



Social Investment and its Impact



CRESR
Centre for Regional Economic
and Social Research

Professor Peter Wells

**Funding Landscapes:
Mapping the Future of Voluntary Sector Funding**

York, 18 November 2011

Outline

- ❑ Background to social investment research
- ❑ Social Investment in 2011
- ❑ Investing for Social Impact
- ❑ Lessons for social investment in the future

Background

- ❑ Charity Bank in the North Evaluation (Yorkshire Forward 2008-11)
- ❑ Other relevant research
 - Evaluation of Futurebuilders (Cabinet Office 2005-10)
 - Sustainability of Assets (Big Lottery 2010-11)
 - South Yorkshire Social Infrastructure Programme Evaluation (Yorkshire Forward 2007-09)
 - Financial Vulnerability of the Third Sector (Capacitybuilders 2009)

Social Investment

- A definition

- *"Social investment is the provision and use of finance to generate social, or social as well as economic, returns"*

- What do loans do?

- *"It allows an organisation: to take up an opportunity; to get something off the ground; and to build something"*
- *"It formalises a financial position. But this needs to be placed in context. I rail against the obsession with assets and I would strongly advocate incremental development [to build sustainable organisations]."*

Social Investment Policy

- Social investment policy is not new
 - Charity Bank and Key Fund Yorkshire both established in the 1990s

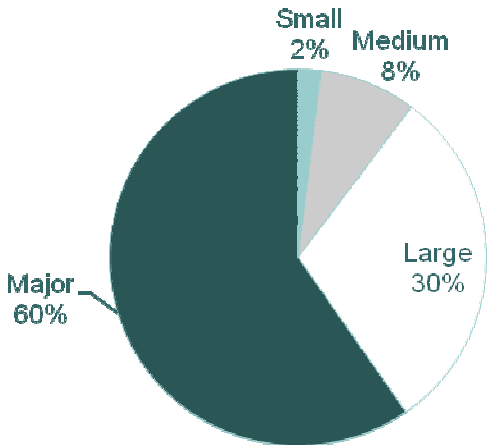
- Current Policy context

- Big Society Bank but also other actions:

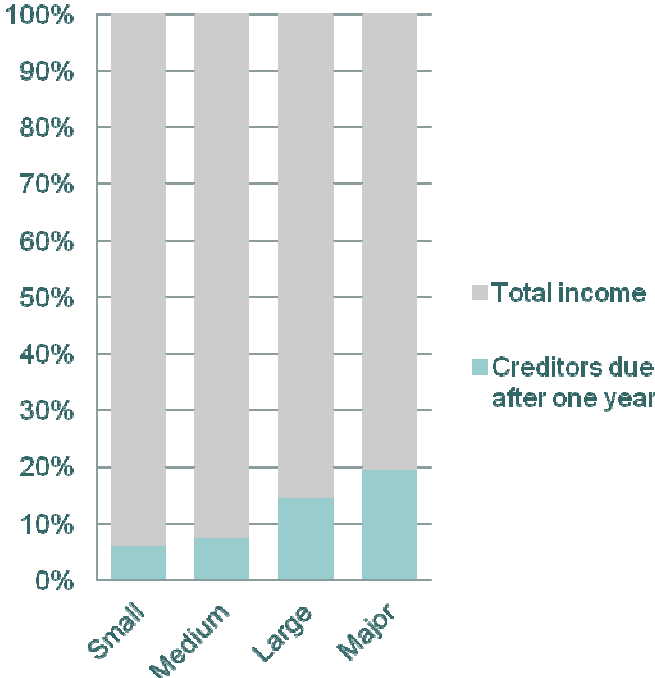
"this is not about handouts - it is about encouraging a new, self-sustaining market to grow, free of state interference ... Change in this market will not take place overnight, but it will be transformative in allowing social ventures to scale up and take on new challenges. We will do all we can to make it happen"
(Francis Maude and Nick Hurd 2011). Foreword to Growing the Social Investment Market.

UK Market for Loan Finance

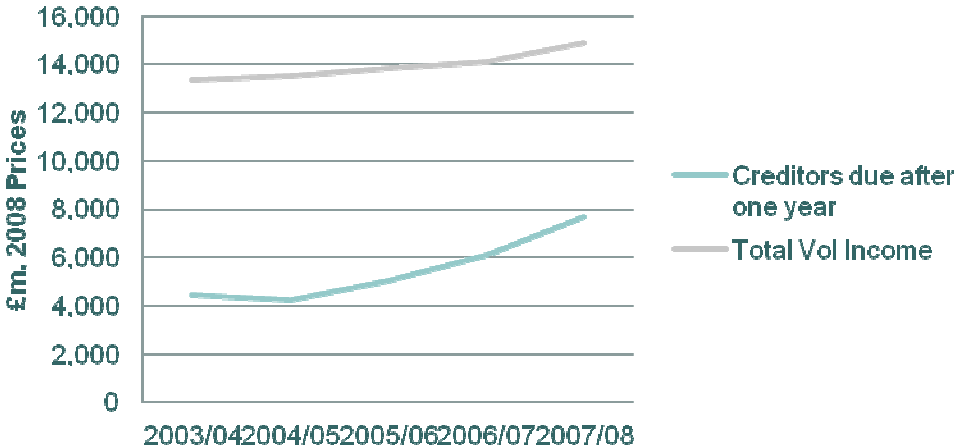
Creditors due after one year



Long Term Creditors and Income of Charities



Voluntary Income and Long Term Credit in Charities



A starting point to investment: appraisal and monitoring

- Key Fund and Charity Bank:
 - Eligibility checks: ensuring that the organisation applying for funds is 'not-for-profit'
 - Review of the organisation's charitable/social objectives or mission statements
 - What will change for beneficiaries as a result of the investment (e.g. a better service, more support, a saving)
 - Outlining the possible social outcomes accruing to beneficiaries

A Case Study of SROI: Doncaster Refurnish

- ❑ Doncaster Refurnish's main activity involves **collecting unwanted but reusable furniture (*reuse*) and reselling it (*resale*) to local people on low incomes.**
- ❑ In delivering this activity Doncaster Refurnish also **provides training and volunteering opportunities** to help individuals improve their employability and gain work.
- ❑ **Support from Key Fund since 2004 totalling £248,000**
- ❑ **Focus is on measuring social value of returns (i.e. excludes monetary returns)**
- ❑ **SROI is about measuring main benefits for stakeholders and expressing these in monetary terms**

Doncaster Refurnish: outcomes

- Three main outcomes
 - **economic:** provide opportunities for disengaged individuals to gain skills and experience that will help them find work
 - **environmental:** reduce waste by recycling household goods
 - **social:** provide affordable goods for people on low incomes

Outcome Measures

Social/Environmental Outcomes	Monetised indicator	Stakeholder
Reduction in waste	Reduction in annual landfill tax paid by DMBC/SITA	DMBC/SITA, <i>and</i> , the wider public
Reduction in re-offending	Value of wages that each offender would have forgone had they re-offended and returned to prison	Probation Service, <i>and</i> , Volunteer Ex-Offenders
Increase in employment	Cumulative annual salaries received by volunteers who gained employment (as an indicator of the quality of employment)	Volunteer referral bodies (main ones are A4E and JCP), <i>and</i> , Volunteer Jobseekers
'Feel good factor'	Total resale value foregone of the items given away	Local people (1): reuse collection customers
Increased access to affordable household items	Price paid for item less price the customer would have had to/been prepared to pay from other retailers	Local people (2): reuse retail customers

Doncaster Refurnish worked example social value from increased employment

- **Outcome:** Increase in employment (and employment quality) for volunteers
- **Indicator:** Cumulative annual salaries received by volunteers who gained employment
- **Evidence:** Between 2003 and 2010 Doncaster Refurnish worked with 168 volunteers. 22 of these were later employed by Doncaster Refurnish
- **Assumptions**
 1. Volunteers received full time employment (35 hours per week)
 2. Pay is at national minimum wage (£5.80 per hour for workers aged 22 years and older)
 3. Typical deadweight is at least 25 per cent (i.e. 1 in 4 would have found other work).
 4. Outcome lasts for three years and is then assumed to be self sustaining.
- **Level of social return: £68,788**
- **SROI = £4.59:£1** calculated against annual value of the SY Probation Service contract

Benefits of SROI

- Why do SROI?
 - understand and evaluate the difference made to stakeholders
 - provides a common measure and evidence of outcomes and impact
 - provides basis for change and improvement

- Requirements for success:
 - Organisational commitment
 - Funder commitment and consistency
 - Collection of data on a routine basis
 - Focus on the realistic and plausible outcomes
 - Choose between predictive or evaluative SROI
 - Balancing Social and Financial Value

Limitations of SROI

- ❑ Favours quantifiable activities with short term benefits
 - e.g. problems around long term payback periods (e.g. education of excluded children)
- ❑ Risks of comparing high and low ratios
 - i.e. apples and pears
- ❑ Attribution of change requires robust data and time
 - e.g. multiple intervention problem
- ❑ Level of analysis:
 - Need to consider project alternatives (e.g. other providers)
 - Problems of attributing benefits to loans
- ❑ Implementing SROI
 - Resource intensive
 - Requires specific expertise and training



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