



## **SSE – Beatrice SROI framework**

**Guidance document**

This guide presents the approach taken to integrating impact measurement into SSE's Beatrice Partnership Fund work: the different components required to measure impact, and the assumptions, research, and judgements that underpin each of the components.

It is intended to be used as a point of reference and interrogation by SSE staff and by those who will interact with the questionnaires and results. The guide can also serve as a learning tool for those in the wider sector of charitable and social purpose organisations, who wish to understand the detailed methodology behind SSE's impact measurement work.



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# 1. Introduction

The principal aim of investing in impact measurement is to understand and to provide evidence of the difference made by the projects that SSE funds – initially regarding its Beatrice Partnership Fund but later with respect to other projects.

The Social Return on Investment (SROI) methodology,<sup>1</sup> upon which the framework is based, provides SSE with a range of information with which to understand impact:

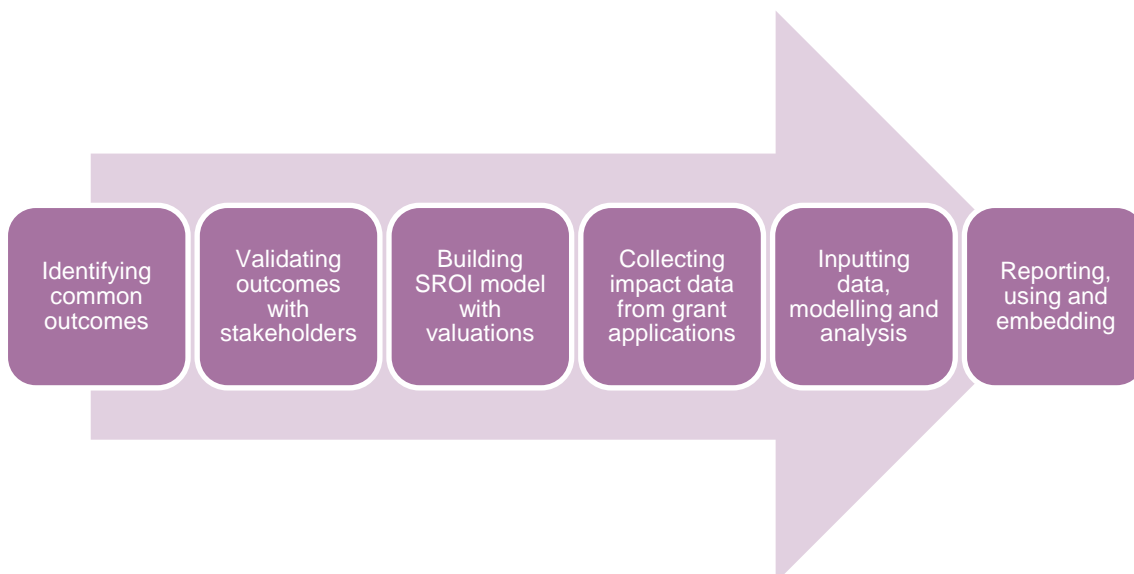
- **Outcomes:** The changes that happen in the lives of stakeholders impacted by the projects it funds.
- **Impact:** The added value that SSE creates through its support for these projects, as defined by considering what would have happened in the absence of SSE's funding.
- **Valuation:** The social, environmental, and economic value created through the work of the projects it supports, as understood by placing monetary values on those impacts.

This information can support both internal learning as to how to improve impact as well as demonstrate to external stakeholders that SSE is committed to measuring the impact of the projects it invests in.

## Process

Developing an impact measurement framework requires several stages to ensure that the data captured are meaningful and that we are measuring what matters. Figure 1.1 presents the process within SSE's overarching impact measurement framework.

Figure 1.1 SSE impact measurement framework development



<sup>1</sup> *A Guide to Social Return on Investment* (2009) London: Cabinet Office Media

## Scope

The impact framework was developed to cover all the key impact areas that the projects SSE supports are expected to impact for local stakeholders. The pilot model considered a sample of 10 project grant applications, but the model architecture is designed for up to 20. This is expected to be most projects falling under any single funding round.

## Outputs

The key outputs of the impact measurement framework are:

- Common outcomes for all projects supported by SSE's Beatrice Partnership Fund.
- Outcomes data collection framework: The Outcomes Matrix report provides the template for grant applicants to identify which outcomes are relevant to their project, how they will measure impact, and what their predicted and actual impacts are.
- SROI Excel-based model: A tool that allows the capture and storage of impact data, as well as the socio-economic analysis of the impact for the featured projects.
- Methodology guide to SSE's impact framework: This document, outlining the decisions, assumptions, data, and calculations that underpin the framework and model.

## How to use this guide

This guide presents the approach taken to integrating impact measurement into SSE's Beatrice Partnership Fund work, and could equally be applied to other SSE projects.

The guide outlines the different components required to measure impact; the assumptions, research, and judgements that underpin each of the components; and what may need to be updated in the future. It is intended to be used as a point of reference and interrogation by SSE staff.

Section 2 explains how we understand impact by explaining its key components. The subsequent sections explain the research, assumptions, and judgements used in each component for the projects SSE supports. Each of the component sections ends with a box detailing necessary actions to fulfil the requirements of that component and, ultimately, complete the SROI model.

## 2. Components of measuring impact

Measuring impact involves several different considerations (components) for SSE to really understand its impact. Drawing on established practice in different disciplines, such as social research, monitoring and evaluation, and social cost benefit analysis, this section presents these components and their role in measuring impact.

### Who is affected? Stakeholders



Understanding who is most affected by the work SSE supports is the first step in measuring its impact. The projects SSE supports will have an impact on several people, or groups, referred to as stakeholders.

Local individuals, the wider community, and possibly visitors to the area may also be affected.

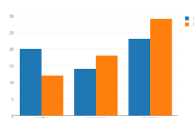
### What changes? Defining outcomes



Understanding the stories of how the projects SSE supports create change (a theory of change) is the foundation of measuring impact; it is this theory that is tested through measurement. Those who experience changes, and the professionals working with them, are often best placed

to explain the difference a service makes to their lives. While SSE's projected grantees assessed in this initial impact work represent different activities, they were found to create similar or common outcomes for residents.

### How much change happens? Indicators (measures)



Measuring impact can be explained as a process of putting numbers to words used in stories or case studies. Once grantees have told us what matters to their local communities, we want to 'test' this by asking representatives of the community how much these aspects change

through the projects SSE supports. We usually do this using a questionnaire or survey.

In addition, it might be impractical for the grantees to measure the impact on each individual that they hope to impact. It is important, therefore, to agree a sample (both size and composition) of stakeholders with whom to measure impact.

### Is this change all due to us? Impact considerations and change over time

Impact is often difficult to measure because (a) it can happen over a long period of time, sometimes after the project’s activities are completed; and (b) other factors play a role in local communities experiencing change. However, it is important that we try to understand both these elements, because the results can help to indicate whether projects meet the needs of their local communities and the extent to which those SSE- supported projects are using SSE’s support effectively. This component is about being honest and realistic about SSE’s role in creating change, and involves four sub-components, or ‘impact considerations’:



- Deadweight (or the counterfactual): What would have happened anyway, in the absence of Gingerbread’s service?
- Attribution (or contribution): How much credit can Gingerbread take for the change that has happened?
- Benefit period: Over how long are the changes likely to last?
- Drop-off: How does change alter over time? How does the amount of credit we can take for outcomes change over time?

### What is all this change worth? Valuation and proxies



Impact measurement can stop at simply measuring impact well. However, the SROI approach tries to help decision-makers understand different impacts by putting them into a common currency. This means understanding what the outcomes mean to locals and their community and representing this in money.

Economic valuation techniques are used to put monetary values on outcomes that do not have market prices, such as self-esteem, because they cannot be bought and sold. These values are called proxies, because they are a financial approximation of value.

### How do we understand the results? SROI model and analysis

Outcome area	Value created by SSE
Creating opportunities	£ 688,686.89
Empowering communities	£ 5,357,484.37
Heritage culture and sports	£ 39,058.85
Sustainable places	£ 1,854,927.05



All the information, data, assumptions, and research that answer the questions posed by each component are brought together in one place. This involves creating an SROI model, often using Microsoft Excel, to store the indicator measurements, and to combine them with the impact considerations and monetary

values. Putting outcomes into monetary values allows the benefits or change created by a project to be compared with the investment made by SSE in that project. The SROI model performs this analysis and provides an SROI ratio of costs to benefits, giving an indication of

whether a service provides value for money. The analysis and results can then be used for meaningful decision-making.

Measuring impact is therefore a significant investment and a learning process. The nature of social outcomes makes capturing change and impact difficult, so it is critical that there is an emphasis on learning and improvement. There are many unknowns because measuring impact is about demonstrating a causal relationship between an activity and a change in someone's life. To try to understand and account for complexity in the real world, we must apply assumptions, estimations, and judgements. At best, these are based on primary or secondary research; sometimes they need to be educated guesses. Measuring impact is imprecise for several reasons – for example, there is no precise answer to what would have happened if SSE's Beatrice Partnership Fund did not exist. The aim is for impact measurement to be good enough to help inform decision-making and learning.



### 3. Common outcomes framework

The development of a set of outcomes for inclusion of the SROI model was developed through consideration of:

- The needs of the local communities from which grant applications were generated.
- The range of stakeholders that might be impacted by the various projects that SSE may support (financially).
- Possible social, economic, as well as environmental impacts, intended as well as unintended.

The work involved discussions with SSE staff as well as workshops with local stakeholders. The impact areas, outcomes (under each outcome), and stakeholders impacted identified through this process are presented in Table 3.1.

Table 3.1. Beatrice Partnership Fund Impact framework

Impact area	Outcomes	Stakeholders
Creating opportunities	Suitable employment	Local individuals
	Hard and soft work skills	
Empowering communities	Positive perception of local area	Local individuals
	Mental and physical wellbeing	
	Stronger local relationships	
	Secure and suitable housing	
	Affordable transport and/or utilities	
	Improved financial inclusion	
	Stronger local economy	Local community and visitors
Heritage, culture, and sports	Meaning and fulfilment from engagement with heritage, culture, and sport	Local community and visitors
Sustainable places	Meaning and fulfilment from engagement with nature	Local community and visitors
	Sustainable energy sources	Global

In this case, because the onus will be on the grantee holders to collect data, further stakeholders are not considered within this framework, or within the SROI model. An example of another stakeholder is the government. For example, for outcomes associated

with employment, the government could reasonably be expected to receive additional taxes and possibly a reduction in benefit payments.

As stated in the accompanying outcomes matrix report, it is not expected that any single project will create all the outcomes identified in the matrix. However, the framework should be broad enough to capture the key outcomes they aim to create, if not ones unique to any one individual project. On balance, we feel that the framework is sufficiently holistic to capture the vast majority of the outcomes created across projects.

We are confident that the most important stakeholders and outcomes are currently captured in the impact measurement framework. However, if SSE wishes to apply this framework to other sites in the future, it may wish to consider conducting workshops with residents of that area to either validate the existing framework or add/replace outcomes within the framework.

## 4. Indicators (measures)

The approach taken to indicator creation for this framework is to provide grantees with a range of measures for each outcome from which the grantees can shape their own precise indicators. The measures were developed by NEF Consulting on behalf of SSE and refined after the piloting of the framework using information gathered from the 2017 round of Beatrice Partnership Fund grantee applications.

While this framework is an outcomes-focussed one, i.e., wanting to consider the quality of the change created, the need for small grantee applicants to undertake the evidence collection process has meant we have created measures that look to evidence the achievement of outputs as much as outcomes. For example, *the number of people trained in work-related skills*. This is an output-based measure, as it does not indicate the quality of the training received or what the training permitted the individuals to go on to achieve. To attempt to evidence what trainees achieve with their training would be too burdensome for grantee organisations to accurately collect. Therefore, wherever an indicator (measure) is related more to an output than to an outcome, there is an implicit assumption about the quality of the activity (e.g. training) in our valuation of that outcome.

The 2017 round of Beatrice Partnership Fund grantee applications utilised an application form that had not been informed by the impact framework. As such, it was a challenging exercise to extract information as to the likely quantitative impacts of each grantee's planned project. In the future, the indicator options (measures) provided in the outcome matrix will guide the grant applicants to state more clearly the likely projected (pre) and actual (post) impacts of their project. The fact that project indicators are asked for (in the matrix) at the beginning of the project provides SSE staff ample time to clarify those indicators such that when actual evidence of impact is required at the end of the project, it should be a straightforward process for SSE staff to upload the impact data into the SROI model.

The full list of indicators (measures) is included in the accompanying outcomes matrix report.

The tab in the Excel SROI model titled 'Outcomes evidence' is the location for uploading impact information collected by grantees and recorded in their outcomes matrix.

## 5. Impact considerations

Impact considerations assess how much of the measured change is a direct consequence of SSE's support. It takes away the amount of change for which SSE cannot claim credit and so helps us understand the true impact of its support to its grantees. This is an important step of any impact measurement as it prevents an organisation from over claiming and thus ensures the findings are credible.

For the most part, impact considerations are judgements because there is a lack of data on the elements of social change that we need to consider. This section presents the judgements made on how much of the change is due to SSE (impact) and how long the outcomes last for (longevity).

### Deadweight

Deadweight assesses how much change would have happened among the impacted stakeholders had they not engaged with the projects supported by SSE. Taking the outcome of *suitable employment*, we would be interested to know whether those locals would have gained employment anyway, in the absence of the SSE supported project.

The best possible approach would be to create a control group,<sup>2</sup> but this is expensive and can raise ethical questions if individuals in the control group are prevented from accessing the project in question. An alternative might be to use national benchmark data to estimate the proportion of change that would have happened for a comparable group of individuals. Again, this is not always a straightforward exercise, as it relies on each outcome having available third-party data.

The approach used in this framework is to calculate deadweight on a project-by-project basis (across all outcomes that project creates), based on additional time required by grantees to secure funding. This figure would be a judgement made by the assessors. In making this judgement, it may help to consider the number of other potential sources of funding available to the grantee, or if the project would be able to go ahead and achieve some of its outcomes without funding. These project-by-project deadweight figures are inserted in the deadweight table found in the 'Assumptions and data' tab of the Excel SROI model as numbers of additional years required to source alternative funding. If, as the assessor, you believe the probability to be extremely low that the grantee would find alternative sourcing,

<sup>2</sup> Residents from the local community who have identical characteristics to the target population that access the project. Comparing the amount of change between locals who do and do not access the project tells us about the amount of change for which the project (and by extension, SSE can claim credit).

insert a high number, for example 50, into the deadweight table for that project. This will result in the allocation of a small deadweight percentage.

## Attribution

It is unlikely that SSE will be the only organisation supporting the grantees. For example, projects often access multiple sources of funding and many funders actual request match-funding for their contribution.

Attribution considers how much of the change identified is due to SSE's contribution rather than other supportive funders. It would be impossible to get an exact figure, as the change experienced by a stakeholder is the result of several different factors; attribution is always an approximation or judgement. However, this does not mean attribution is not important and should not be considered. If attribution is disregarded, an organisation is likely to over-claim how much change is a consequence of their services.

Asking stakeholders directly how much change they feel an organisation can claim credit for is considered a robust technique for calculating attribution.<sup>3</sup> However, given this framework considers the impact of a funder (SSE) that is one step removed from the end beneficiaries of the projects, this is not feasible. The simpler (and in the case of considering the contributions of different funders) and fairer way is to attribute the amount of change delivered by the project relative to SSE's contribution to the overall project budget. For example, if SSE contributed 50% of the total funds for the project, 50% of the value created would be attributed to SSE.

The proportion of funding provided by SSE relative to the total funds required by the project is entered into the SROI model via the 'Assumptions and data' tab of the Excel model.

## Displacement

Displacement considers whether by creating an outcome for a stakeholder you have prevented a positive outcome for someone else. This would negate the outcome that you have created; it would be cancelled out by the prevention of a positive outcome for the individual external to the project.

Displacement is not always present in social/personal outcomes (i.e., improving self-esteem for one individual does not mean another person's self-esteem declining) and is more often present in economic outcomes, particularly those related to employment. For example, if an

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<sup>3</sup> Nicholles N *et al.* (2011). Smaller slices of a bigger pie: Attribution in SROI. London: nef [http://neweconomics.org/sites/neweconomics.org/files/Small\\_Slices\\_of\\_a\\_Bigger\\_Pie.pdf](http://neweconomics.org/sites/neweconomics.org/files/Small_Slices_of_a_Bigger_Pie.pdf)

individual finds work following an SSE-supported project and that job was at the expense of someone else's employment, for example a new business creates jobs but destroys jobs at existing businesses at the same time, then there is a net-zero change in jobs created and displacement is 100%. In the absence of evidence, judgements are required for displacement in the impact measurement framework.

Assumptions used for displacement are all largely judgement-based. However, as most of SSE's common outcomes are not relevant to displacement (i.e., tend not to destroy value for other stakeholders, we are confident that these judgements are likely to equate to a 0% score for displacement for outcomes. However, it is always worth asking yourself whether a particular project is displacing existing outcomes for other stakeholders before assuming a 0% displacement.

## Benefit period

Outcomes that result from the programme may last longer than just the duration of the intervention itself; the time for which outcomes last is the benefit period. For example, if a local person gets a job because of a project supported by SSE, the benefit of that job will last into the future, after the initial investment period has finished.

Best practice for calculating the benefit period and drop-off is to draw on longitudinal data, directly informing figures with primary data. In practice, this would mean that SSE would conduct follow-up studies with impacted stakeholders of the projects they support at specified time periods following their engagement with the project, likely over several years. However, this approach is resource-intensive and in reality, few organisations investing in impact will take this approach. More common is to make assumptions about how long a stakeholder group will continue to benefit from an activity, supported by secondary literature and qualitative research with the stakeholder group, where possible. SROI guidance cites appropriate benefit periods as up to five years, with longer periods requiring a strong rationale. Our approach to understanding the benefit period is in line with emerging common approaches: not over-claiming, but accounting for an impact beyond the activity.

In this framework, benefit periods are considered on a project-by-project basis. The lifespan of project should include the investment (funded) period as well as the length of time the project is projected to last. However, if the average lifespan is more than 15 years, the model will only include the first 15 years.

## Drop-off

A level of change, or outcome, does not remain static over time. For example, residents may feel increasingly or decreasingly part of their community as time goes on. This change in outcomes over the benefit period is the drop-off. There are two ways to take account of drop-off that affect how impact is understood:

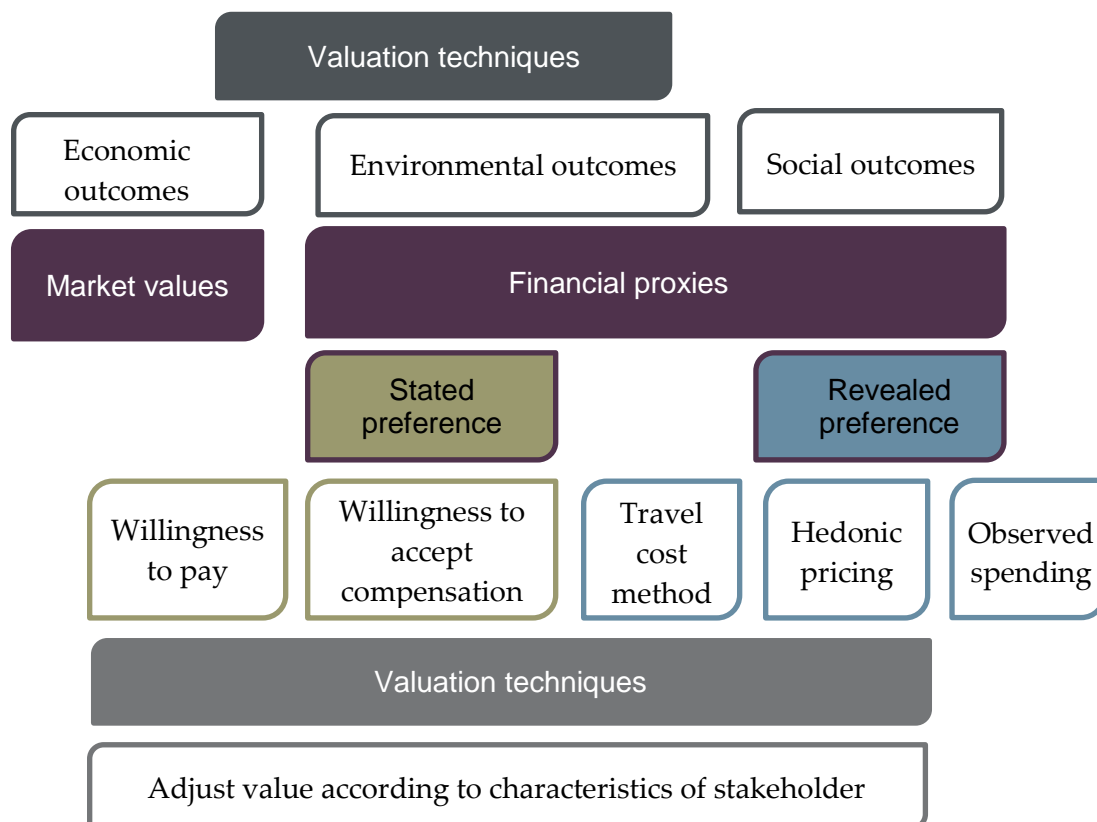
- **Outcome drop-off:** The extent to which the outcome changes over time, for example, a resident who got a job after receiving training from an SSE-funded project may not be able to keep that job.
- **Attribution drop-off:** The extent to which the resident keeps hold of their job may not continue to attribute the outcome to the SSE funded project; a local resident in employment two years after the training they received (which resulted in the job) may have initially attributed their employment to the training course, but may attribute staying in employment to the new skills they have developed since they started the job.

In this framework, we suggest you adopt a (linear) drop-off figure (%) that would result in the value in the final year of the benefit period – averaged across all projects – of zero. An example would be, if the average benefit period across projects is 10 years, then the annual drop-off rate would be 10%. If the average benefit period was 5 years, then the annual drop off rate would be 20%.

## 6. Valuation

A key feature of SROI is that it values social and environmental outcomes in addition to economic ones. For SSE, the impact framework and the SROI model contains, social, economic, and environmental outcomes. Social and environmental outcomes cannot, for the most part, be bought and sold and therefore do not have a market value. Instead, financial proxies, approximations of value, are used. Financial proxies can be split into two broad categories, which can be further subdivided into five recognised valuation techniques. Figure 6.1 presents these different valuation techniques.

Figure 6.1. Valuation techniques



The financial proxies that represent the value to the impacted stakeholder(s) plus their sources can be found in the 'Assumptions and data' tab of the Excel SROI model.

Table 6.1 presents the different valuation techniques used for the framework's different outcomes.



Table 6.1. Valuation techniques employed for Beatrice Partnership Fund Impact framework

Impact area	Outcomes	Valuation approach
Creating opportunities	Suitable employment	Hedonic pricing
	Hard and soft work skills	
Empowering communities	Positive perception of local area	Hedonic pricing
	Mental and physical wellbeing	Observed spending on related goods
	Stronger local relationships	Hedonic pricing
	Secure and suitable housing	
	Affordable transport and/or utilities	
	Improved financial inclusion	
		Stronger local economy
Heritage, culture, and sports	Meaning and fulfilment from engagement with heritage, culture, and sport	Observed spending on related goods
Sustainable places	Meaning and fulfilment from engagement with nature	Observed spending on related goods
	Sustainable energy sources	Economic cost

Most outcomes are valued using the HACT wellbeing valuation approach.<sup>4</sup> This approach uses wellbeing (life satisfaction) to derive monetary values for non-market goods or services. It involves a two-stage process:

- The results of large national surveys are analysed to isolate the effect of a particular factor/service/activity on a person's wellbeing, for example being employed (as opposed to unemployed).
- The value of that factor is calculated by considering the equivalent amount of income needed to increase someone's wellbeing by the same amount.

For example, if you volunteer and your wellbeing increases by 10%, the wellbeing value of volunteering is determined to be the amount that your income would need to increase for your wellbeing to increase by the same amount: 10%). The value of this approach is that it permits the valuing of activities more than outcomes, for example the wellbeing value of gaining training or being able to access a service, such as the internet. These tie in with the more activity/output-orientated nature of the measures employed in the impact framework.

<sup>4</sup> <http://www.hact.org.uk/social-value-bank>

The valuation component of the SROI model does not require data to be inputted by SSE in the way that it does with indicator or impact considerations data. However, the proxies should periodically be reviewed to ensure they remain fit for purpose and more proxies researched.

Not all the proxies employed in the SROI model were calculated in 2017 prices. Where they were not, they have been uplifted through adjusting for inflation in the intervening years. Further uplifting will be required in future years.

## 7. SROI model

The research behind the development of the impact areas, outcomes, measures, and proxies as well as the assumptions behind the approach to dealing with impact considerations so far presented in this document come together in an SROI model. This is a Microsoft Excel-based set of spreadsheets that store and analyse the data collected for each project supported by SSE, to easily store and understand SSE's impact. The model is constructed in the following way:

- The model has two key data entry tabs:
  - Assumptions and data – this tab is for inputting impact considerations (deadweight, attribution, displacement, benefit period, drop-off).
  - Outcomes evidence – this tab is for inputting impact data direct from the outcomes matrix that will be completed by the grantees.
- All tables other than those mentioned (requiring data entry) have pre-existing formulas for automatic calculation.
- All the cells that do not require data entry are protected, i.e., locked to minimise human error.
- The model is 'live', meaning that results are automatically calculated and presented in the dashboard.
- Key findings are presented on a dashboard of graphs and tables.

NEF Consulting recommends that SSE store the model in one central location and that clear responsibilities for inputting and uploading data are given to a member or members of staff.

### Scaling up valuation

The SROI model scales up the findings from impact measurement data collection at the project level to an overall Fund-level calculation of value. For each outcome, the impact consideration calculations take the average figure across all featured projects. For outcome incidence, the model takes the total across all projects.

### Reporting SROI key findings

SROI results can be complex to report in meaningful language. The SROI model dashboard highlights the key findings that summarise the results for each of the desired outcomes.

These key findings can be described using notional figures as follows:

- SROI value: The ratio of the total of social, economic, and environmental value for all outcomes from SSE-funded projects compared with the cost of the investment, for example:

‘The total social, economic and environmental value created by the SSE funded projects is £8 million; taking account of investment costs of around £2.5 million results in an SROI value such that for every £1 invested, £3.20 value is generated by the SSE funded projects.’

- What changed due to SSE: The division of value created by SSE-supported projects (change measured by value), for example:

‘45% of the value created by the projects was directed towards empowering communities; where as 22% represents the value is directed to creating employment opportunities for local.’

- How many stakeholders were impacted for each outcome relative to the value created for each outcome, for example:

‘For most outcomes, the net value exceeds the number of stakeholders impacted by the outcome. However, for local economy and culture, heritage, and sports, it is the reverse. This is because the per person value for this outcome is low relative to the other outcome unit values.’

These three bullet points summarise the findings as they are presented in the three pre-designed graphs in the model’s ‘Dashboard’ tab. The data could, with little extra effort, be presented in several other ways. For example, a project-by-project SROI ratio comparison diagram could provide valuable learning as to the most successful projects (in terms of return on investment) and where SSE may wish to focus its funding in the future.