

## SROI and HACT’s Social Value Bank Linkages Paper

This paper sets out the relationship between Social Return on Investment (SROI) and HACT’s Social Value Bank (and accompanying tools the Value Calculator and Value Insight).

This paper has been produced in collaboration between The SROI Network and HACT and aims to clarify some small areas of divergence and promote the strengths of HACT’s resources and their compatibility with the SROI approach to measuring and managing social value.

### What is Social Return on Investment?

Social Return on Investment (SROI) is built on well-established principles and draws on welfare economics, sustainability and financial accounting. SROI is a principles-based method that provides a consistent approach to understanding and managing an organisation’s impact. The seven principles are:

1. Involve stakeholders
2. Understand what changes
3. Value the things that matter
4. Only include what is material
5. Do not over-claim
6. Be transparent
7. Verify the result

The SROI methodology is a framework based on the above principles. It focuses on answering five key questions:

<b>Who changes?</b>	Taking account of all the people, organisations and environments affected significantly.
<b>How do they change?</b>	Focusing on all the important positive and negative changes that take place, not just what was intended.
<b>How do you know?</b>	Gathering evidence to go beyond individual opinion.
<b>How much is you?</b>	Taking account of all the other influences that might have changed things for the better (or worse).
<b>How important are the changes?</b>	Understanding the relative value of the outcomes to all the people, organisations and environments affected.

The aim of SROI is to account for the social, environmental, and economic value of an organisation’s activity. It is important to note that the principles and overarching process of SROI analysis can be applied with varying levels of rigour in order to suit the audience and purpose.

Find out more: <http://www.thesroinetwork.org/what-is-sroi>

### What is the HACT Social Value Bank?

HACT is a social enterprise-based ideas and innovation agency for the UK housing sector. In 2014 HACT launched the Social Value Bank - the largest set of methodologically consistent social value metrics ever produced. The values are freely available for housing providers and available on [licensing terms](#) for other organisations.

The Social Value Bank covers a broad range of community interventions, focusing (at present) on those areas of activity particularly of interest to UK housing providers: employment, local environment, health, financial inclusion and youth. The Social Value Bank contains 53 outcomes differentiated by age and geography to produce 636 values.

HACT have developed the Social Value Bank in partnership with SImetrica, a small research consultancy led by Daniel Fujiwara, an economist specialising in policy evaluation and social impact measurement. Daniel is also Scientific Advisor to the SROI Network, leading researcher on the Wellbeing Valuation method, and has over 10 years of experience of working at a high level within government.

## What are the accompanying tools?

The Social Value Bank can act simply as a valuation model to feed into SROI or CBA, or it provides a simple social impact methodology in itself (if costs of the interventions are known).

HACT has developed some lightweight but powerful tools to support organisations to apply the Social Value Bank to their community investment projects to assess and measure their social impact in a resource appropriate and proportionate way. This includes a downloadable spreadsheet-based tool: **The Value Calculator** and a more sophisticated online mapping and analytic tool – **Value Insight**. Information on both is available at [www.hact.org.uk/social-value-services](http://www.hact.org.uk/social-value-services).

The tools have been designed to promote easy adoption of social value principles overcoming barriers that may have arisen because of the cost and complexity of some existing approaches. The intention is to foster a culture where organisations (particularly within the housing sector) feel confident to begin to embed social value at a strategic and day-to-day level in their organisation.

## Linkages between SROI Principles & the HACT Social Value Bank, Value Calculator and Value Insight

This section takes a detailed look at how the Social Value Bank and associated tools align with the core principles of SROI (see page one). It is worth stating that each of these principles can and often will be applied at different levels of rigour. The level of rigour applied to each principle should be appropriate for the scope and purpose of the task.

HACT acknowledge that the Social Value Bank and associated tools have been specifically designed for users who want to begin to measure social value, with a particular interest in assessing portfolios of social investment activities at a strategic level. This relatively high level strategic approach is likely to be suitable for many of HACT's intended users in the housing sector, who often manage significant numbers of varied community investment programmes, and for whom detailed SROI assessments of multiple projects is not a practical proposition.

HACT's tools do not include all aspects of what is conventionally included within SROI, and practitioners will need to consider the following issues when choosing the appropriate approach to take in any particular instance:

### *Principle One: Stakeholder Involvement*

Value Insight and the Value Calculator act as a low overhead mechanism for calculating social returns. They do not include all aspects of what is conventionally included within SROI, for example, the tools include some short before and after surveys but otherwise involve no engagement with the stakeholder.

This less resource intensive approach to measuring and modelling social value is made possible as a result of the robust metrics set in the Social Value Bank, which sit at the heart of the tools. The values are derived using a methodology that complies with the strictest technical guidelines and requirements set out by HM Treasury and the UK Government, and are derived from vast national datasets.

It is also possible to apply the Wellbeing Valuation approach to primary data collection assuming inclusion of the necessary questions and a large enough sample size. This would generate tailored values consistent with values in the Social Value Bank. This is a viable option and something HACT are able to support.

Whilst the valuations have been differentiated for some different subgroups (e.g. age and location) it should be acknowledged that these may not be representative of your particular stakeholder group. However, this is an issue with metrics-based valuation approaches in general and not an issue specific to the Social Value Bank.

### *Principle Two: Understanding what changes*

The Social Value Bank contains values for a number of pre-determined outcomes. This is very useful if these outcomes are the ones that are being experienced by your stakeholders. If you are looking to value an outcome that is not on the list, then it may be possible to work with HACT to analyse new and existing datasets to derive an appropriate outcome. Otherwise, other methods will be required.

It should also be noted that as a result of the methodology and dataset used to prepare the values, they are typically calculated as binary for example the outcome is either experienced or not. The valuations do not allow for situations where there may be varying degrees of change. Again, this is not an issue that is specific to the Social Value Bank. HACT and SImetrica have indicated their intention over time to generate more graduated impact measures as national datasets allow for their production. More information about this can be found in Part 3.9 of HACT's accompanying document "A Guide to using the Wellbeing Valuation Approach".

### *Principle Three: Value the things that matter*

The Wellbeing Valuation approach sits at the core of the Social Value Bank, which involves econometric analysis of national datasets and represents a significant step forward in the development of social value metrics and measuring social returns.

Each value represents the average effect on wellbeing experienced by an individual through a particular outcome. The values have been robustly derived from large nationally representative samples of the UK population so the rigour comes through the econometric methodology and the size of the datasets available.

The values can be used in a range of social impact approaches, including cost-benefit analysis and SROI. The consistent methodology ensures that the value of each individual outcome is directly comparable with all the others in the Social Value Bank, something not possible with values developed through a range of methodologies.

Each value represents the experience of an average individual, rather than specific participants on a certain project. The size of the datasets used in the Social Value Bank also allow for more sophisticated statistical checks than is possible with small stakeholder samples.

Analysis contributing to the development of the Social Value Bank revealed there was often no statistical difference between the value of outcomes to different groups of people and so for some purposes average values will provide good proxies for more specific stakeholder groups in SROI. However, variation in values between groups can affect the decisions being considered and this approach may then need to be supplemented. Average values remain a good reference point for triangulation where other methods are used.

The values are based on opinions and subjective experiences of people i.e., they are not derived in some process alien to individuals but reflect people's own experience.

### *Principle Four: Only include what is material*

The process of valuation contributes to decisions about which outcomes are material, and thus whether the outcome should be included in the assessment or not. This is common to most valuation methodologies, including both HACT's tools and more conventional SROI.

### *Principle Five: Do not overclaim*

The Value Calculator and Value Insight tools apply a standardised measure of deadweight based on the type of project being assessed. These standard figures are taken from the Homes and Communities Agency Additionality Guide, which itself draws on extensive research studies carried out principally around neighbourhood-focused regeneration and renewal projects. The assessment of attribution and deadweight can be one of the most challenging elements of any valuation exercise, and in all but the most heavily resourced academic studies will always amount to a pragmatic estimate based on available evidence. As a result social impact will sometimes be over-estimated and sometimes under-estimated. In the context of HACT's intended application, (making quick and informed decisions about social investment, rather than basing decisions on what simply 'feels right'<sup>1</sup>), HACT's approach represents a good compromise to reduce resource demands.

### *Principles Six & Seven: Be transparent & Verify the result*

These principles relate more to the way value/impact is reported rather than measured so there is no need to go into great detail on each. However, it should be noted that HACT encourage a high level of transparency throughout the process. HACT are also developing a verification process that will help organisations to get feedback on their assessments.

### **Summary**

The Social Value Bank provides 'on-the-ground access' to the Wellbeing Valuation approach. This approach is increasingly used by UK Government departments, is included in Green Book guidance, and recommendations of the OECD and the Legatum Wellbeing Report.

HACT's approach is cost-effective and user-friendly and represents average values of predetermined outcomes. The values robustly represent the experience of an outcome developed through a sophisticated approach with a consistent level of rigour in line with Government standards on statistical analysis.

If HACT's outcomes and stakeholder groups are consistent with those of your project, then the number of assumptions and judgements necessary can be reduced. HACT's approach achieves this through standardisation and the use of averages, and sidesteps the need to find suitable financial proxies reducing subjectivity and increasing consistency.

### **How can the HACT resources be used with SROI?**

As a principle-based approach, SROI can be used to inform different decisions requiring different levels of rigour. For decisions where an understanding of stakeholders' relative values is important, the Social Value Bank is a good starting point. However, it is important to note that other methods of valuation may be required in other situations, especially when the values of a particular stakeholder group are needed and that particular stakeholder group is not well represented by an 'average'.

SROI and HACT's approach are certainly not mutually exclusive and can complement each other well. Indeed, wellbeing values are becoming an increasingly important resource in SROI. Specifically, the Social Value Bank provides a rich resource of monetary values for non-market goods and services. Correct use of the Social Value Bank can provide a strategic overview of social value across a complex organisation and visibility of the areas generating the most social value. A well-targeted SROI could add understanding of the experience of a specific stakeholder group or provide insight around the delivery of a specific project.

Values in the Social Value Bank can also simply be used within an organisation's SROI (check the [licensing terms](#)).

The Value Calculator and Value Insight are user friendly tools that allow users to apply the Social Value Bank valuations to their work. The tools are easy to use and are good products for anyone beginning to measure social value. The tools comply

---

<sup>1</sup> Measuring the Social Impact of Community Investment: A guide to using the wellbeing Valuation Approach, page 3

with many of the SROI principles, and enable organisations to make strategic decisions based on the valuation of outcomes. The SROI Network welcome any such tool and are keen to work alongside organisations as they continue to integrate and embed social value in their decision making.

## Conclusions

Like all social impact measurement approaches, HACT's approach makes compromises but clearly meets the need of a sector by making social impact measurement approachable and achievable and producing robust evidence on which to base investment decisions.

The Social Value Bank has enabled a far wider uptake of social value considerations in businesses than has previously been the case and encouraged a broader idea of value in general within organisations.

HACT are keen to learn from those who are using the Social Value Bank and seek to develop the tools, update the guidance and grow the approach responding to the needs of the user community. The SROI Network are also keen to learn from organisations who are using the Social Value Bank and work together to understand how it is being incorporated into more traditional SROI analysis.

HACT and the SROI Network (soon to be called Social Value UK) are keen to work together to promote the use of the Social Value Bank and other resources in order to promote the wider embedding of social value thinking.