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CAN^C
GROWING SOCIAL BUSINESS

Social Return on Investment and Social Firms as an effective ALMP for the most vulnerable

October 2010

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CAN^C
CELEBRATING TEN YEARS

Outline

- CAN Background and mission
- Social Return On Investment
 - Government context
 - Introduction
 - Principles
- SROI Social Firms Case Studies
 - Six Mary's Place Guest House
 - Lawnmowers Independent Theatre Company
 - Pack IT



CAN supports social entrepreneurs to build sustainable businesses by providing **space** to grow, **capital** and **business support**





CabinetOffice
Office for Civil Society

**SOCIAL
ENTERPRISE**

can
GROWING SOCIAL BUSINESS

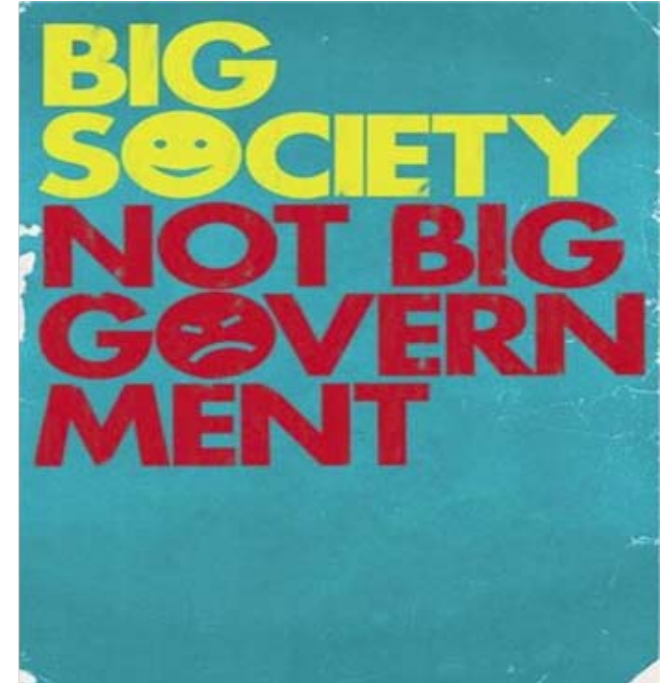
UnLtd*

- Strong network of social enterprises in England and Wales
- Founding partner and board members of Social Enterprise Coalition (SEC), UnLtd Millennium Fund. Founder of Social Enterprise magazine.
- Deep and practical understanding of the growth challenges + business needs of social enterprise
- More than a decade of engaging leading corporate organisations in social enterprise and charities
- Strategic partner of Cabinet Office (Office for Civil Society) to promote social enterprise sector in UK



Social Enterprise + Coalition Government

1. Unprecedented opportunity and demand
2. **Big Society** agenda
 - devolving state delivery of public services
 - push to community ownership and control
 - i. Public Sector workers:
Right to Request + Pathfinders
Local Councils to Become Co-Ops
 - ii. Individuals and Communities
Localism Bill + Right to Build
Community Investment
Volunteering
3. Autumn Spending Review = Doing More for Less



CAN's Expertise in Social Enterprise



can^C Engage

Leadership through social change

- Real business challenges for future corporate leaders in significant business operations
- Delivers long-term business benefit for scalable social enterprises
- Approx 6 face-to-face days consulting and approx 6 days' deskwork over a finite period (e.g. 6 months), executives' performance and project impact evaluated
- Previous projects have included:
 - market analysis and segmentation, pricing strategies, product development
 - business modelling, distribution, logistics process flow

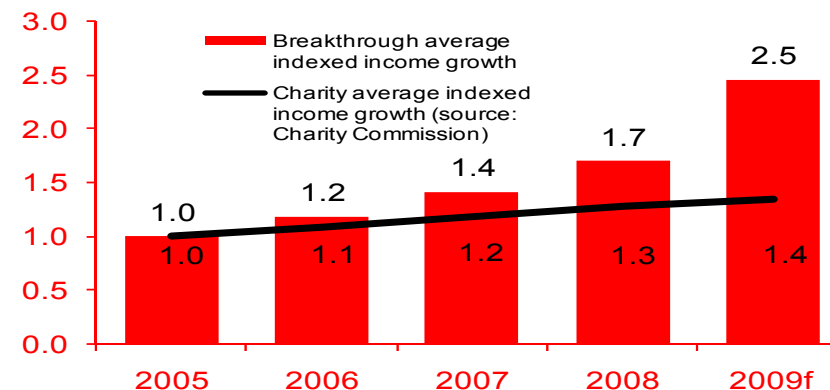
"It is invigorating to hear the passion with which the staff speak about their projects – that does my organisation good. I commend the process to every major corporate – do it - and make a difference to people and the world around you"

MD of Sony Europe Derry Newman

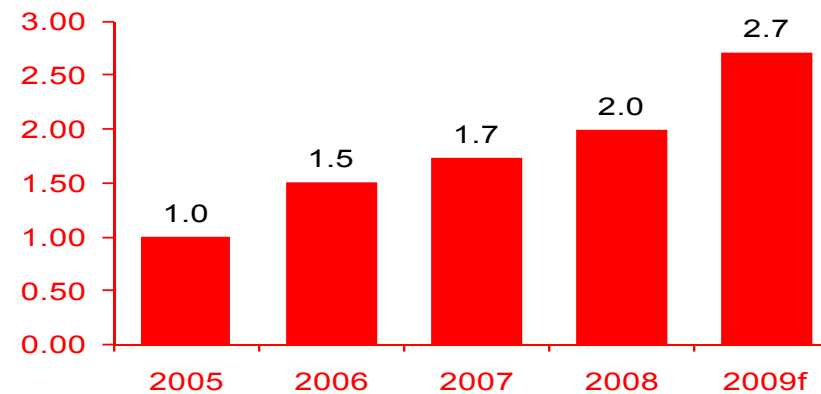
BREAK **THROUGH**
Scaling up social enterprise

- Launched in 2005 in partnership with the private equity firm Permira. Further ongoing investment secured in 2008 from SVG Capital
- Provides high level management intervention and capital (grant-based) into established social enterprises
- Since 2005 the financial turnover of the portfolio organisations has increased on average by 20% p.a. The social impact increased on average by 30% p.a.
- Fund now open to other investors and providers of business support

AVERAGED INDEXED INCOME GROWTH



AVERAGED INDEXED SOCIAL IMPACT GROWTH



Note: Social metrics differ for each organisation

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Mezzanine

Great Offices for the Third Sector



- Over 130 social organisations across 3 serviced and affordable office sites in central London
- Diverse industries represented – snapshot on ‘third sector’
- Offers services, training and events to help organisations capacity build and scale up
- Over 60% of CAN Mezzanine organisations are working together
- For every £1 spent by CAN Mezzanine customers they receive £1 of office space **AND** £1.30 in additional social and economic value (independently assured SROI)





Social Return On Investment



Government Context

- The Cabinet Office commissioned a 3 year project in 2008 with the aim of:
 - increasing the capability of third sector organisations to understand, measure, prove and articulate the social and environmental impact they have, and the value this creates
 - Support social investors and commissioners of public services to understand this social value and thereby make more intelligent investment or purchasing decisions
 - Standardising the approach to using SROI
 - Increasing the accessibility and affordability of SROI for commissioners, social investors, policy makers and third sector organisations
 - Developing a network of practitioners to raise awareness of SROI and social reporting

www.thesroinetwork.org

The SROI Network
Accounting For Value



Social Return on Investment

Everyday our activities create and destroy value; they change the world around us

SROI is a framework for measuring and accounting for this much broader concept of value

SROI is about value, rather than money

SROI = economic, environmental and social

Forms, types and principles

- Value generated by:
 - entire organisation or just a specific aspect
- Types: **Evaluative** or **Forecast**
- SROI is underpinned by principles





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Key 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

Social Firms:

The economic case

- The economic case is strong for investment in social firms and in employing people with disabilities
- In the UK, Government estimates that a disabled person will stay on long-term benefits for an average of 8 years, and so every time a social firm employs a disabled person, we should count 8 years of benefits saved for the state. In the UK this would amount to over 70,000 euros for each disabled employee in a social firm.

Social Value Creation

BUT

There are also benefits to other stakeholders, such as the people who work in social firms, their families, their communities, health services etc. Social firms create value for these stakeholders as well and have potential economic consequences for local state expenditure, as well as wider benefits to society

SOCIAL FIRMS CHANGE PEOPLE'S LIVES

The challenge has been to measure these benefits and bring them into our business case for investment

This is what 'Social Return on Investment' is designed to do

Why is it important for AMLP

- Influence better commissioning & procurement
- Considerers the objectives and relative value placed on outcomes by the Key stakeholders
 - Investors
 - State
 - Beneficiaries
- Proving ability to do more for less
- Creates better contestable markets

Case studies from social firms in the UK

- Six Mary's Place Guest House
- Lawnmowers Independent Theatre Company
- Pack IT

Six Mary's Place Guest House SROI Study



Background

- Six Mary's Place Guest House offers Three Star guest house accommodation to tourists and business travellers to Edinburgh
- Also hosts small meetings
- Fully refurbished in 2001 to provide full en-suite facilities for guests
- Sustains consistently high occupancy levels, and outperforms its competitors.
- The high quality of service was rewarded in 2004, when the organisation received a prestigious Visit Scotland Thistle Award for Customer Care.



Six Mary's Place SROI results

	Total value added	Value added per participant
Potential mental health savings to NHS through reduced use of services by employees in the social firm	£424,152	£21,208
Welfare benefits savings to the state	£13,998	£1,029
New tax income to the state	£8,780	£646
Increases in personal income of trainees leading to improved quality of life	£16,280	£814
Increases in personal income of employees leading to improved quality of life	£12,199	£897
Total impact in 2006 Investment was £72,258 SROI Index SROI Index for the NHS	£424,152 £5.87 868	£24,593

Lawnmowers Independent Company SROI study



Background and Activities

- Exciting and innovative theatre project with a strong regional & national reputation.
- Unique as the performers are largely people who are coping with a Learning Disability.
- Lawnmowers aims to lay solid foundations for people with learning disabilities and to help them to participate fully in their own society
- Activities include:



Changes that were valued

- Maintenance of independent living
- Costs saved to government in consultancy work undertaken by Lawnmowers
- Increased earnings of participants
- Value of specialist input on training compared to other training available
- Savings on day care provision for clients who were empowered to join

Results

- Lawnmowers returned £4.25 in social value for every £1 invested initially
- Payback period of 9 months

"This SROI analysis has explored some of the connections between the social aims of the project's work and the economic advantage of organising support to people with Learning Disabilities... a standard economic appraisal used in normal business analysis is not appropriate here and certainly will not capture the real value of the work of Lawnmowers."

PACK IT SROI Study

- Social firm offering fulfilment services: mailing, storage, assembly, distribution
- Investigated the incremental costs and savings of employing disabled people
- Monetised welfare benefits reductions and tax take increases for employed staff, avoidance of day care costs, incremental leisure expenditure
- Recognised distance travelled as an important social impact but didn't monetise it
- SROI index of £1.90 for every £1 invested



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The SROI Network
Accounting For Value

