • A transparent method based on market data. • A simple market offer often cannot replace the activity.

The next sections scrutinise every method that is seen in Table 4. But first there is a description of how Lind Invest takes account of historical values as well as the difference in purchasing power when the value was estimated in another country.

Projection and adjusting for purchasing power

When Lind Invest uses economic and social values from statistics published in previous years, they are adjusted for inflation in the same period. The projection is used on social and financial values from the following sources:

- VIVE
- Danish Health Authority
- HACT

The HACT-values are further adjusted for the purchasing power in that area of use. This is due to the assumption that a higher purchasing power will make it cheaper to create improvements than it is in Great Britain. Opposite if the purchasing power is less, then it will be more expensive to create improvements.

Databases

APPLICATION IN THE SROI ANALYSIS

To project values, to determine wage levels for volunteers, and determine the increase in wages due to extra years of schooling, Danish Statistics, UNDP, World Bank, and other similar databases are used. The projection follows the relevant indices available from the mentioned databases. It is primarily studies of public expenditures and volunteers' wages levels that are projected.

The volunteers' wage levels are included in the input of the SROI calculations to give a realistic estimate of the organisations' labour force. The volunteers' time is therefore not free when the SROI ratio is calculated, as it will give an incorrect impression of the organisation's efficiency. Schooling is evaluated in a literature review of the latest scientific work on the effect of schooling, from the World Bank⁸. They conclude that one year of extra schooling results in a 9 % higher life income. The figure varies from each geographical area and other factors. To find the correct present value of one year of extra schooling the return of a minimum wage over five years is used. These five years are seen as a conservative evaluation period for schooling as the education will affect one all life even though other factors also explain income, especially later in life.

STRENGTHS AND WEAKNESSES

The data consists of historical values, which cause realistic estimates of improvements in the future. Relevant data is widely available in Denmark and the rest of Europe, but for countries outside of Europe there is a problem of missing data. To handle these uncertainties the most local data possible is used. Further, if the data is old, then it will be projected by a relevant index. At the same time, data is always validated through dialogue with the local organisation.

The Social Calculator (Cabi)

Cabi, which is an independent organisation with a license from The Ministry of Employment, works for a more socially responsible labour market and has developed The Social Calculator⁹. The calculator estimates the societal value of an individual who gets employed. The estimate represents a minimum value and is based on two parameters: An increase in tax income and public spending cut on income support due to employment.

The calculations are based on one being employed in a full year. The saved public spending is based on average public support per person receiving the relevant support. The increased tax income is based on a copy of the most recent tax calculation where the annual wages for the employed are used as the input.

Calculations do not take account of the indirect effects such as saved activation and health costs, lower crime rates, etc. This means that the calculations underestimate the real economic effect.

APPLICATION IN THE SROI ANALYSIS

The social calculator is used in organisations, where the target group moves from public support to employment. To document the employment effect the participants' employment statuses before and after an initiative are noticed. If a participant moves from unemployment to employment, it is relevant to know the transfer payment before an initiative and the wage level after an initiative. If the wage level is unknown, the relevant collective agreement wage rate is used as a proxy variable.

STRENGTHS AND WEAKNESSES

The social calculator estimates the social value based on an individual being employed for an entire year. Therefore, the effects of the participants can only be calculated yearly. Further, it is possible to underestimate or overestimate the societal value of an individual getting employed if their wage level is unknown. As mentioned, the relevant collective agreement wage is then used as a proxy, but the collective agreement is not an exact variable for the wage level. But since the different adjustment measures are used, the calculations are conservative relative to the real economic effect.

Use of the welfare system by socially marginalised people (VIVE)

The Danish National Centre for Research and Analysis (VIVE) published a report in 2018¹⁰ that shows the public cost associated with different groups of socially marginalised people. The cost to society of being in one of the 8 different socially marginalised groups are estimated based on register data. The 8 different groups of socially marginalised people are defined in Table 5. The attribution of people to these groups is based on whether they were registered with a mental illness or had a problem with drugs in the period from 2010-2014. Based on their degree of mental illness and their degree of being socially marginalised they are divided between the 8 different groups. Afterwards, the 8 groups' use of the social security system is assessed. The average cost per person in 2014 is calculated for each of the 8 groups.

Table 5: Definition of the 8 different groups of socially marginalised people, VIVE (2018)

Group	Definition
8. Mental illness with abuse and complexity	Individuals with mental illness (moderate or severe) and abuse (alcohol or drug) and other complexity (homeless, unconditional sentence, or a mental illness related to drug abuse).
7. Abuse with complexity	Individuals with abuse (alcohol or drug) and other complexity (homeless, unconditional sentence, or a mental illness related to drug abuse).
6. Mental illness with abuse	Individuals with mental illness (moderate or severe) and abuse (alcohol or drug)
5. Homeless	Other individuals, who suffer from being homeless.
4. Drug abuse	Other individuals with a drug abuse
3. Abuse of alcohol	Other individuals with abuse of alcohol
2. Severe mental illness	Other individuals with a severe mental illness
1. Moderate mental illness	Other individuals with a moderate mental illness
The remaining population	Individuals without a mental illness, abuse, and not being homeless.

Source: Data is from Statistics Denmark and the Danish Health Data Authority. The definitions and the calculation are from VIVE (2018).

APPLICATION IN THE SROI ANALYSIS

The average costs for the 8 different groups are used to evaluate the cost reduction an organisation has created with its initiatives for the public sector. So, when an individual moves from one group to another or to the remaining population, the costs for the public sector are reduced by a certain amount of dollars (e.g., if a person is no longer depressed). The costs are divided into employment and welfare benefits. The costs related to employment are transfer payments, initiatives on employment, and tax payments. The costs related to other welfare benefits are somatic treatment, psychiatric treatment, subsidy to medicine, abuse treatment, shelter, other benefits based on the law of service, home health care, and jail and trial. This distinction between employment and welfare benefits costs enables a better and more precise covering of the effect related to an individual no longer being socially marginalised or moving to a group with less severe problems. The reason for this is that sometimes the shift between groups for an individual leads to employment and sometimes not. So, when an individual moves from moderate mental illness to the remaining population, but is still on public support, then the saving of transfer payments is not included in the calculations.

STRENGTHS AND WEAKNESSES

One of the strengths of VIVE's calculations is that they are comprehensive and cover the costs associated with being socially marginalised in Denmark. Their report is based on socially marginalised individuals in Denmark, who are helped by some of the organisations supported by Lind Invest. Therefore, the report can be used to cover these organisations' work with a high degree of certainty. A weakness of the report is that it only measures the effect of moving from one group to another, but not improvements within a group. The report from VIVE states the average public cost associated with e.g., suffering from depression or anxiety compared to the remaining population. This implies that only the value of an individual who gets free from depression or anxiety can be evaluated, not improvements of one's depression or anxiety. So, the outcome of organisations might be underestimated, as improvements within a group cannot be evaluated through VIVE's report.

Danish Health Authority: The illness burden in Denmark (loneliness)

The Danish Health Authority published a report in 2016¹¹ assessing the societal cost of different health-related issues including loneliness. The report is used to calculate the public cost savings due to an individual no longer feeling lonely. It is based on scientific studies on the health of the Danish society and register data, so the report increases the validity of the SROI calculations.

Loneliness is not only associated with an increase in health costs for the public sector, but also a loss of production for society. The loss of production occurs due to short-term and long-term sickness absence, early retirement, and early death.

APPLICATION IN THE SROI ANALYSIS

The total societal loss of production was 34.8 billion DKK in 2013, where most of the loss was related to early retirement (87 %). But this cost is not included in the SROI analysis, as it is not known whether the people getting out of loneliness also retires early and receives the benefit. The total societal loss of production per lonely citizen was 8,477 DKK in 2013. So, when an individual does not feel lonely anymore, due to an organisation's initiatives, then the outcome is valued to 8,477 DKK before the value is projected to account for inflation.

STRENGTHS AND WEAKNESSES

A strength of the report from the Danish Health Authority is that it takes account of both a decrease in the ability to work and therefore the loss of production as well as the extra cost of treatment and care. A weakness is that the report does not take account of reverse causality. Loneliness can be a consequence of bad mental health or bad physical health instead of the opposite. For that reason, there is uncertainty associated with the application of the total societal loss of production due to loneliness. If an individual is lonely because of their physical health, then the Danish Health Authority has overestimated the loss of production due to loneliness, as it is not loneliness that has caused the extra cost for the society. Therefore, the use of the estimate may cause an overestimation of the outcome, but Lind Invest uses adjustment measures to ensure it is not the case.

Social Value Bank, HACT

To appoint a monetary value on social outcomes HACT's Social Value Bank is used, where over 90 social outcomes are evaluated¹². HACT is an English organisation that partners with organisations across the social housing sector to drive value for residents and communities. These values in the Social Value Bank are a result of large national surveys, where the effects of a particular factor are isolated through statistical theory¹³. This approach reveals the amount of money it requires to increase a person's well-being by the same amount as the factor. The values are used to evaluate the participants increased well-being primarily based on survey responses.

APPLICATION IN THE SROI ANALYSIS

The HACT values are used to evaluate social activities and changes, that have an unknown market price. The valuation of an activity is only included in the output if the activity is not already captured by another HACT value included. Consequently, some of the HACT values cannot be combined, as they capture the same effect on a person's well-being¹⁴. As an example, the value of a good overall health cannot be combined with the value of a person being relieved from depression/anxiety. In this case, only the most significant improvement is used, which is the value of a person being relieved from depression/anxiety (£36.766). At the same time, the HACT values cannot be combined with other studies, which evaluate the same activity¹⁵. The HACT values reveal the amount of money it requires to increase a person's well-being by the same amount as e.g., being relieved from depression/anxiety. Thereby, the financial values consisting of cost-saving for the public sector can also be included, as they do not evaluate the same change. Lind Invest uses the HACT values when an activity or a change cannot be calculated quantitatively with another method.

STRENGTHS AND WEAKNESSES

The value of getting out of depression or anxiety is only used when an individual is relieved from their depression or anxiety. If an organisation just improves an individual's mental health without relieving them from e.g., depression or anxiety, the HACT-values cannot be used to quantify the value. This implies that some effects cannot be quantified, which leads to an underestimate of the SROI ratio. A strength of the HACT values is, that they put a value on activities and changes that do not have a known market price, e.g., the value of being a part of a social group and the value of being able to obtain advice locally.

The Market Price approach

The market price approach¹⁶, which is described by Social Value International, uses market prices to put a value on activities. The method estimates the social value of a change by identifying a market offer, which causes the same effect on well-being as the activity of the organisation.

APPLICATION IN THE SROI ANALYSIS

The price of a market offer is used when the organisation has performed an equivalent contribution. To ensure coherence between the change and the equivalent local market offer, the stakeholders are consulted in this approach. The method is conservative as it finds the lowest price of an appropriate offer and chooses an offer that is never more comprehensive than the organisations' activity.

STRENGTHS AND WEAKNESSES

The method is transparent and realistic, as it is based on market data. However, the method tends to underestimate the outcome, as a market offer rarely can replace the activity of the organisation. The scope of activities performed by the organisation is typically more comprehensive and includes more than one treatment or good. An example hereof is affiliation to an organisation and acquaintance with other participants, which would not be captured by a market offer.

Correlation studies as a foundation of economic values

Some of the economic values are estimated based on correlation studies from VIVE and a report from The Danish Health Authority. As an example, the studies find that, relatively, socially marginalised people use the social security system and the rest of the welfare system more than the remaining population. Thus, these studies only find a correlation and not a causality between being socially marginalised and the use of the welfare system. On this basis it is not possible to conclude, that the effect of no longer being socially marginalised, is reduced costs for the public sector, even though it most likely is the case. To avoid an overestimation as a result hereof, surveys are used to cover the change before and after an initiative.

Other value creation

When social and economic values are used to evaluate changes, it is only the changes that are a part of an organisation's purpose and theory of change that is included. Additional positive value is not included, because it is difficult to measure all outcomes and assign a monetary value to them precisely enough to take them into account. This other value creation consists typically of improvements for society and further improvements for the individual and the family. The organisations are involved in the valuation to ensure that the most optimal method is used. The value must be measurable, locally based, and conservative. As it is not possible to put a value on all outcomes of an initiative, each SROI report contains a section with other value creation, which describes changes that are not measurable. An example is a gradual progression such as reduced depression, which is not possible to assign a monetary value to.

In general, Lind Invest works to produce accurate and conservative impact measurement in the SROI reports by using all relevant knowledge and competent feedback. This SROI White Paper will therefore regularly be updated with new academic knowledge and changes to the approach.

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