



**Proving Value and Improving Practice:  
A discussion about Social Return on Investment  
(SROI)**

**Museums, Libraries and Archives Council and nef consulting**

**May 2009**



# Contents

<b>1. Executive summary</b> .....	1
Measuring the value of culture.....	1
Measuring social return on investment (SROI) .....	1
Why SROI is important.....	2
Next steps .....	2
<b>2. Introduction</b> .....	3
<b>3. Measuring the value of culture</b> .....	4
<b>4. Measuring SROI</b> .....	7
<b>5. Why SROI is important</b> .....	9
We are confused as to what measurement is for.....	9
Our measurement culture builds walls, not bridges .....	12
Existing outcomes measurement lacks rigour.....	16
SROI provides evidence of outcomes.....	17
The methods we use to measure miss the point.....	21
<b>6. Next steps</b> .....	24
<b>Appendix 1: An example from an SROI analysis</b> .....	25

# 1. Executive summary

## Measuring the value of culture

1. Relying on targets and outputs to measure the value of public services can miss what is most important, particularly what matters most to those who might be benefiting. The museums, libraries and archives sector delivers something special in terms of the potential for changing people's lives. Knowing what this change means and knowing if it is happening is important, so that people can celebrate and learn from success. Measuring the wrong things can mean that we do not know whether policy has a positive or a negative impact. In order to reach a better understanding of impact, new ways of undertaking measurement and of demonstrating the achievement of outcomes need to be developed and accepted, both by those delivering services and those funding them.
2. Research commissioned in 2007 by the MLA Council<sup>1</sup> identified three methodologies with the potential to be most relevant to the sector (economic multiplier analysis, contingent valuation, and return on investment). One of the conclusions reached was that return on investment (ROI) and in particular, social return on investment (SROI), where it includes social and environmental impact, offer the flexibility to capture data and undertake analysis to meet the needs of both stakeholders and the sector.

## Measuring social return on investment (SROI)

3. An SROI analysis produces a ratio that is calculated by dividing the net value of social benefits by the value of the investment made to achieve those benefits (the 'return on investment'). This is one of several pieces of information resulting from a rigorous and transparent process of inquiry and analysis that illustrates an intervention or organisation's *theory of change* (how outcomes are achieved for different stakeholders) and how indicators and financial values have been assigned to make those outcomes visible and manageable.
4. Caution must be exercised when comparing SROI ratios between organisations, as the way outcomes are achieved will differ between interventions. SROI is most powerful as a performance management tool, however, where systems are in place to collect outcomes data regularly so that ratios can be compared within the same organisation over time, and as a way of evaluating changes in the way any initial investment is allocated.
5. A set of seven principles underpin the SROI process of which the most important are the inclusion of all stakeholders' perspectives, understanding what outcomes mean for those stakeholders and how they come about, whilst

---

<sup>1</sup> Jura Consultants (2008) *Economic impact methodologies for the museums, libraries and archives sector: What works and what doesn't* (MLA Council: Birmingham).

being transparent and honest about what impact an intervention or organisation can take the credit for.

## Why SROI is important

6. There is a need for measurement to allow for proving (advocacy arguments) and improving (learning); the latter can be forgotten in the effort to do the former. This can mean that the emphasis is placed on the measurement (and therefore the pursuit) of output targets dictated by funders that bear little relation to what is important to other stakeholders. This can result in a 'silo' culture amongst the directorates and bodies that fund public services.
7. When it comes to valuing outcomes, SROI draws on a long tradition of valuation methodologies that are readily accepted in the field of environmental and health economics. It does not rely on any one method for choosing a financial proxy for an outcome, but provides a framework for stakeholders themselves to be involved in the assessment and choice of the most appropriate one for each situation.
8. SROI provides the framework for a common language to break down the barriers between public policy directorates by allowing an understanding and discussion about ways to achieve and measure shared outcomes. By relying on a dynamic approach to understanding what is important to stakeholders and using that as the basis for choosing what to measure, SROI provides a prime opportunity for a constructive dialogue identifying shared objectives between funder and funded. In this way evaluation is useful for both proving value and improving how an organisation delivers on its objectives.

## Next steps

9. At present there are several organisations in a range of policy sectors using and exploring the use of SROI. Through its continued use and development, the principles and practice will become more widely accepted, thereby changing the way we measure, understand and manage the true impact of our decisions.
10. The MLA Council is increasingly focusing its attention on outcomes measurement. Several projects are currently in play, including outcomes evaluation of a number of community engagement activities for museums and for libraries. MLA is already working towards compiling a body of research on the outcomes resulting from specific types of intervention.
11. The MLA Council has undertaken to continue exploring the possibilities for the use of SROI in the sector; this report is a part of that process. For more information on SROI's wider use, current state of development and support, the three main points of contact are the **Office of the Third Sector** in the Cabinet Office, the **SROI UK Network** ([www.thesroinetwork.org](http://www.thesroinetwork.org)) and **nef consulting** ([www.nef-consulting.co.uk](http://www.nef-consulting.co.uk)) at **nef** (the new economics foundation).

## 2. Introduction

The Museums, Libraries and Archives Council (MLA) is a non-departmental public body in England, sponsored by the Department for Culture, Media and Sport (DCMS).<sup>2</sup> Launched in April 2000, MLA aims to promote best practice in the sector and to inspire innovative, integrated and sustainable services for all. Understanding what works is a key objective of research at the MLA; this role is particularly important in a climate where public services are competing for scarce resources.

Recent work commissioned by MLA has identified the need for an approach to economic impact valuation that can include measurement of social and environmental outcomes. A study undertaken for MLA in 2007-08 concluded that methodologies looking at return on investment (ROI), and in particular social return on investment (SROI) were best placed to reflect the depth and detail of the value being created by the sector.<sup>3</sup> SROI as an outcome measurement and performance management tool is becoming established as an approach that has the power to demonstrate the real impact of investment decisions. This is reflected by the increasing number of public and third sector organisations showing an interest in its use and development.

**nef** (new economics foundation) is a think-and-do tank that strives to inspire and demonstrate real economic well-being, in particular by developing ways of measuring progress and value that put people and the planet at the heart of economic thinking. As the leading advocate and one of the key organisations responsible for establishing SROI in the UK, **nef** was asked by the MLA to provide an overview of the benefits and concerns that are sometimes expressed in relation to SROI, and in particular where they are relevant to the museums, libraries and archives sector.

In order to inform their thinking, **nef** consulted representatives of the mla sector and others concerned with its direction such as academics, heads of services and performance managers. The authors are grateful for their contribution, and their comments and concerns have been incorporated into this report.

MLA aims to stimulate discussion and further the debate about SROI's relevance to the sector by commissioning **nef consulting** to prepare this report, and to provide material for a more in-depth discussion at a seminar in June 2009.

---

<sup>2</sup> See <http://www.mla.gov.uk/> for more details

<sup>3</sup> Jura Consultants (2008) *Economic impact methodologies for the museums, libraries and archives sector: What works and what doesn't* (MLA Council: Birmingham).

### 3. Measuring the value of culture

*It is hard to link the rhetoric around social impact measurement to the real world.  
The language is simplistic – for policy doesn't get hold of reality very well.*

Lead Academic

There is a conflict between policy and reality – policymakers need numbers to justify decisions about spending, yet numbers are only part of the story of what is important. This is particularly the case in the cultural sector where there can be suspicion of numbers, whilst those responsible for funding decisions are suspicious of anything else. In a world where culture-based organisations are competing for ever-decreasing resources, they struggle to justify their existence as the easily measurable targets upon which they are judged do not adequately reflect the reality of what they are achieving, particularly in terms of those outcomes relating to people's health, well-being and happiness.

Added to this, it is evident that the current difficult funding climate is affecting organisations across the public, private and third sectors. In the past, where charities and voluntary organisations could rely on grant funding to pay the costs of delivering their objectives, they find that they often have to compete with larger and private sector organisations to win contracts in order to survive. This has forced organisations in the third sector to think much harder about what they offer that sets them apart from traditional business, with a growing tendency for some towards a social enterprise model of delivery.

There are many who advocate that museums and libraries deliver something special in terms of the potential for changing people's lives, but the sector is not unique in this. Clearly knowing what this change means and how to know if it is happening is important so that people can celebrate and learn from success, and so that resources can be allocated more effectively in the future. And so there is a need for a better way to tell the story of value; this in turn is illustrated by the growing interest in the measurement of impact.

*We need something to be able to make the case that the [library] sector is valuable,  
and that it does so much more than just lend books.*

Head of Libraries

*I'd be interested to see if we could develop an added-value approach to libraries.*

*Using more than the simplistic measures (such as numbers through the door)*

*These are important and OK, but only go so far.*

Head of Libraries

This need for new measurement is recognised by MLA, especially in relation to those harder-to-measure yet important effects on quality of life that an experience of cultural activity can contribute to. For example, work is underway<sup>4</sup> to scope the development of a tool which could help to evidence the contribution of the culture and sport sectors to positive outcomes for communities in the context of the wider National Indicator Set for Local Government.<sup>5</sup>

In its search for ways to put a value to the impact of the museums and galleries, libraries and archives sector, the MLA Council and MLA South East commissioned Jura Consultants in 2007-08 to provide guidance on how to demonstrate the economic contribution it creates. A comprehensive report was produced that provided an overview of the pros and cons of a whole range of economic impact and valuation methodologies.<sup>6</sup> The report found that to be useful, these methodologies must cover more than the income, expenditure and employment impacts of the services; they must also take into account wider social and economic impacts. Of the three methodologies deemed by MLA to be relevant to the sector (economic multiplier analysis,<sup>7</sup> contingent valuation<sup>8</sup> and return on investment (ROI)), the conclusion was that ROI offered the flexibility to capture data and undertake analysis to meet the needs of both stakeholders and the sector.

ROI had been applied to State library services in the USA, where a combination of multiplier and stated preference techniques were used to create a range of indicators

---

<sup>4</sup> Involving MLA and a large group of partners that includes Arts Council of England, English Heritage, Department for Culture Media and Sport (DCMS), National Culture Forum, Chief Cultural and Leisure Officers Association (CLOA), English Heritage, Improvement and Development Agency (IDeA), National Culture Forum (NCF), National Institute of Adult Continuing Education (NIACE), Qualifications and Curriculum Authority (QCA), and Sport England.

<sup>5</sup> Of the 198 National Performance Indicators of outcome, the following five are seen as relevant to the culture and sport sector:

NI 1 – % of people who believe that people from different backgrounds get on well together in their local area.

NI 6 – participation in regular volunteering.

NI 7 – environment for a thriving third sector.

NI 110 – positive activities for young people.

NI 119 – self-reported measure of people's overall health and well-being.

<sup>6</sup> Jura Consultants (2008) *Economic impact methodologies for the museums, libraries and archives sector: What works and what doesn't* (MLA Council: Birmingham).

<sup>7</sup> Multiplier analysis – Where direct impacts are identified in terms of income and employment. A multiplier value (derived from input-output tables) is applied to identify indirect and induced impacts.

<sup>8</sup> Contingent valuation - Assesses willingness to pay to continue accessing a service, and the financial amount they would accept to compensate for its loss. This is expressed as the collective value which individuals derive from the existence of an asset.

of impact and value. Since the mid-1990s, Jed Emerson and the Roberts Enterprise Development Fund (REDF) have been developing SROI in the USA. It is this model that **nef** has adapted for the UK, whilst expanding its scope in order to capture for all stakeholders the social, environmental and economic benefits of an investment.

Initial interest in SROI in the UK has been in the third (particularly the social enterprise) sector, as it provides a way to reflect the added value of the work that this kind of organisation undertakes. To this end, the Office of the Third Sector (OTS) in the Cabinet Office is running a major project to develop and support the further development of the methodology.<sup>9</sup> By the end of this three-year programme of work, there will be a database of indicators and proxies to support practitioners using the approach, as well as a programme of work to encourage take-up within the third sector, and amongst commissioners, funders and other government departments. A similar project is being supported in Scotland. In May 2009, OTS published the definitive guide to undertaking an SROI as part of the standardisation and dissemination objectives of the programme.<sup>10</sup>

The groundswell of interest in the technique is marked not only by the OTS support, but by the emergence of the SROI UK Network, that links with the already well-established European Social Return on Investment Network (ESROIN)<sup>11</sup>. The MLA Council is itself piloting the approach for a number of its evaluation projects in England. Meanwhile, SROI has been used by a range of organisations in relation to employment (Shaw Trust, Eldonians and Tomorrow's People *Getting out to work*) and the arts. For example, in 2007 the Arts Council commissioned SROI studies for three workspace organisations as part of its *Inhabit* research programme<sup>12</sup>, one of which – the North Tyneside Arts Studio – is referred to in this report.

As a tool for understanding the effects of policy, **nef** has been using the approach as a research tool to identify the true impact of the Government's Local Economic Growth Development Initiative (LEGI) in St Helens, and for comparing the effects of different policies relating to looked-after children and women and sentencing. One of these involved a study for the Asher Centre which provides dedicated support programmes for women offenders. Recently Action for Children commissioned three SROI studies to identify the value of the range of activities it delivers.<sup>13</sup>

In the public sector, grantees of the Department of Health's Social Enterprise Investment Fund are required to undertake SROI to maintain their funding relationship. Coventry City Council is using SROI to measure the impact of its Local Enterprise Growth Initiative (LEGI).<sup>14</sup> Use of SROI in the private sector is still relatively low, and represents an important area of development for the methodology.

---

<sup>9</sup> The Office of the Third Sector (OTS) is running the *Measuring Social Value* project, which is being taken forward over 2008–2011. The project is being run by a consortium led by SROI UK, with New Philanthropy Capital, **nef**, Charities Evaluation Service and the National Council of Voluntary Organisations as members.

<sup>10</sup> The new SROI Guide is available to download for free from [www.thesroinetwork.org](http://www.thesroinetwork.org)

<sup>11</sup> <http://www.sroi-europe.org>

<sup>12</sup> The individual SROI reports are unpublished. For more details of this project see the inception briefing at: [http://www.nfasp.org.uk/media/doc/Inhabit\\_handout.pdf](http://www.nfasp.org.uk/media/doc/Inhabit_handout.pdf) (accessed May 2009)

<sup>13</sup> A findings report is due September 2009. For more details on this project see

[http://www.neweconomics.org/gen/well-being\\_children.aspx](http://www.neweconomics.org/gen/well-being_children.aspx)

<sup>14</sup> <http://www.coventry.gov.uk/ccm/navigation/leisure-and-culture/support-for-arts-activities/legi/>



## 4. Measuring SROI

SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them.<sup>15</sup>

SROI is a process of inquiry that delivers several pieces of important information on the impact and value of outcomes. One of these pieces of information is a ratio that is calculated by dividing the net value of social benefits by the value of the investment made to achieve those benefits (the 'return on investment'). For example a ratio of 2:1 indicates that an investment of £1 delivers £2 of social value. This is backed up by a full description of the *theory of change* (how outcomes are achieved) and how indicators and financial values have been assigned to make those outcomes visible and manageable.

An SROI follows a six-stage process.<sup>16</sup> In Appendix 1, we reproduce these stages with an illustrative example summarising the key parts of an SROI undertaken for a managed workspace art studio in the North East of England. The six stages can be summarised as follows:

1. **Establishing scope and identifying key stakeholders.** It is important to have clear boundaries about what the SROI analysis will cover, who will be involved in the process and how.
2. **Mapping outcomes.** Through engaging with stakeholders, it is necessary to develop an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes.
3. **Evidencing outcomes and giving them a value.** This stage involves finding data to show whether outcomes have happened and then valuing them.
4. **Establishing impact.** Having collected evidence on outcomes and monetising them, those aspects of change that would have happened anyway or which result from other factors are eliminated from consideration. At the same time, data are collected to establish the extent to which outcomes resulting from the investment will last over time (benefit period), and to what extent they are diluted by other factors (drop off).
5. **Calculating the SROI.** This stage involves adding up the values of all the benefits (including those that might be projected into the future), subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested. (i.e., seeing how changing some of

<sup>15</sup> Nicholls J *et al.* (2009) *A guide to social return on investment* (Office for the Third Sector: London).

<sup>16</sup> Adapted from Nicholls (2009) *op. cit.*

the assumptions that have been made can affect the overall ratio). This is known as a 'sensitivity analysis'.

6. **Reporting, using, and embedding.** This vital last step involves sharing findings with stakeholders and responding to them, embedding good outcome processes, and verifying the report.

Although often compared to cost benefit analysis (CBA) SROI is distinct in that not only does it measure different things, it does so in a different way. SROI looks at long-term outcomes for more than one group of stakeholders where CBA focuses on financial returns to one stakeholder (e.g., the investor or the state). Because of the complicated nature of the way in which outcomes are achieved, every SROI is underpinned by a strict protocol and set of principles for how those outcomes are identified, valued and tracked. These guiding principles are summarised in Box 4.1

#### **Box 4.1. Principles of SROI**

1. Involve stakeholders (measure with people, allow them to say what is important and what should be counted).
2. Understand what changes (how an intervention is making a difference in the world – the *theory of change*).
3. Value the things that matter (attach monetary values to economic, social and environmental outcomes; this is not to represent cashable savings, but as a way to illustrate value – these values are used as proxies).
4. Only include what is material (i.e., that information that affects how a management or investment decision is made – if you leave it out, it significantly alters the result).
5. Do not over claim (be clear on the distinction between outcome and impact, by taking account of what is attributable, what would have happened anyway (deadweight), and any negative effects (displacement)).
6. Be transparent (particularly when assigning monetary values, where judgement calls are frequently made).
7. Verify the result (accountability from an external source is vital if the analysis is to be used for advocacy purposes).

## 5. Why SROI is important

Thanks to the ongoing work of bodies who support the third sector (like Charities Evaluation Services and the National Council for Voluntary Organisations) and the cultural sector (the Arts Council and MLA ) there is a much better understanding of the potential benefits to organisations of good measurement, and in particular good outcomes measurement. However, there is clearly some way to go in terms of reaching a shared understanding of what (and who) measurement should be for and how it should be done.

In relation to our current culture of measurement, there tends to be four main barriers that can prevent us from achieving a better understanding and effective management of the impact of our endeavours.

1. We are confused as to what measurement is for.
2. Our measurement culture builds walls, not bridges.
3. Existing outcomes measurement lacks rigour.
4. The methods we use to measure miss the point.

In this section we provide an account of the issues relating to these barriers and how a measurement approach that looks at SROI can potentially overcome them. We also illustrate some of the concerns raised about the SROI approach, and how they are addressed through the detail of the methodology with an example reproduced in the appendix of how it has been used elsewhere.

### **We are confused as to what measurement is for**

#### *To prove or improve?*

That is the question. Historically the processes promoted for measurement and evaluation have been chosen to address the needs of accountability, justification and proof. Where this is the only goal of measurement, it is less useful from the point of view of improving practice and performance. Combine this with the requirements of funders and policymakers for direct comparability at programme level decision-making, and measurement gets reduced to looking at common denominators and standardised output targets that bear little relationship to what is important to the beneficiaries of an intervention.

*The question to the sector is wrong. We need to be able to articulate impact, but from the point of view of improving practice, whereas the emphasis has been on doing it for advocacy, and so this has called the shots up 'til now. This is hugely wasteful. Where advocacy drives everything else out, it misses the point, and the wrong things get measured.*

Lead Academic

And so measurement that relies on outputs is helpful for accountability to a funder, but remains a blunt instrument for understanding the impact of change. Standardised measures of progress have the advantage of being comparable across a sector, and yet there is a tension between something that is comparable and yet able to reflect and explain the uniqueness of a particular service and how it is relevant to local need. It would be unfair to rely on visitor numbers alone to judge and compare effectiveness of a library service; perhaps in a community whose culture has had little experience of libraries, with a service delivered to a community who has known libraries all its life.

*We count a lot of beans – how many people, how many books, even now what sorts of books are being borrowed – quantitative stuff. Easy to provide that information; but that only goes so far.*

Library Performance and Quality Manager

Numbers can be collected and monitored (e.g., visitor numbers), and where trends are noticed over time, these can be followed up and investigated with more in-depth and qualitative research to inform them. Outputs are a poor proxy for outcomes, however, and so by concentrating too much on the numbers, the danger is that you end up managing those in isolation from the reality of the changes they are reflecting, and that therefore you are further removed from understanding the changes that you are striving to create. Put simply: knowing how many people took part doesn't tell you what effect it had on them.

#### *SROI is for proving and improving*

SROI challenges the notion that difficulty and complexity are an excuse for relying just on simpler output measures in order to tell a story. This is because an SROI analysis is about describing change, and as such needs to be dynamic and flexible to reflect the subtleties and complexities of change. Whether that change is manifest in the social value generated by an entire organisation, or just one specific aspect of the organisation's work, there are several ways to undertake an SROI. For example, it can be carried out internally by members of the organisation (at least one of whom should have taken part in some training) or it can be led by an external researcher.

SROI starts with what stakeholders (including direct beneficiaries) say is important (what is meaningful for the intervention) and not just what a funder stipulates, as the basis for choosing what to measure. Doing an SROI also provides a prime opportunity for a constructive dialogue identifying shared objectives between funder and funded so that the energy invested in the evaluation is useful for all parties, both proving value and improving how the organisation delivers on its objectives.

There are two types of SROI: evaluative and forecasted. An **evaluative** SROI is conducted retrospectively and based on actual outcomes that have already taken place to assess the value that has been created. This is best used when an initiative is already up and running.

A **forecasted** SROI is based on projections of what is expected to take place if the objectives of an initiative are met. This is best used at the planning stages of an initiative where it can help show how investment can maximise impact and is useful for identifying what should be measured once the project is up and running.

This level of detail, however, comes at a cost. One participant in this study expressed a real concern that undertaking an SROI can be expensive and resource-intensive.

*Costs so much! It is an expensive process – intensive. More people would be able to buy into it if it was cheaper.*

Library Performance and Quality Manager

*Capacity is a real issue, time to do it properly. The plotting and the planning is already done (the theory of change; the community engagement) which gives us already a firm basis to work from. Staff and resource is the issue, as well as the specialist approach.*

Head of Libraries

This is because one of the most important aspects of an evaluative SROI is the need for outcomes data: literally, proof that change is actually taking place for individuals who are visibly and measurably benefiting from an outcome being achieved. Collecting this data is an intensive process for any research project whether or not the outcomes are to be monetised; choosing not to collect it means that you will run the risk of not knowing if you are making a difference. However, there are well-recognised tools that have been developed to collect information that demonstrates outcomes. The most effective ones are those that are designed to be embedded in the way that an organisation undertakes its day-to-day management of clients and users.<sup>17</sup>

Because of the comprehensive nature of the story being told, and the different ways information is collected in order to tell it, undertaking an SROI requires someone to be comfortable employing a range of different skills. For example, it is unlikely that one person within an organisation will possess in equal measure the skills necessary to facilitate stakeholder workshops, undertake quantitative and qualitative data collection, and analyse Excel spreadsheets. It must be acknowledged that even with the training available a team approach is needed, perhaps with recourse to outside consultancy where necessary. But where these skills and competences are in place,

---

<sup>17</sup> For a comprehensive account of outcomes measuring tools and approaches, see Chapter 5 of Ellis J and Gregory T (2008) *Accountability and learning: developing monitoring and evaluation in the third sector* (Charities Evaluation Services: London) [www.ces-vol.org.uk](http://www.ces-vol.org.uk)

SROI has the power to address the urgent need for a flexible instrument that can assist both accountability and learning.

## Our measurement culture builds walls, not bridges

*Can we speak a common language?*

*There are other community initiatives that describe what they do, and they sound identical to what libraries do – there needs to be joined-up work to identify the shared objectives, and the shared agreed ways of delivering them, and then see how they are being already achieved with existing models, like libraries.*

Head of Libraries

One of the side effects of a lack of a uniform and agreed way to talk about the achievement and measurement of social, economic and environmental outcomes is that we have created a silo culture in relation to the pursuit of public policy objectives. In a local authority, the departments that individually rely on specific targets to tell them if their social and economic policies are working find it hard to see beyond the constraints the outputs dictate. This can inhibit the co-creation of the goals they know that they share with other directorates. Likewise, if something is considered too hard to measure, even though it may be important, it tends to be forgotten or ignored.

*There is a need to build bridges, break down silos, challenge thinking on value. I would hope there would be more of this bridge-building – a move to a more rigorous but broad and transparent methodology. This needs to represent the counterweight to narrow econometrics.*

Lead Academic

In the search for ways to measure the effects of cultural activity, discussions can get mired in the ‘true value of culture’ debate. One aspect of this is whether there is an ‘intrinsic’ or ‘instrumental’ value attached to cultural activity.<sup>18</sup> The intrinsic view is that culture is valuable for culture’s sake, thus neutralising any attempt to measure it, and the instrumental view is that culture is valuable because of the social, economic and possibly environmental benefits that it leads to (e.g., increased tourism, business growth, learning and personal development of individuals etc.) which, if it is to be measured, demands a ‘rigidity and reductive bureaucratisation that does not capture something as fluid as culture’.<sup>19</sup> Intrinsic narratives help set culture and art as unique;

<sup>18</sup> John Holden’s Demos pamphlet *Capturing cultural value* provides a comprehensive account of the dilemmas facing the arts in relation to measuring their value in the context of the new public management and measurement climate that we are now in. Holden J (2004) *Capturing cultural value* (DEMOS: London).

<sup>19</sup> Holden (2004) *op. cit.*

instrumental narratives mean that they have to compete with more obviously important 'public goods and services'.

*What councils are looking at now are performance indicators being met, for example, Quality of Life. MORI have cultural services usage questions – but there are only one or two questions in a suite of hundreds. Chief Executives decide what to measure – and for them, libraries are only a small part of the equation.*

Head of Libraries

When the distinction between the intrinsic and the instrumental is applied to the value of public spending, this is where culture appears worse off, i.e., less valuable. In its crudest form, this is sometimes boiled down to the cost of a major artwork bought 'for the nation in perpetuity' set alongside the number of nurses that the equivalent amount of money would have paid for. Within the limitations of current measurement practice and language, these over-simplifications are unhelpful, not least because the theory behind how a piece of art creates change and how a hospital full of nurses creates change are different (however 'good' either of them is perceived to be).

Both intrinsic and instrumental descriptions of value represent important consequences of cultural activity, but the search for an either/or narrative does not allow for the possibility of an approach that acknowledges both – i.e., how one might lead to, or indeed be part of the other. Little attempt is made to explore what the intrinsic value of culture means, and to what extent that intrinsic value is linked to creating instrumental value. When someone has an uplifting experience resulting from visiting an inspirational exhibition or viewing a piece of art, the experience can have a positive life-changing effect that has an impact not only on them, but on the people around them and on wider society.

*SROI can provide a common language*

*It will be a great day the day we can get funding from the RDA, because they fund tourism or economic development. Libraries should be funded through economic development. If we can make the case to them my work will be done!*

Head of Libraries

SROI provides a framework for both intrinsic and instrumental 'stories' to be told. The process relies on establishing a robust theory of change for how change takes place, which is then underpinned by an honest and evidenced account of that change. In this way common objectives can be recognised and bridges can be built between the many and disparate initiatives and directorates charged with achieving them.

An appreciation of the story that an SROI analysis can tell (like the story of the Art Studio reproduced in Appendix 1) needs to start with an understanding of the

definitions of the terms output, outcome and impact.<sup>20</sup> Although there are subtle differences, the accepted definitions in relation to SROI do not differ significantly from the understanding of these terms expressed by the respondents for this study:

- Outputs: the intended product of an activity, something easily quantifiable, measures such as money spent, numbers of users or visitors (numbers, 'beans') etc. Outputs are a way of describing in quantitative terms an activity in relation to each stakeholder's inputs.
- Outcomes: changes resulting from an activity. The main types of change from the perspective of stakeholders are unintended (unexpected) and intended (expected), positive and negative change.
- Impact: the difference made by an activity, taking into account what would have happened anyway, the contribution of others and the length of time the outcomes last.

In all cases, a shared understanding of these terms is key to preparing an SROI analysis because they describe something that is important and central to what the sector is about; they provide the basis for the common language to engage with those other sectors that, at the highest level, are striving to achieve the same things.

To demonstrate how SROI might be applied to a situation in need of a common language, we illustrate an example of an evaluative SROI that might be completed to investigate the potential (intrinsic and instrumental) value created by exhibiting a piece of art. The findings of such a study would furnish the curators with in-depth information on the effects and experiences gained by their visitors, which in turn would help develop education and support programmes to maximise and monitor the impact of the exhibition.

---

<sup>20</sup> Taken from the Glossary in Nichols (2009) *op. cit.*



Table 4.1: How to undertaken an assessment of the SROI for a piece of art

Stages of an SROI	Outline of the actions for undertaking an SROI analysis on a piece of art
<p>1. <b>Establishing scope and identifying key stakeholders.</b> It is important to have clear boundaries about what the SROI analysis will cover, who will be involved in the process and how.</p>	<p>Who are the people <b>affected</b> by the artwork e.g., members of the public: children, young people, students of art, specialist education groups, older people, tourists etc.(draw potential list from visitor data).</p> <p>In addition, what other agendas/who else is affected by the outcomes for these people e.g., DCMS, Departments for Children Schools and Families, Innovation Universities and Skills, NHS etc.</p>
<p>2. <b>Mapping outcomes.</b> Through engaging with stakeholders, an impact map or theory of change is developed that shows the relationship between inputs, outputs and outcomes.</p>	<p>Convene focus groups (sample each stakeholder group) and explore with them what going to the gallery means, what they think of the artwork, what experiences they had (relate to MLA’s Generic Learning and Social Outcomes (GLOs, GSOs) including what they hope to gain from viewing a piece of art).</p> <p>Develop an <b>impact map</b> for stakeholders, and identify ways of knowing (indicators) that those outcomes have happened.</p> <p>Outcomes could relate to ‘feel good’ or inspirational factors, and what these feelings lead to, as well as specific behaviour or attitude change as a result of viewing the artwork – the <b>impact map</b> will depend on what people say is happening for them.</p>
<p>3. <b>Evidencing outcomes and giving them a value.</b> This stage involves finding data to show whether outcomes have happened and then valuing them.</p>	<p>For each indicator/stakeholder identify a <b>financial proxy</b> that best represents the value of each outcome for that particular stakeholder.</p> <p>Develop a questionnaire and sampling framework for <b>collecting outcomes data</b> on the effects of the piece of art during, and again after visiting the gallery (e.g., three months later)</p>
<p>4. <b>Establishing impact.</b> Having collected evidence on outcomes and monetising them, those aspects of change that would have happened anyway or which are as a result of other factors are eliminated from consideration.</p>	<p>Collect data to establish an estimate of <b>deadweight</b> (how much of these outcomes would have happened anyway – perhaps identifying a control group of people who have not viewed the artwork as a <b>baseline</b>) <b>attribution</b> (what other artworks, experiences will be contributing to each outcome) <b>displacement</b> (what potential negative effects there might be of viewing the artwork)</p>

Stages of an SROI/contd	Outline of the actions for undertaking an SROI analysis on a piece of art/contd
<p>5. <b>Calculating the SROI.</b> This stage involves adding up all the benefits, subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested. (i.e., seeing how changing some of the assumptions that have been made can affect the overall ratio) This is known as a 'sensitivity analysis'.</p>	<p>With the data collected on the extent that outcomes have happened (compared with control group baseline over the same period) complete the Excel spreadsheet that shows the indicators, includes the number of units of change (e.g., number of people experiencing an outcome), and multiply each unit of change by the financial value (proxy) chosen for each indicator.</p> <p>The ratio will be calculated by comparing the monetised value of the combined net social benefits (over time) with the value of the initial investment to buy and maintain the artwork.</p> <p>Alter the assumptions made (e.g., proxy values) to see what relative effect it has on the share of value, and the overall SROI ratio.</p>
<p>6. <b>Reporting, using and embedding.</b> This vital last step involves sharing findings with stakeholders and responding to them, embedding good outcomes processes, and verifying the report.</p>	<p>Prepare a report, and in subsequent years set up a system to continue outcomes data collection for this piece of art to see if positive/negative outcomes increase over time.</p>

## Existing outcomes measurement lacks rigour

### *How can you prove an outcome?*

The commissioning of the report reviewing economic impact methodologies (Jura 2008) came partly as a response to a need identified by the MLA Council that the measurement of outcomes, although important, lacked the credibility associated with statistical analysis of numbers. This perception is often reflected in the language used to describe outcomes and impacts; words like 'soft' and 'intangible' imply their ephemeral and subjective status, giving the impression that they are too difficult to pin down to bother measuring. Case studies and anecdotes as qualitative data have always played second fiddle to the 'hard numbers' represented by the quantitative.

*Since the 1990s, policymakers needed to identify a model to express the impact of policy in a way that was accessible to Government – i.e., quantitatively. [...] The difficulty is that these methods are good for creating advocacy arguments, but not for reflecting what is actually going on in reality. There is, therefore, a misunderstanding as to what evidence actually is. Treasury will privilege quantitative measures. Therefore qualitative is seen as unreliable.*

Lead Academic

The difficulty identified in Jura 2008 was that those methodologies perceived to have more rigour (such as multiplier analysis<sup>21</sup>) were considered to be ineffective at capturing the real value of the services. Likewise, those processes associated with contingent valuation<sup>22</sup> which can be used to look at that 'real value' (even social value) are considered by some to rely too much on the subjective.

## SROI provides evidence of outcomes

### *The importance of the qualitative*

SROI represents a marriage of qualitative and quantitative data collection. Instead of the traditional view of qualitative data being less valuable for advocacy than quantitative, SROI offers a different, more integrated model for outcomes measurement. With SROI, the story (literally the 'theory of change' that describes how an outcome happens, and for whom and to what extent it can be attributed to a particular intervention) and the numbers have equal status.

There is still a perception that SROI is weighted too much towards qualitative information, that it runs the risk of appearing too subjective or even 'woolly' and therefore is itself lacking rigour.

*It could be said that SROI allows fuzziness to creep in. Reduces 'rigour' and common technical understanding of measurement...*

Lead Academic

*There is a danger of wooliness – can we get agreement as to what is qualitative and subjective? Unlike CBA, there isn't the same concrete bottom line. There needs to be an agreed methodology across different sectors. Not just 'social science speak'. We find it difficult to agree on language, let alone measurement.*

Head of Libraries

SROI addresses this issue by employing a strict protocol for how the information is collected and presented. The principle of **not over claiming** ensures that any assertions about the difference that an intervention may have made are evidenced, and that the outcomes are described in terms of impact. In other words, there has been a rigorous process of identifying what changes the intervention can take credit for having achieved (attribution), as well as acknowledging what would have happened anyway (deadweight). For example, if 20 graduates on a training programme all get a job, it is vital to acknowledge that a number of them would have

<sup>21</sup> Multiplier analysis – Direct impacts identified in terms of income and employment. A multiplier value (derived from input-output tables) is applied to identify indirect and induced impacts.

<sup>22</sup> Contingent valuation – Assesses willingness to pay to continue accessing a service, and the financial amount they would accept to compensate for its loss. This is expressed as the collective value which individuals derive from the existence of an asset.

got a job without the training programme, or because they were also part of an ongoing employment support scheme. The **principle of transparency** ensures that how these assertions were arrived at is clearly set out in the analysis so that in line with good scientific principles, the search for the evidence, 'the experiment', can be replicated.

#### *Concerns with using proxies*

*I talk about the fact that when you are doing research [for an SROI] you can look at all the impact. It uses financial proxies to turn it back into a figure. As well as looking at all the impacts and audiences it ALSO turns it into a figure. The example I use relates to well-being: even if something like this is intangible, if you improve well-being then for some people it means work or not work, and this is how a financial proxy works. You get a compelling argument at the end ratio; people love the idea.*

Library Performance and Quality Manager

Well, not everyone loves the idea. Another concern relating to rigour was the reliance on monetised values as proxies for social value. For some, this is at best subjective and at worse reductive and mildly distasteful, thereby rendering the financial ratio meaningless. How, for example, is it possible to put a monetary value on an outcome like self-confidence, safety or mental well-being?

*SROI seems so arbitrary. How do you assign a meaningful value? Your idea will be different to mine and somebody else's. The driver behind this, as I see it, is a very reductionist agenda, it is instrumental ... It tries to legitimise something that is no more legitimate than any other type of measurement. It's trying to make measurement into something that it is not. It is neither objective or parametric. It is so subjective.*

Museum Director

*We believe that we are a force for social cohesion, educational attainment and achievement. We contribute to social and economic regeneration. We do have evidence to prove this. Although I don't use the words 'proof' or 'measurement' if I can help it. We are dealing with something that you cannot put on a scale – people's lives.*

Museum Director

SROI approaches this issue in two ways. Section 3 in *A guide to social return on investment* describes in detail the thinking behind the use of monetised values as proxies for the value of outcomes. First, it reminds us how all value is in the end

subjective, and how markets have developed ‘to mediate between people’s different subjective perceptions of what things are worth’.<sup>23</sup> Consequently the prices that the buyer and seller use in a transaction are approximations – ‘proxies’ – for value.

SROI valuation works in the same way. In order to make the invisible visible, SROI assigns proxy monetary values to those outcomes that are important to stakeholders but that do not have an obvious market price tag attached to them, as distinct from the CBA approach which identifies a direct financial saving to a stakeholder. This process of valuation has a long tradition in environmental and health economics; SROI is therefore building here on an existing and accepted methodology.

*I have a problem with proof and measurement – SROI is trying to prove something that is not provable. I can't see that it helps. We have to be clear about what we can do. It just confuses and deludes some people into thinking that there is something that can be quantified. We can assess these important things already – we don't need to monetise them.*

Museum Director

Secondly, as well as **transparency**, the principles of **involving stakeholders** and **understanding what changes** mean that SROI provides a clear audit trail in the analysis that describes the *theory of change* or path (as expressed by people who have trodden it) towards the achievement of an outcome, as well as an agreed way of knowing (the indicator) that the outcome has happened. For example, an indicator that improved self-confidence is happening for a participant in a mental-health support programme could be the number of hours per week that person now spends out and about socialising with friends. In this case, the indicator provides evidence of a change that can be measured.

Because self-confidence does not have a market value, a monetary proxy needs to be assigned in order to make it visible and therefore to include it in the final SROI calculation. This will be reached through a thorough understanding of what the value means to stakeholders by, for example, asking them or by drawing on the experience of those who work with them.

Again, the SROI Guide is helpful in providing guidance on how to choose proxies, both those that are easy to source and those that represent more of a challenge. An example of a proxy for the outcome of improved self-confidence could be the value of that additional time spent out socialising (perhaps at a minimum or average hourly wage). For an outcome such as improved safety, a more challenging method might be to make use of contingent valuation (CV); asking stakeholders what they would be willing to pay for a reduction in crime, or how much compensation they would expect for an increase in crime. Clearly this is going to be subjective, but in this instance CV should be used in conjunction with other valuation methods, and where it is clear that the choice of value is particularly subjective, it is made equally clear that it is not the sole piece of data upon which the final ratio will hang.

<sup>23</sup> See pages 45–52 in Nichols (2009) *op. cit.*

There are also other possible methods that can be used, such as ‘revealed preference’ (inferring valuations from the prices of related market-traded goods and services) or by looking at the distance people are willing to travel to access goods, services or natural amenities on which they place a value (the ‘travel-cost method’).<sup>24</sup> In all of this, it is important to remember that it is the outcome that is being valued, and not the indicator.

Clearly there are concerns with any of these techniques; SROI practitioners acknowledge that choosing the value to assign is itself a subjective process that requires both creativity and research. Maintaining the transparency principle means that how the decision to use a certain value was made (who was consulted and how etc.) needs to be clearly laid out in the narrative of the final report in order to allow the reader the opportunity for due diligence in assessing the analysis. In addition, best practice states that in the reporting stage of an SROI analysis, alternative higher and lower values are substituted for valuing outcomes in order to see the relative effect the decision to use a certain value has had on the ratio.

#### *Concerns with the SROI ratio*

*...you are suggesting that everything can be reduced to a number, which people may find distasteful and irrelevant.*

Lead Academic

One of the potential drawbacks of the SROI approach, *and in particular the ratio*, is that without a proper understanding of the process, it is easily viewed as a shortcut to making a decision. This illustrates a fundamental misunderstanding as to what SROI is attempting to convey. In standard accounting practice, a decision to invest in a company would not be based just on the previous year’s profit margin, but would follow a process of due diligence to understand how that margin was achieved, and what mechanisms are in place for increasing it in the future. In the same way the ratio and the surrounding narrative is only one piece of the jigsaw to assist in making a decision as whether to invest in a social outcome. SROI is a type of modelling that can be used to make visible the trade-offs by looking closely at (and more importantly including) positive and negative outcomes.

*I worry about whether people are going to understand what it is telling them once they have done it. What the number really means.*

Library Performance and Quality Manager

For this reason decisions about potential investment that are made by simply comparing ratios are flawed (e.g., assuming that organisation A with a ratio of 1:3 is

---

<sup>24</sup> Ibid.

better than Organisation B with a ratio of 1:2) and often this is why the approach is sometimes regarded with deep suspicion. What's to stop the wrong things being funded? It is important to remember that the SROI ratio is **not** the decision-maker; but by looking at the way the ratio has been calculated, an SROI analysis provides a way to make a better-informed decision about future investment.

Where the process is perhaps most powerful is when an organisation is able to compare how its ratio changes over time. Once a rigorous process of outcomes data collection has been embedded in the day-to-day running of an organisation, a regular SROI analysis of how the ratio changes will be a vital, outcomes performance management tool that not only demonstrates to practitioners, customers and funders that an organisation is in touch with its stakeholders, but can be used to monitor how changes to the way an intervention is delivered alters the extent to which it impacts the people for whom it is designed.

*Also I have a concern as to what happens if the figure is negative at the end – e.g. capital works have high initial investment – could be negative ratio. But realise that there are ways of presenting this realistically.*

Library Performance and Quality Manager

The final **principle of verification** is also important here when an SROI is to be used externally for advocacy, i.e., when proving value to others. To this end, both **nef consulting** and the SROI UK Network are currently establishing the process of verification. Similar to Social Accounting and Audit<sup>25</sup> where there is a network of social auditors who will 'verify the accounts', both **nef consulting** and SROI UK network will provide the necessary support and assurance process to ensure that the principles have been adhered to.

### The methods we use to measure miss the point

#### *SROI measures what matters*

When it comes to understanding the value and importance of a cultural asset, we need to be investigating thoroughly the quality of people's experience. This, by definition means elevating the evidential status of the subjective.

*Measuring is difficult. Using large data sets is fundamental to statistical advocacy arguments, and yet people are individuals - and the important detail is at the level of the individual e.g. how an individual makes use of an experience they have had.*

Lead Academic

*We should be talking to people about how they feel. This is why you should care.*

Museum Director

<sup>25</sup> For more on social accounting see [www.socialauditnetwork.org.uk](http://www.socialauditnetwork.org.uk)

SROI relies on measurement that puts stakeholders at the heart of the story being told. By incorporating participative processes of data collection, it is founded on a clear understanding of what an outcome means in terms of the benefits for communities, businesses and the environment and, as importantly, how those benefits come about. These are reflected at the Impact Mapping (Stage 2) part of the process. In this way, it provides a framework for measuring what matters. By looking at the triple bottom line of social, economic and environmental outcomes, it gives a voice to those normally excluded from decision-making.

For example, Table 5.1 illustrates part of the Impact Map that was developed for North Tyneside Art Studios (NTAS), a managed art studio workspace for people living with mental health difficulties. This is a crucial part of the SROI process as it represents a formal representation of an intervention's theory of change, leading from inputs, to activities, outputs and outcomes for each stakeholder group. The analysis of the various outcomes showed how a range of specific interventions, as well as an overall approach to the way clients were supported, brought about a whole range of vital outcomes for the individuals who attended. Based on a thorough investigation of what those changes were, and how they came about, data was collected that showed the organisation was creating value for a wide range of its stakeholders, not only the studio artists, but their families and carers as well as the staff and volunteers working at the site.<sup>26</sup>

In terms of the outcomes identified, the organisation was able to demonstrate that it was adding value for the investment in time, energy and resources being put in to it. The SROI analysis provided an opportunity to illustrate the extent to which the various stakeholders affected by the NTAS story played their part, whilst acknowledging that those for whom the studio was being run are as much a part of the solution for themselves as for their peers. The process allowed a range of stakeholders to have a significant voice in telling the organisation's story, allowing them to articulate not only if, but how the organisation was achieving its objectives.

The need for measuring effects of interventions on individuals – such as progress or 'distance travelled' towards a desired outcome, is recognised in other parts of the public sector, particularly in relation to mental health or housing. Clearly there is a need to agree an approach for measuring in the cultural sector that is sensitive to the important changes it brings about.

---

<sup>26</sup> Each stakeholder group experiencing outcomes is represented by a separate row in the complete impact map.



Table 5.1: Part of an Impact Map for North Tyneside Arts Studios<sup>27</sup>

Stakeholder	Inputs	Activities	Outputs	Outcomes
Studio Artists (35)	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads, administration, materials)</li> <li>• Volunteer time (including Trustees)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio users taking part in arts activities (Group projects; Individual art work; exhibitions; trying out new disciplines; drawing on practical support)</li> </ul>	<ul style="list-style-type: none"> <li>• Access to a dedicated local community resource</li> <li>• New and improved arts skills</li> <li>• Production of work</li> <li>• Exhibitions experience</li> <li>• Progression to college/work/university</li> </ul>	1. Improved self confidence
		<ul style="list-style-type: none"> <li>• Studio users managing / sharing own dedicated space in the workshop</li> </ul>	<ul style="list-style-type: none"> <li>• Time spent working in the studio environment</li> </ul>	2. Independence (Increased adaptability towards independent living)
		<ul style="list-style-type: none"> <li>• Meeting and collaboration with other studio and professional artists</li> </ul>	<ul style="list-style-type: none"> <li>• New and long-term social networks</li> </ul>	3. Improved physical and mental health and well being
				4. Support and friendship
Carers and Families	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads, administration, materials)</li> <li>• Volunteer time (including Trustees)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio users taking part in arts activities (Group projects; Individual art work; exhibitions; trying out new disciplines; drawing on practical support)</li> </ul>	<ul style="list-style-type: none"> <li>• Time spent by Studio User working in the supported studio environment</li> </ul>	5. Respite Time

<sup>27</sup> The complete impact map for NTAS is reproduced in Appendix 1.

## 6. Next steps

In order to further the discussion started by the Economic Impact Methodologies Review, the MLA Council asked **nef** as one of the leading advocates of the approach in the UK to prepare this report and provide the material for a seminar to explore the relevance of SROI, specifically for the museums and library sector. In particular, this meant providing an overview of the benefits and concerns of using the approach as they are expressed by practitioners, academics and those responsible for delivering services.

Undertaking an SROI allows an organisation to establish the complexity and subtleties of the changes that are taking place for its stakeholders. If this is done comprehensively, in the long run SROI has the potential to convey the rich collage of impact in terms of the shared objectives of those delivering and funding public services. SROI presents an opportunity for joining up directorates and breaking down silos.

It is clear that interest in the approach is gathering momentum both inside and beyond the cultural sector, especially in a climate where proving value and improving performance are seen as necessary dual objectives for undertaking measurement and allocating (and justifying the spending of) increasingly scarce resources. It is hoped by those who advocate a more comprehensive and sensitive approach to measuring performance that through its continued use and development, the principles and practice of SROI will become more widely accepted, thereby changing the way we measure, understand and manage the true impact of our decisions.

This need for new measurement is recognised by the MLA Council, especially in relation to those harder-to-measure yet important effects on quality of life that an experience of cultural activity can contribute to. MLA is involved in a number of ways, most notably having commissioned outcomes-focussed evaluation of a number of community engagement activities for museums and for libraries. MLA is already working towards compiling a body of research on the outcomes resulting from specific types of intervention.

The MLA Council has undertaken to continue exploring the possibilities for the use of SROI in the sector; this paper and the related seminar are a part of that process. For more information on SROI's wider use, its current state of development and support, the three main points of contact are the **Office of the Third Sector** in the Cabinet Office, the **SROI UK Network** ([www.thesroinetwork.org](http://www.thesroinetwork.org)) and **nef consulting** ([www.nef-consulting.co.uk](http://www.nef-consulting.co.uk)) at **nef** (the new economics foundation).

# Appendix 1: An example from an SROI analysis

In order to illustrate the six stages<sup>28</sup> of the SROI process, this section draws from an example of an SROI that was undertaken for a managed artists' workspace studio in the North East of England.

- 1. Establishing scope and identifying key stakeholders. It is important to have clear boundaries about what the SROI analysis will cover, who will be involved in the process and how.**

## **Scope and stakeholders for North Tyneside Art Studio<sup>29</sup>**

North Tyneside Art Studio (NTAS) provides studio space and the support of professional artists for a number of people with mental health or addiction problems. Its ethos is that by encouraging the creativity, self expression, personal development and artistic enterprise of its users, they will be able to attain a fuller life experience and play an active part in the cultural enrichment of their community.

Through its work, NTAS has the potential to be affected by and to affect a wide range of stakeholder groups beyond the studio users themselves. For example, the immediate family and carers who are also affected by the outcomes that the studio has for its users, the organisations and public bodies who support the work, and the people living and working in the wider community. Although ultimately the aim for carrying out an SROI analysis is to make visible impacts on all stakeholders, whether or not they feature in the mission statements of an organisation, it is necessary to set the practical boundaries for a first analysis to include the value that is related to the primary stakeholder group – studio artists and craftspeople, and those people and organisations immediately associated with them.

- 2. Mapping outcomes. Through engaging with stakeholders, it is necessary to develop an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes. Table A1 shows the impact map that was developed for NTAS, and the potential outcomes that were being achieved for each stakeholder group.**

---

<sup>28</sup> Adapted from Nicholls (2009) *op. cit.*

<sup>29</sup> The references to the SROI for North Tyneside Art Studio are used with the kind permission of Andrea King, The Centre Manager. The study was undertaken by Burns Collett and nef in 2007 as part of an Arts Council's *Inhabit* project researching the value of managed workspace.

Table A1. Impact map for NTAS

Stakeholder	Inputs	Activities	Outputs	Outcomes
Studio Artists (35)	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads, administration, materials)</li> <li>• Volunteer time (including Trustees)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio users taking part in arts activities (Group projects; Individual art work; exhibitions; trying out new disciplines; drawing on practical support)</li> </ul>	<ul style="list-style-type: none"> <li>• Access to a dedicated local community resource</li> <li>• New and improved arts skills</li> <li>• Production of work</li> <li>• Exhibitions experience</li> <li>• Progression to college/work/university</li> <li>• Raised aspiration</li> </ul>	1. Improved self confidence
		<ul style="list-style-type: none"> <li>• Studio users managing / sharing own dedicated space in the workshop</li> </ul>	<ul style="list-style-type: none"> <li>• Time spent working in the studio environment</li> </ul>	2. Independence (Increased adaptability towards independent living)
		<ul style="list-style-type: none"> <li>• Meeting and collaboration with other studio and professional artists</li> </ul>	<ul style="list-style-type: none"> <li>• New and long-term social networks</li> </ul>	3. Improved physical and mental health and well being
Carers and Families	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads, administration, materials)</li> <li>• Volunteer time (including Trustees)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio users taking part in arts activities (Group projects; Individual art work; exhibitions; trying out new disciplines; drawing on practical support)</li> </ul>	<ul style="list-style-type: none"> <li>• Time spent by Studio User working in the supported studio environment</li> </ul>	5. Respite Time
			<ul style="list-style-type: none"> <li>• Regular engagement with and involvement in studio artists' growth and development</li> </ul>	6. Reduced Stress (Improved physical and mental health and well being)
Support Workers & Care Co-	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads,</li> </ul>	<ul style="list-style-type: none"> <li>• Studio users taking part in arts activities (Group projects; Individual</li> </ul>	<ul style="list-style-type: none"> <li>• Regular engagement with and involvement in studio artists'</li> </ul>	7. Clients less reliant on professional care support

Stakeholder	Inputs	Activities	Outputs	Outcomes
ordinators	administration, materials) • Volunteer time (including Trustees)	art work; exhibitions; trying out new disciplines; drawing on practical support)	growth and development • Opportunities to assess positive or negative physical and mental health developments amongst users • Studio users' access to facilities and support	(who are able to perform their role more effectively)
NTAS Staff (including sessional workers)	• Expenditure by NTAS (staff salary, overheads, administration, materials) • Use of time and skills	• Planning and strategy management • Management of organisation • Day to day operational activity in the centre • Delivery of arts development skills • Delivery of informal support for Studio users • Overall care of the fabric of the building, use of spaces, purchasing and ordering of supplies etc.	• Opportunity to work in a creative and caring environment • Opportunities for personal and professional development • Source of income	8. Work Satisfaction
NTAS Volunteers (including Trustees and Directors)	• Expenditure by NTAS (staff salary, overheads, administration, materials) • Use of time and skills	• Operational support including building maintenance and supervision, informal support for studio users, managerial (trustee) support • Delivery of arts development skills Strategic/organisational development: ensuring the organisation delivers its aims & objectives and complies with the requirements of the Charity Commission and Companies House - responsible for ensuring NTAS operates legally	• Opportunity to work in a creative and caring environment • Opportunities for personal and professional development	8. Work Satisfaction

Stakeholder	Inputs	Activities	Outputs	Outcomes
Public Bodies (Referring Bodies - GPs, NHS, CMH teams; Northumberland, Tyne & Wear NHS Trust)	<ul style="list-style-type: none"> <li>• Expenditure by NTAS (staff salary, overheads, administration, materials)</li> <li>• Volunteer time (including Trustees)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio user referrals taking part in supported arts activities at NTAS (Group projects; Individual art work; exhibitions; trying out new disciplines; drawing on practical support)</li> </ul>	<ul style="list-style-type: none"> <li>• Studio Users less reliant on public services</li> </ul>	<p>9. Costs saved for provision of services to vulnerable people</p> <hr/> <p>10. Costs saved for provision of physical and mental health services</p>

**3. Evidencing outcomes and giving them a value. This stage involves finding data to show whether outcomes have happened and then valuing them using a transparent and accepted valuation method.**

**Summary of data collection at NTAS**

In order to investigate the occurrence and extent of the 10 outcomes described in the prioritised impact map, the researchers collected data using a paper-based survey undertaken with 24 of the 35 regular studio users, and a shorter survey with 5 staff, 2 volunteers and 3 trustees.

Each survey was designed to gather information that provided evidence of specific outcomes. They also asked a number of qualitative questions to find out about attitudes, behaviour and the value that each stakeholder group placed on certain activities or attributes within NTAS. This attitudinal information enabled the researchers to make reasonable judgments about the extent to which NTAS was contributing to outcomes happening.

**Table A2. Example of the proxy and calculations for one of the NTAS outcomes**

<b>Outcomes</b>	<b>Indicators</b>	<b>Financial Proxy</b>	<b>Data Collection</b>	<b>Findings and Calculations</b>
3. Improved physical and mental well-being	Studio users' reduced time accessing physical / mental health services	£ value of time saved to studio user not accessing primary or secondary health services.  Hours valued at an average wage rate of £11.80 per hour.	Studio Users' Questionnaire, responses to 8a - 8e, 9a - 9e	Out of 24 respondents who were studio users, 6 studio users (25% of respondents) together noted a net reduction of 24 hours per month with a <b>physical health professional</b> (such as a GP) and attributed this reduction "a great deal" to being at NTAS.  <b>ALSO:</b> 12 studio users (50% of respondents) noted a reduction of 36 hours per month with a <b>mental health professional</b> and attributed this reduction "a great deal" to being at NTAS.  All together, the aggregated time saved to respondents by not accessing physical and mental health services was 60 hours per month, valued at £11.80 = £708 per month x 12 months = £8,496 of value to the Studio users. Extrapolating the figure to reflect the whole population of 35 studio users increases this figure to 83 hours per month, valued at £11.80 = £979.40 per month = £11,752.80 worth of social value over a year.

- 4. Establishing impact. Having collected evidence on outcomes and monetising them, those aspects of change that would have happened anyway (deadweight) or which are as a result of other factors (attribution) are eliminated from consideration. At the same time, data is collected to establish the extent to which outcomes resulting from the investment will last over time (benefit period), and to what extent they are diluted by other factors (drop off).**

### **Estimating attribution and deadweight for NTAS**

For each outcome indicator, the studio users who reported a positive difference were asked the extent to which they attributed the changes they reported to their experiences at NTAS. In order to account for attribution in the SROI analysis – i.e., the proportion of outcomes for which NTAS can claim credit, the analysis included responses only from those who stated that they attributed outcomes ‘a great deal’, the maximum score on a 4-point scale.

Likewise, the results of a survey question showing that 11 out of the 24 studio users surveyed (46%) were not taking part in other support activities other than with NTAS allowed the researchers to infer that 54% of users were experiencing other interventions. In the absence of an alternative reliable benchmark, an estimate of what would have happened without NTAS was reached by using this percentage figure to give a liberal estimate of deadweight, i.e., to discount the proportion of the outcomes that might have happened without NTAS.

- 5. Calculating the SROI. This stage involves adding up the values of all the benefits (including those that might be projected into the future), subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested. (i.e. seeing how changing some of the assumptions that have been made can affect the overall ratio) This is known as a ‘sensitivity analysis’.**

### **Calculating the SROI for NTAS**

For the value of benefits created by NTAS just in the year of the investment the calculation was as follows:

$$\begin{array}{r}
 \textit{Total value of benefits in year of investment} \\
 \hline
 \textit{Value of ‘year one’ investment} \\
 \textit{(includes running expenditure, and staff costs)}
 \end{array}
 = \frac{\pounds^{*****}}{\pounds^{*****}} = 1:1.19$$

That is to say that for every £1.00 invested in the organisation, there is an immediate social return in that year of £1.19.

However, it is likely that the outcomes described in the impact map last longer than just the one year after the intervention that the investment paid for, and so to



illustrate this, we present the ratio incorporating the accrued value of benefits over three years.

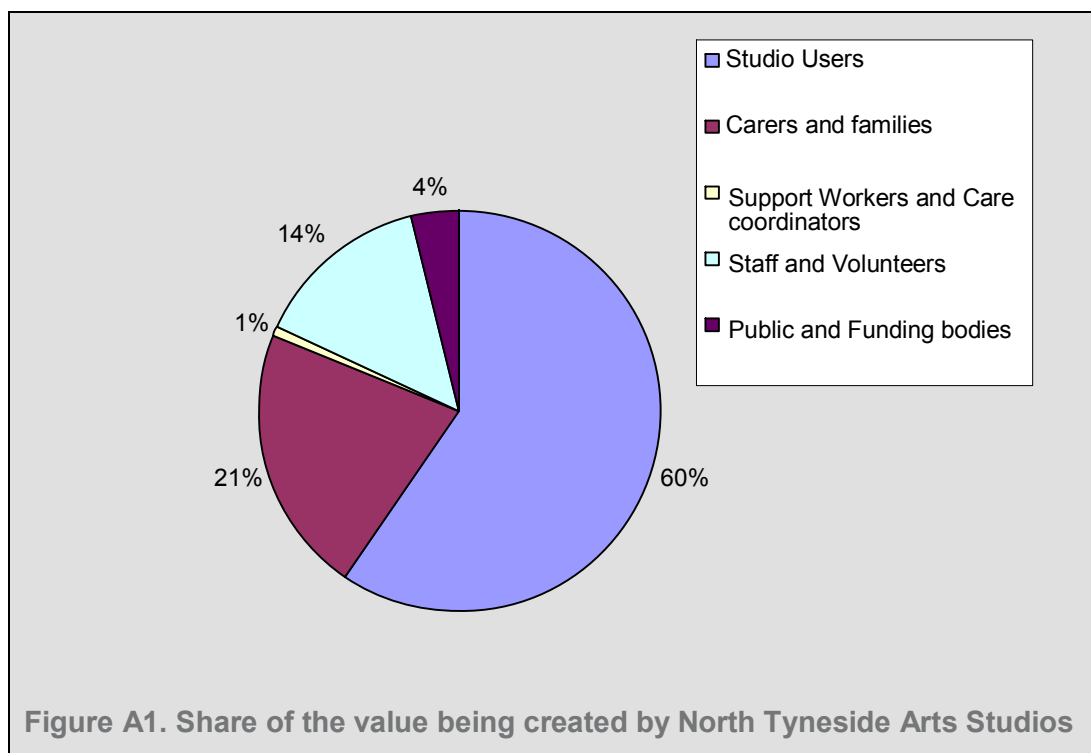
$$\frac{\text{Total net present value (NPV) of benefits including 20\% 'drop off' over 3 years}}{\text{Value of 'year one' investment (includes running expenditure, and staff costs)}} = \frac{\pounds*****}{\pounds*****} = 1:2.81$$

To take account of the fact that the relative effect of the 'year one' investment will not be maintained at the same level into the future, the value is discounted by 20% each year to reflect an estimation of this 'drop off'. Likewise, as the value of £1 today is not worth £1 in the future, the yearly figure is discounted further to reflect the net present value (NPV) of the benefits in each subsequent year. This is a concept borrowed from CBA. A discount rate of 3.5% has been used to account for this, year on year.

Therefore, as the calculation shows, the social value created over three years is projected to be £\*\*\*\*\*. When this is divided by the amount invested, a social return of 1:2.81 is generated. This means that over three years for each £1 invested in the first year, £2.81 of social value is created.

### Share of the value created by NTAS

The percentage of value by stakeholder included in the analysis is represented in Figure A1.



## **Studio users and associates**

Figure A1 shows that the majority of value is accruing to the studio users. The second-largest value group are those stakeholders most closely associated with the studio users; their carers and close family members. The indication that value is being created for this second group strengthens the proposition that the studio is making a difference for the studio users themselves.

Clearly, these are the key groups of stakeholders that relate to the current mission of the organisation, and so the story that this tells is in line with one of an organisation fulfilling its objectives. However, the studio is also creating value elsewhere. For example, the staff and volunteers who work there are not only contributing to the value to studio users, but gaining benefits themselves, and so the effects of the organisation on this wider group of stakeholders must not be underestimated. Because the staff are such a key part of the studio's success, understanding how they are to be encouraged and nurtured to play their part in the NTAS story will be vital in ensuring the organisation's ability to deliver in the future.

### **An example of using sensitivity analysis from NTAS**

#### *Valuing stakeholder's time differently*

For studio users and carers, as well as volunteers, the value of their time when it has been viewed in terms of a proxy for a beneficial outcome has been fixed at an average wage rate of £11.80 per hour. This is based on the assumption that these stakeholders would, in the absence of other activities or circumstances, be valued, and therefore value themselves, in terms of a reasonable living wage.

However, an alternative might be to use a minimum hourly wage rate of £5.50 for these stakeholders. If we represent the lower end of the value scale by substituting £5.50 in every instance where we have used £11.80 as a proxy this significantly reduces the overall ratio to 1:1.61 over three years and 1:0.68 in the year of investment, whilst reducing the share of value for the studio users to 49%, and to their families and carers to 25%.<sup>30</sup>

This has the advantage in research terms of avoiding an over-claiming in the value of the outcomes being created, whilst acknowledging that an intervention of this nature needs to be viewed over the long term in order to produce a significant social return. Benefits do not happen overnight when they rely on the steady and sensitive development of a relationship between practitioner and client. It can be argued, however, that using this lower proxy value for time significantly undervalues the importance of the benefits the stakeholders are experiencing.

---

<sup>30</sup> Both the minimum (£5.50) and maximum (£11.80) values are approximations; a third way might be to ask each stakeholder how they would value their time, and use these figures in any proxy calculations.

**6. Reporting, using and embedding. This vital last step of an SROI involves sharing findings with stakeholders and responding to them, embedding good outcomes processes, and verifying the report.**

### **Overview of NTAS**

NTAS is an organisation operating on the frontline of an increasingly challenging field of social care. As a workspace organisation, the provision of artistic support and specialist expertise is, for NTAS, a means to an end rather than an end in itself. The improved health and well-being of its users provides the focus for activity, and the creative outputs (the art and craft work produced and sometimes displayed) are an important byproduct that is as important for the creator as for the audiences who may or may not see them in exhibition.

In terms of the outcomes identified, the organisation is clearly adding value for the investment in time, energy and resources being put in to it. An SROI analysis provides an opportunity to illustrate the extent to which the various stakeholders affected by the NTAS story play their part, whilst acknowledging that those for whom the studio is being run are as much a part of the solution for themselves as for their peers. The process allows a range of stakeholders to have a significant voice in telling the organisation's story, allowing them to articulate not only if, but how the organisation is achieving its objectives.