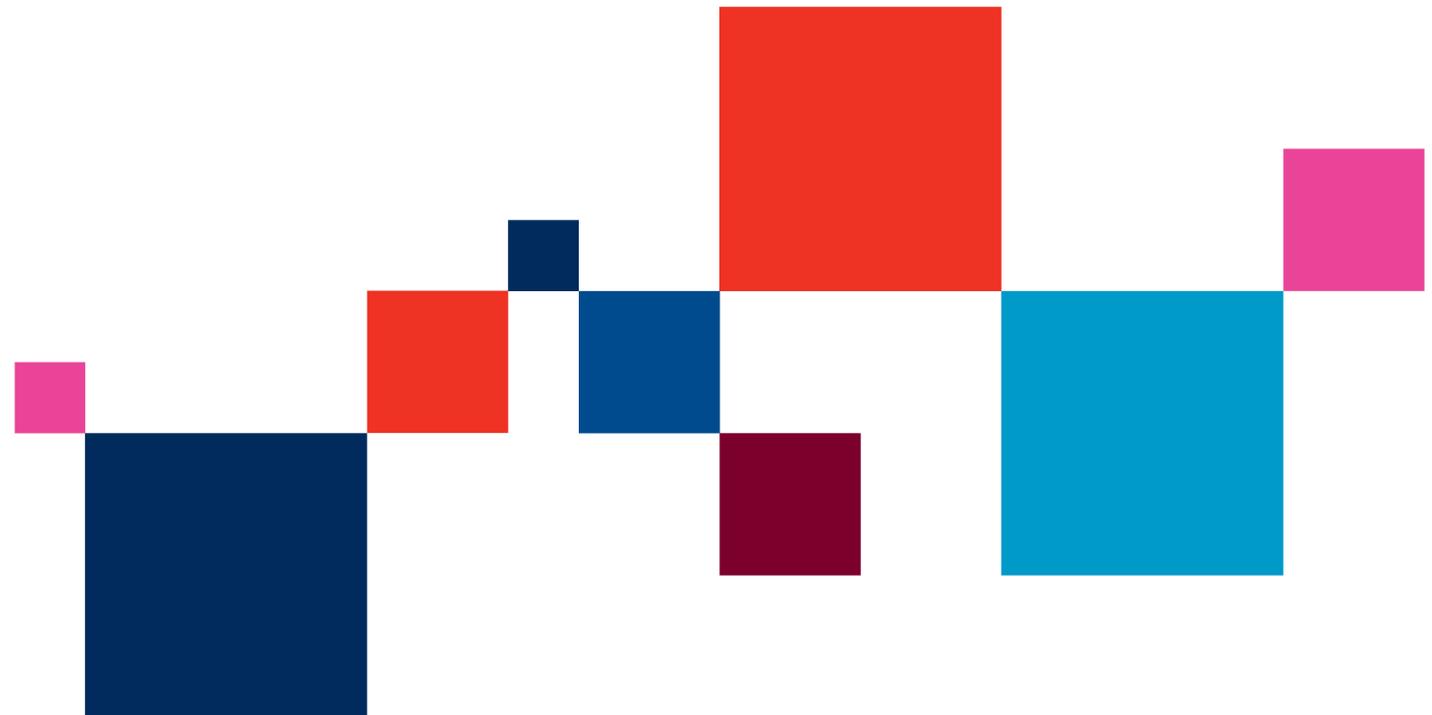


# ELLA FORUMS

## Social Value Predictive Study Project – Part 2



# Introduction

This is the second of a two-part impact analysis report based on Social Return on Investment (SROI) principles. Kingston Smith (KS) has been commissioned by Ella Forums (EF) to provide the study and a social value accounting model. The second stage is concerned with the impact valuations of the material outcomes identified in the previous report.

## Stage 2:

This involves the completion of the dynamic impact model (predictive) to include the valuation of outcomes, identification of impact and an extension of the report covering outstanding areas including future data gathering requirements to convert the model from a predictive analysis to an evaluative one. It is intended that Ella Forums can use the evolving model to cover impact-reporting requirements well into the future. Members of the Kingston Smith Fundraising Team met with EF officers mid February 2016. The key tasks on the table were to provide as soon as possible a mechanism for Ella Forums to articulate the social value created through their work with key leaders active in the Charity Sector. The initial stage of the reporting framework has been used by Ella to good effect; resulting in a substantial contribution to the work of Ella from a major foundation.

The main purpose of this report is to cover the calculation modelling and attendant methods of operation to allow Ella to actually track social value creation as the project evolves.

## The process of tracking and articulating Impact

Impact is the ‘change’ that is brought about by a project or organisation for its key stakeholders. Approaches to measuring impact often involve the establishment of a process to define outcomes and depending on the approach taken; recording and reporting on these in terms of measurement and valuation. At KSFM we see considerable advantage in being able to articulate outcomes in terms of their value so that tracking processes and performance comparisons can be informed.

Often the management of outcomes is a process aimed at providing information internally but also externally to potential funders or social investors. The whole process can sometimes be referred to as measuring social value creation and social value accounting is increasingly reported to Boards alongside financial reporting.

Organisations that wish to get closer to their stakeholders in order to generate improved outcomes, increase value and become more sustainable in harder economic times, know that actions, activities and the way they work with others can add to or deplete the ‘value’ of what they create.

Consequently, any evaluation of organisational impact will be incomplete if it is not tracked, considered, measured and accounted for comprehensively – across the full range of stakeholders who experience relevant and significant change as a result of their activities.

The main stakeholders for this study are the CEO members of Ella who are leading their respective charitable organisations into ever challenging times in terms of operations and funding and the organisations themselves as represented by the boards (governance) of those organisations.

The claimed material outcomes are covered in detail in part one of the report. The key outcomes are summarised in the graphics below.

## Member outcomes:



## Organisational outcomes:



The remainder of this report will explore the value of outcomes and how these translate into the claimed impact of the project under analysis under the following headings:

- Quantities of outcomes
- The duration of outcomes
- Outcomes valuations
- Establishing Impact
- Calculation results
- Sensitivity findings
- Summary and future data gathering

## Quantities of outcomes

It is usually impossible to get into direct communication with every constituent member of a given stakeholder group and so sampling becomes important in ensuring adequate coverage and appropriate representation. In this case, of the 40 CEO leaders who were actively attending the Ella sessions we covered, 15 were engaged directly in two sessions. This represents a sample of some 37% which is more than adequate for sampling purposes for a predictive SROI given that we would be confident that the sample was representative. Since representation was determined by whoever attended at the two sessions that were assigned for stakeholder engagement, KS has recommended that a further sampling be added to the existing data as soon as possible.

For now, based on the available evidence, the following is assumed in the analysis:

It is not likely at all that 100% of stakeholders will experience the outcomes claimed. This is a normal stance within impact analysis methodology. The baseline assumption is that around 1/3 of members will experience significant material change in terms of the identified outcomes above.

Since the outcomes claimed for organisations are very closely associated with members experiencing outcomes (and through action creating organisational change), the number of organisations experiencing change is the same as the number of members.

It is therefore determined that 14 out of 40 in each stakeholder group will experience material change. Those that benefit from attendance at Ella will all change to some extent. The study only values significant change. 14 out of 40 is the baseline assumption (set conservatively to remain prudent and not over-claim social value). Later in this report, sensitivity testing will explore a higher value for quantities of change.

## Duration of outcomes

Professional and organisational development is an on-going process and its continuation will often be linked to continued inputs and stimulus. The outcomes claimed in this first stage study are largely to do with developmental issues and so the claimed duration of the effects of Ella activities are limited to the time period of the activities themselves and one further year beyond the activity. Outcomes lasting into year two having less of a causal relationship to the original inputs are valued less than the outcomes that happen during contact with Ella sessions. This is managed through the drop-off values in the calculation model and has been set at 75% across the range to reflect the dependence of developmental outcomes on the Ella activity.

## Valuing outcomes

At KS we feel that a unique and important aspect of impact analysis is the valuation of outcomes – essentially the monetisation of change for the purpose of showing how value can be achieved, how it can be compared with other values internally and how this in turn can influence important decisions for the organisation. Some outcomes are not difficult to value if they can be linked to readily available market prices. For example, the value of a volunteer who reports that they gained employment through their experience with the Project could be represented by the earned income that results, assuming that they were reporting that the job represented a positive change in their life.

The increase in expendable income information could be easily obtainable either from the stakeholder or by reference to known market valuations – e.g. in the case of the latter – data on local levels of earnings may be appropriate. While use of such data may not be exactly what

the stakeholder is earning, if it was not possible to get data on the exact wage by asking the stakeholder, the use of this kind of appropriate Financial Proxy would give a good indication of the value that could be attached.

**Financial Proxies** are used to value all material outcomes included in an SROI account.

This is also the case where it is not possible to obtain a market value because it does not yet exist. Unlike the example above, where no data is yet available, valuations can be arrived at by a number of methods.

### Valuation Methods

Where no easily accessible market value exists, the SROI valuation process is interested in the consensus of value, by reference to stakeholders and/or other research. There are a number of approaches that exist in the field of valuation, some of which is driven by UK government planning processes e.g.

*Revealed preference – where value is approximated by looking at people’s purchasing decisions in markets that could be related to the outcome.*<sup>1</sup>

Another approach is to consider the effect of achieved outcomes on people’s well being and to value this by reference to a reputable global measure. Again, in the UK and elsewhere, considerable research is emerging on the subject of population well being across many factors that contribute or detract from quality of life (equating the value of well being to increases or decreases in Life Satisfaction indexing). Asking people to reveal a monetary sum in this case approximates value – for example the required increase in their salary that would create the equivalent feeling of increased happiness or improved life satisfaction achieved by the outcome in question.

The following methods of valuation have been used in this study:

1. An approximation of value through establishing market values that stakeholders would need to expend if purchasing goods/services that would provide an equivalent outcome (regardless of ability to pay).

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<sup>1</sup> *Valuation Techniques for Social Cost-Benefit Analysis* – HM Treasury, DWP

## 2. Existing publications on Subjective Well-Being valuations<sup>2</sup>

The initial financial Proxy valuations attached to outcomes are set out in the tables below:

### Valuation of outcomes for members

What is the claimed Chain of Change?	End outcomes	Financial Proxy Description	Value	Source
Increased confidence as a leader, accelerated increase in targeted knowledge and skills	Improved self-esteem as a leader > Reduced stress leading to increased well-being.	1. Market cost of coping strategies for workplace stress course. £384 per person for a 2-day course. 2. Well-being valuation - for holding a secure job - interpreted in the context of security coming from favourable conditions to stay in role. £12,164 (for person aged 25 - 49 working outside London)	£12,548	1. Stress in the workplace training: <a href="http://www.humangivenscollege.com/courses/prices.html">www.humangivenscollege.com/courses/prices.html</a> 2. EMP1605: <i>Social Value Bank</i> , HACT and Fujiwara, D. (2016) <a href="http://www.socialvaluebank.org">www.socialvaluebank.org</a>
Quicker to evaluate, prioritise, re-frame thinking and create better strategic framework, improved ability to make more effective change decisions	Improved governance relationships, improved staff relationships	Market cost of organisational review for small organisation (review analysis and design of solutions based training programme to improve organisational communication)	£6,000	Estimated
	Better career profile leading to increasing personal financial benefits in future	15 - 20% increase required (assume 18%) for Charity CEO to move role based on average salary of Charity CEO - £55,500 (AVECO study 2015)	£9,990	<a href="http://www.thirdsector.co.uk/average-salary-charity-chiefs-55500-last-year-aveco-survey-reveals/management/article/1333730">www.thirdsector.co.uk/average-salary-charity-chiefs-55500-last-year-aveco-survey-reveals/management/article/1333730</a>

<sup>2</sup> *Social Value Bank*, HACT and Fujiwara, D. (2016) [www.socialvaluebank.org](http://www.socialvaluebank.org)

**Valuation of organisational outcomes**

What is the claimed Chain of Change?	End outcomes	Financial Proxy Description	Value	Source
Increased confidence as a leader, accelerated increase in targeted knowledge and skills	Improved organisational culture leading to more motivated staff > Reduced staff turnover	Average cost of replacing staff - based CIPD review - <i>Measuring the cost of staff turnover and putting a value on retention</i> , Clarke, R Assuming 2 staff members replaced in 1 year period = £9,600	£9,600	<a href="http://www.cipd.co.uk/research">www.cipd.co.uk/research</a> Average of cost of replacing an employee: £4,800 Average cost of replacing a manager/professional : £7,000
Quicker to evaluate, prioritise, re-frame thinking and create better strategic framework, improved ability to make more effective change decisions	Improved governance leading to time efficiencies	Cost of facilitative leadership 2 day course for Board and SMT	£1,800	<a href="http://interactionassociates.com/search/node/facilitative%20leadership">interactionassociates.com/search/node/facilitative%20leadership</a>
	Improved reputation of charity > higher profile network leading to improved income opportunities.	Cost in market place for average charity to raise profile through networking/PR	£5,000	Estimated
Improved time management	Improved volunteer support structure > Increased volunteer inputs	The value of volunteers' work/contributions to organisations - cost to replace volunteers with paid staff. Number of regular formal volunteers (around 15 million) and mean number of volunteer hours (2.8hrs per week) from the Community Life Survey. Multiplied by the median hourly wage for paid roles that are equivalent to volunteer roles. This gives the figure of £23.9bn for regular formal volunteers for 2012-13 – around £1,500 a year each. Assume two properly managed volunteers per improving organisation	£3,000	Office for National Statistics - Valuing Voluntary Activity in the UK - <a href="http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171766_345918.pdf">webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171766_345918.pdf</a>

# Establishing Impact

The final impact value is the value assigned to the outcome less the value of an element of the outcome that might be attributed to external factors. Members who attended the Ella groups were keen to report the very positive effect the activities have on their professional lives. It is nevertheless possible that stakeholders can over report the link between the outcomes experienced and the activity they are engaging in. Impact analysis asserts that it is important for the credibility of reporting that the attribution to the project of stakeholder change is realistic. This involves the clear recognition of other factors that have contributed towards change. Most change that happens in one's life would have to be attributed to a range of influences. This can often take place unconsciously, for example through a range of relationships or other sources of knowledge that can influence change for us. It is important to take account of parts of the value of outcomes that are created by others, as well as parts that would have happened in any case for stakeholders, without support from the Project. The following concepts have been applied in making impact adjustments to the social account:

**Deadweight (DW)** – This is the name given to that proportion of each outcome that would have happened anyway without the influence of the Ella meetings. A percentage value is applied for Deadweight that is then removed from the outcome value claimed. During engagement sessions with Ella members the specific issue was addressed. Participants were asked to think from their personal experiences of the degree of likelihood that they would have reached the same points of development in their careers without the Ella sessions. The percentage Deadweight given by members ranged from 10% to 30% depending on circumstances of the members. A few felt they would never have had the opportunity to develop while others felt that they would certainly have taken other steps but perhaps their progress would not have been as accelerated as with the focussed nature of the Ella sessions. The average DW value for outcomes across the sample group is 18%.

**Attribution** – This is the proportion of each outcome that is due to other influences, in addition to the work of Ella Forums. This was treated the same way as DW. Stakeholder feedback indicates that on average across the different outcomes 50% of the value of the outcome is attributable to sources other than the Ella sessions. This means that 50% of the value is solely attributable to the work of Ella and this is reflected in the social account calculations could be attributed to external factors. This also is subjected to sensitivity analysis described later.

# Impact Calculation results

The SROI ratio; the return value from the activities expressed as a ratio of the investment is set out below. Calculations include discounting to take account of risk factors associated with the type and context of investment as well as the reduced value of money over time. This results in the total present value shown below.

SROI Ratio	
Total Investment	£96,880.00
Total Impact Value	£341,857.86
Total Present Value Impact	£328,063.56
Total Present Value Impact (PV) less investment cost	£231,183.56
<b>Net Social Return on Investment £ per £</b>	<b>£2.39</b>

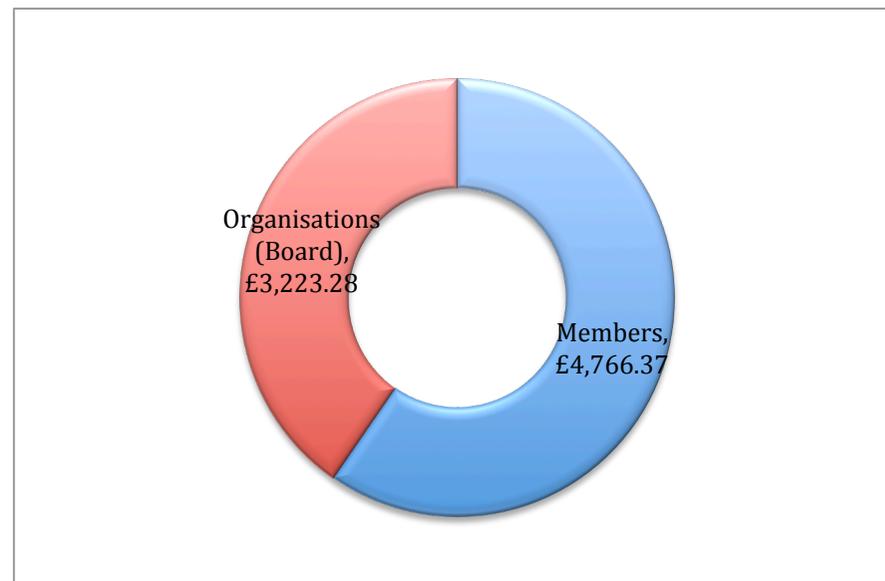
The baseline prediction therefore is that **for every £1 invested in Ella Forums, £ 2.39 is returned in social value.**



The Ratio result is the return value of outcomes derived from dividing the final impact value by the investment cost. Before looking at sensitivity analysis to test any assumptions or areas that may need stronger supporting data in future, **the initial finding is that the work carried out by Ella Forums is forecast to return well over 2 times the value invested in it.**

This is an extremely positive result if actual data gathered by the project confirms the existence and quantities of these outcomes. In general terms a return on any investment in the region of two times the amount invested would be considered extremely attractive. Further information is provided below on the value share. The overall feel of the share of social value created may be somewhat eschewed if information taking into account the different size of stakeholder groups is not also considered. Analysis of the social value per stakeholder group and per head provides further insight:

### Share of Value by Stakeholder Group and by head/individual organisation:



% Value share by head/individual organisation	
Individual members value	60%
Organisational outcomes value	40%

**Of the total social value created by the work of Ella, members as a group accrue 60% of the value – an average of £4,766 developmental outcomes per head and organisations share 40% of the value or £3,223 per organisation.**

**Another way to look at the flow of return value is to consider the payback period – the amount of time it takes to accrue social value equal to the investment amount. There is a strong flow of value in year 1 of the projections representing the period of Ella sessions (outcomes value of £264K) that means the investment of £96,880 would be returned in a matter of only a few months.**

## Sensitivity of baseline analysis

There are some reporting conditions and assumptions that are inherent in the development of the social account, particularly one that is predictive, and these are subjected to sensitivity analysis in order to judge the robustness of the result. This is about recognising that where proximity to value is provided, where assumptions require testing or where data could be stronger; such elements require further focus to test effects. The items subjected to sensitivity testing in this analysis are as follows:

1. Deadweight values – testing for variable values
2. Attribution values – testing for variable values
3. Increase in numbers experiencing material outcomes
4. Outcomes do not last beyond the year of session’s activity

## Sensitivity table

Item	Baseline Value	New Value	Baseline Ratio	Ratio Change
Deadweight	Average over all outcomes is 18.5%	25%	£2.39	£2.12
Attribution	Average over all outcomes is 50%	25%	£2.39	£4.08
Increase in quantities of outcomes	Determined that 14 out of 40 members and organisations experience significant outcomes	20	£2.39	£3.84
Duration reduced in all cases to year of activity	Outcomes last 2 years but with high drop-off for year 2	1 year	£2.39	£1.73

In terms of the predictive data set, we tested different values inserted in potentially sensitive areas to determine if major changes in the final account would result. The variables tested do not render those aspects as particularly sensitive although it can be noted that if the proportion of outcomes value attributed to Ella were to increase, the ratio of return would also increase to just over £4 for every £1 invested. The attribution of elements of outcomes to other factors and consequently that, which can be claimed by Ella, is therefore an important factor. Ella should gather information from members on the potential external sources of development so that this part of the impact analysis can be more finely tuned in future iterations. Future data gathering will better inform the predictive data and until such times as data is available it can be solidly predicted that the ratio of return is in the range £1.74 to £4.08 taking account of 1 step variables but that the baseline ratio, being not over sensitive to said variables, remains at £2.39.

# Summary

The headline findings based on the evidence available so far are:

### **The work of Ella Forums returns a very healthy social value return**

- The baseline prediction is that for every £1 invested, £2.39 social value is returned.
- Testing existing variables shows that the findings are not sensitive but that the result range affected by variables change is between £1.74 and £4.08 for every £1 invested.
- Ella members (CEOs and senior leaders of charities) who experience significant change experience an average benefit to the value of some £4,666 per head.
- Organisations benefit from change also; those that experience significant change experience an average benefit to the value of £3,223 per organisation.
- In terms of this initial study, looking at the returns against the investment in Ella, such investment would be paid back in a matter of only a few months, a very strong indicator of a highly efficient social investment.

The above findings follow the internationally established principles of Impact reporting (the 7 principles of SROI – see appendix A) and are considered a prudent view of the change that Ella creates. Nevertheless, Ella has been advised that further data is required to further test and inform this model and to improve the representativeness of the original sample. It is recommended that further stakeholder engagement take place over time to achieve a wider data set that can be reliably used to convert this analysis from a forecast to an evaluative study.

### **Appendix 1: Social Value Principles**

- 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:**

### Appendix 2: Glossary of Impact terms

<b>Attribution</b>	An assessment of how much of an outcome was caused by the contribution of other organisations or people.
<b>Deadweight</b>	A measure of the amount of an outcome that would have happened anyway - even if the activity had not taken place.
<b>Drop-off</b>	The deterioration of an outcome over time.
<b>Duration</b>	How long (usually in years) an outcome lasts after the intervention.
<b>Impact</b>	The adjusted value of an outcome taking into account things like what would have happened anyway, the contribution of others and the length of time an outcome lasts.
<b>Inputs</b>	The resources that are necessary for the activity to happen.
<b>Outputs</b>	A way of describing the activities under study and often in quantitative terms.
<b>Outcome</b>	The 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.
<b>Social return ratio</b>	Total net present value of the impact value divided by total investment value.
<b>Stakeholders</b>	People, organisations or entities that experience change, whether positive or negative, as a result of the activity that is being analysed (or those that have an effect/influence on those activities).