



Te Pou Matakana
Measuring Impact with
Social Return on Investment



Te Pou Matakana
COMMISSIONING AGENCY

Measuring Impact with Social Return on Investment.

Dr Sneha Lakhotia
Te Pou Matakana
WAI-Research.

© 2017 Te Pou Matakana

ALL RIGHTS RESERVED. Any unauthorised copy, reprint or use of this material is prohibited. No part of this content may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without express written permission from Te Pou Matakana.

ISBN 978-0-473-40166-5
First edition June 2017.



OPENING REMARKS FROM THE CHAIR

Since being established, Te Pou Matakana has been in the privileged position of working alongside the government, our Whānau Ora partners and whānau in delivering Whānau Ora to the North Island.

Within these partnerships and the commissioning framework we have managed to develop innovative and whānau-centered activities that we know have changed the lives of countless whānau. Understanding the impact that our investments create within the community is one of the crucial components of effective commissioning for whānau outcomes. Understanding the impact of a policy and a service, or understanding the impact of a new initiative means understanding the change and value that commissioning is creating in the community.

Social Return on Investment (SROI) represents a tool that enables us to measure this impact - painting the picture of change through the measurement of value. It brings us even closer to communities and whānau so that we can gain a clearer understanding of what changes whānau value most. In our pursuit for opportunities for whānau and the best and most innovative ways of achieving outcomes, impact measurement and SROI provides an opportunity for us as a Whānau Ora commissioning agency to align our investments towards what whānau truly need.

A handwritten signature in black ink, reading 'M. Raukawa-Tait'. The signature is written in a cursive style.

Merepeka Raukawa-Tait
Chair, Te Pou Matakana



MESSAGE FROM THE CEO

The public sector is an environment where funding is continually decreasing and accordingly there is immense pressure on publically funded organisations to demonstrate the impact their investments have on the community. Te Pou Matakana is in no way immune to these pressures and is in fact subject to even more pressure than mainstream organisations. Consequently, we have had to remain flexible enough to respond to our environment while remaining rigid enough to keep our core values and the values of our whānau intact.

Whilst existing data from the thousands of whānau we have supported throughout our Whānau Ora initiatives offers a useful indicator into the difference Te Pou Matakana has made in the North Island, truly understanding the impact of our investments requires us to explore this impact in more depth. In accomplishing this we have turned to the international arena for solutions, which is where impact measurement and Social Return on Investment (SROI) entered our radar.

Measuring impact is a globally and rapidly growing concept which looks beyond outputs and even outcomes. Impact measurement therefore gives us the opportunity to provide a more accurate description of the difference our investments create for whānau and also identifies opportunities for improvement that standard measures cannot. To achieve this we have partnered with global leaders in impact measurement and SROI, but have also been developing the capacity to do so in house. This is because our focus is not on just today, but for tomorrow and for future generations of whānau.

John Tamihere
CEO, Te Pou Matakana



CONTENTS

THE JOURNEY TOWARDS OUTCOMES MEASUREMENT	1
MEASURING SOCIAL IMPACT	2
Why Measure Social Impact?	2
How to Measure Social Impact	3
SOCIAL RETURN ON INVESTMENT	4
Types	4
Why use SROI	4
Principles of SROI	5
Measuring SROI Value	5
The Methodology	6
Who Can Use SROI?	7
AN EXAMPLE OF MEASURING WHAT MATTERS	8
Waipareira's Taitamariki Programme SROI	8
Forecast Social Return on Investment	10
CONCLUSION	11
GLOSSARY	12
BIBLIOGRAPHY	14





THE JOURNEY TOWARDS OUTCOMES MEASUREMENT

WHAT GETS MEASURED, GETS VALUED: MEASURING WHAT MATTERS

Since its inception in early 2014, Te Pou Matakana– the North Island Māori commissioning agency - has been on a journey of discovery, a journey of innovation, and a journey towards achieving and measuring Whānau Ora outcomes.

Te Pou Matakana (TPM) serves as a principal pillar in the Whānau Ora value chain. It does not simply function as an intermediary in the distribution of government funding. In this central role, TPM advocates upstream for policy change that will benefit whānau. It also actively engages downstream with partners, to help them achieve positive outcomes for whānau by providing funding and capacity building support.

One of the early realisations by TPM has been that agencies, government departments, providers and other organisations have been measuring only numbers that target specific funding requirements, in other words, outputs. Although outputs are easier to count, it is hard to measure the key element of Whānau Ora - positive whānau advancement and wellbeing - using outputs.

As part of their role of advocacy for best practice within the Whānau Ora space, TPM has initiated and led the conversation of what to measure and how to do it best. TPM has adopted a 'commissioning for outcomes' approach to drive better outcomes for whānau across the North Island. The purpose of the outcomes framework is to guide TPM towards a systematic method for determining the benefits that result from investments made by the commissioning agency. However, having outcome goals, indicators and objectives was only the first step in the outcomes measurement journey. The next step was a robust plan of action, which was devising and implementing the Outcomes Roadmap, aimed at moving the theoretical concepts of outcomes to practical application of whānau outcomes across all TPM activities and investments.

Despite the increasing use of outcome measures, many aspects of wellbeing cannot be measured directly. It is essential to understand the impact made by the agency and its activities on the whānau, in order to recognise the value created to the whānau. This is best informed by the whānau itself. Thus, the subsequent step in the outcomes journey is to measure the impact and value for the whānau.



MEASURING SOCIAL IMPACT

The question is not whether or not to measure impact, but how to do it *effectively* and *efficiently*, and how to ensure that it is embedded into an organisation from the ground up.

WHY MEASURE SOCIAL IMPACT?

An increasing number of organisations have developed measures for outputs of their activities and programmes, yet measuring outputs is not the same as measuring impact or long term success of whānau. For example, the aim should not simply be about measuring numbers of children in school (outputs) but rather how many children are better educated and better able to achieve a set of life goals (impacts).

An organisation can show the value it is creating for its beneficiaries and society as a whole by measuring its impact. There are several reasons TPM deems 'measuring impact' as vital:

- **Access to finance**
For organisations looking to access funding, demonstrating impact opens new doors to investors. Being ahead by embedding good impact practice and measuring relevant impact will ensure organisations stand out and secure an opportunity.
- **Measure of performance**
Impact measurement can serve as a means to determine the performance and success of an organisation. It boosts accountability and transparency of the organisation internally and also to its stakeholders.
- **Communication with stakeholders**
Stakeholders can be better engaged when an organisation's work is effectively communicated. Stakeholders such as donors or investors increasingly want to see the return on their investment, while wider stakeholders want to know how the organisation works. Impact and facts enable an organisation to communicate a good story.
- **Impact reporting is here to stay**
As the concept of impact measurement grows and includes the use of core indicators for particular areas and groups for benchmarking, organisations that are ready and equipped to measure will hold a competitive advantage over those organisations that have not embedded impact measurement within their strategy.



- **Aligning with mission**

The mission and purpose of each partner organisation is the *reason for its existence*. Documenting evidence on the type and extent of work undertaken towards achievement of the mission is fundamental. Impact measurement helps to bolster the mission and overall effectiveness of the organisation.

HOW TO MEASURE SOCIAL IMPACT

Measuring impact supports increased effectiveness of activities and decreases unintentional negative consequences. It facilitates more informed decisions, better engagement with stakeholders and increases the overall value of an organisation.

There are a wide range of approaches developed to measure social impact and value created. The four main elements needed to measure social impact and the value creation are: *inputs, outputs, outcomes and impacts*, as depicted in the logic model below.

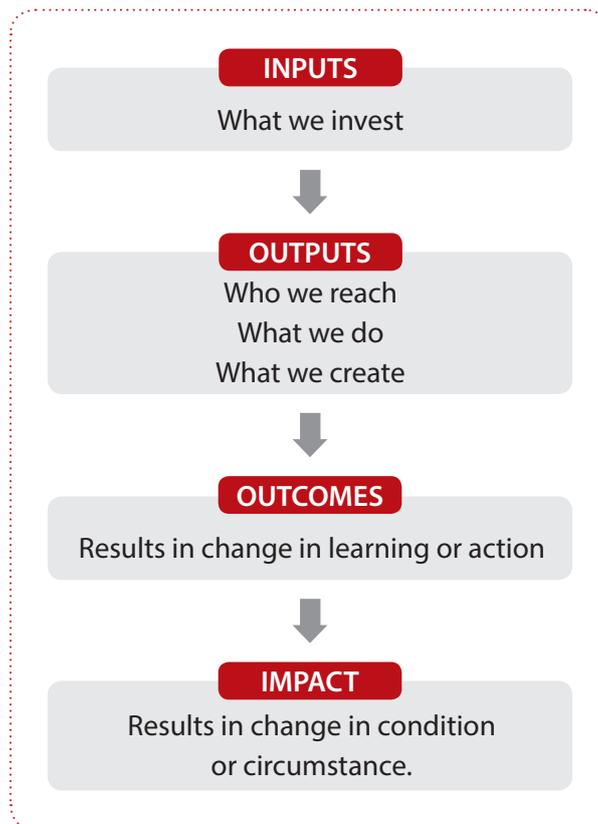


Figure 1. Four Key Elements of Measurement



SOCIAL RETURN ON INVESTMENT

Social Return on Investment (SROI) is an outcomes based framework that measures and accounts for the broad concept of 'value' and incorporates social, environmental and economic impacts. SROI was developed from social accounting and cost-benefit analysis and is based on seven principles.

SROI analysis is a way of reporting value creation over time. It accounts for the value created by activities and contributions from the stakeholder's perspective. It is a story of change. SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It narrates how change is being created through measurement of social, environmental and economic outcomes. It then uses financial proxies to represent the value created. This produces a ratio of the benefits to costs known as the SROI value. For example, a ratio of 2:1 indicates that an investment of \$1 delivers \$2 of social value.

TYPES

There are two types of SROI:

- **Evaluative** – Conducted retrospectively and based on actual outcomes that have already taken place.
- **Forecast** – Predicts how much social value will be created if the activities meet their intended outcomes.

WHY USE SROI

An SROI analysis can fulfil a range of purposes. It can be used as a tool for strategic planning and improving, for communicating impact and attracting investment, or for making investment decisions. It can help guide choices and help improve services.

- **Strategic Management** – Facilitate strategic discussions and help understand and maximise the social value an activity creates.
- **Resource Management** – Helps to target appropriate resources for managing unexpected outcomes, both positive and negative.
- **Building Stakeholder Relationships** – Demonstrates the various stakeholders involved in creating change and enables stronger communication of social value.
- **Identifying Needs** – Assists to recognise the needs of the stakeholders and help align with the organisations vision to maximise social value.
- **Accountability** – Creates a formal dialogue with stakeholders which promotes accountability and transparency.



PRINCIPLES OF SROI

SROI is informed by a set of seven principles which underline how the methodology should be applied. These principles are designed to ensure that process is robust, transparent, and informed by stakeholders.

- **Involve stakeholders** – Inform what gets measured and how this is measured and valued by involving stakeholders.
- **Understand what changes** – Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
- **Value the things that matter** – Use financial proxies so that the value of the outcomes can be recognised.
- **Only include what is material** – Determine what information and evidence must be included in the accounts to give a true and fair picture, so stakeholders can draw reasonable conclusions about impact.
- **Do not over-claim** – Only claim the value that organisations are responsible for creating.
- **Be transparent** – Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will – be reported to and discussed with stakeholders.
- **Verify the result** – Ensure appropriate independent assurance.

MEASURING SROI VALUE

SROI uses a range of techniques to ensure that financial values calculated are appropriately allocated to the entity being evaluated. These include the discounting of “deadweight” – what would have happened anyway, without the project or service; “drop off” – outcomes that are not sustained; “attribution” – who else contributed to the change; “displacement” – negative effects on other stakeholders; and “duration” – how long the outcome would last. Therefore, the social return of investment ratio is calculated using the formula below:

$$\text{SROI} = \frac{\text{Present value of benefits}}{\text{Present value of investment}}$$



THE METHODOLOGY

The SROI methodology is a multi-step process which involves six stages.



Figure 2. SROI Methodology



WHO CAN USE SROI?

SROI has been used by a range of organisations across the not for profit, public and private sectors including those that are small or large in size, or are new and/or established.

- ***Not for profit organisations and social enterprises***
SROI can be used as a management tool to improve performance, inform expenditure and underline added value for not for profit organisations and social enterprises irrespective of their size and phase of development.
- ***Private sector***
Large and small businesses in the private sector can use SROI to assess risks and opportunities as a result of their products and services on their stakeholders (e.g. customers, providers, employees, the environment and local communities. This can further help identify ways to support their business plans with wider societal objectives).
- ***Funders***
Funders that invest to create social value can use the SROI framework to help decide their investment choices, assess its performance and measure progress over time.
- ***Public Sector***
Public sector is responsible for securing social value in the community. Measurement of this value can enable better decisions. SROI can be used for strategic planning, scoping of programmes, understanding the needs of the stakeholders and monitoring performance of the programmes. It helps the sector to assess the value for money.
- ***Policy Development/Advocacy***
Social value is an important aspect while developing policy, which can be recognised by the use of SROI framework.



AN EXAMPLE OF MEASURING WHAT MATTERS

WAIPAREIRA'S TAITAMARIKI PROGRAMME SROI

Te Whānau o Waipareira is a Whānau Ora provider commissioned by Te Pou Matakana to carry out Whānau Ora activities. It is a whānau centric organisation based in West Auckland which underpins core values and principles in its services. It has been instrumental in measuring impact and is the first organisation in the Whānau Ora space to recognise the need to measure the value of its impact. Waipareira took an important step in its journey of managing and measuring outcomes in August 2016. It undertook its first formal engagement with SROI to understand the impact of its work better. A forecast SROI analysis of its Taitamariki Programme was done to measure and quantify the impact of its programme on the community. The Taitamariki Programme is funded by the New Zealand Ministry of Health to prevent mental health illness amongst taitamariki (young people) aged 10-13 years who are exposed to drugs and alcohol. The programme enrolls 60 taitamariki every year and engages with them through educational and social activities to promote their wellbeing.

The SROI framework was used to estimate the value of the changes that primary stakeholders experienced as a result of the Taitamariki Programme. This included understanding the outcomes that stakeholders experienced, measuring the reach of these outcomes and estimating their financial value. These values were forecasted for three years, so as to provide sufficient time for the taitamariki to start and complete the activities of the programme which have been standardised and consistent, from the year of study commencement.

The study of the Taitamariki Programme revealed the story of change and value created as a result of the programme and its unique service delivery. Analysis of data and consultation with key stakeholders brought to light the attributes and dynamics of the programme. The programme prevents mental illness by building resilience and stronger support networks reduce risk of misuse of alcohol and drugs. It also promotes positive emotional and mental wellbeing by enhancing the strengths of individuals and their whānau. In addition, the facilitators model positive Māori values and culture which gives them a sense of belonging and helps them to develop their sense of identity during the formative years. The theory of change helped map the range of outcomes experienced by the taitamariki.

It was shown that the taitamariki experience several outcomes over the span of their time spent and engaged in the programme. The programme helps them overcome their obstacles and pursue positive activities and relationships. This sets them off on their first wave of change: increased self-confidence. This confidence then enables them to further explore and develop a sense of self.



In the final wave of change, taitamariki experience improved mental health and resilience. In addition to the changes experienced by the taitamariki, their wider whānau experience two key outcomes: improved whānau relationships and reduced risk of misuse of drugs and alcohol.

The analysis estimated the value that the Taitamariki Programme is likely to create over the next three years and how that value might be experienced by taitamariki, whānau and government. The forecast value created by the programme exceeds the investment as demonstrated in figure 3. Based on a total of 180 taitamariki participating in the programme over 3 years, the average total investment per taitamariki, including contributions is \$3883. The programme is forecast to deliver an SROI ratio of **1.80:1** based on the investment across three years, 2016 to 2019.

The analysis brought forward several unheard and inspirational stories of change as a result of the programme and helped understand the impact of the programme beyond the usual output numbers. Waipareira will continue to measure the outcomes to validate the forecast. There are also a number of insights from this analysis that are applicable for the broader Waipareira organisation. This includes the articulation of the “Waipareira Way”, the value of culture in the delivery of a programme, incorporation of Māori concepts in programme logic models, and the development of the research and evaluation team to conduct future SROI analyses.

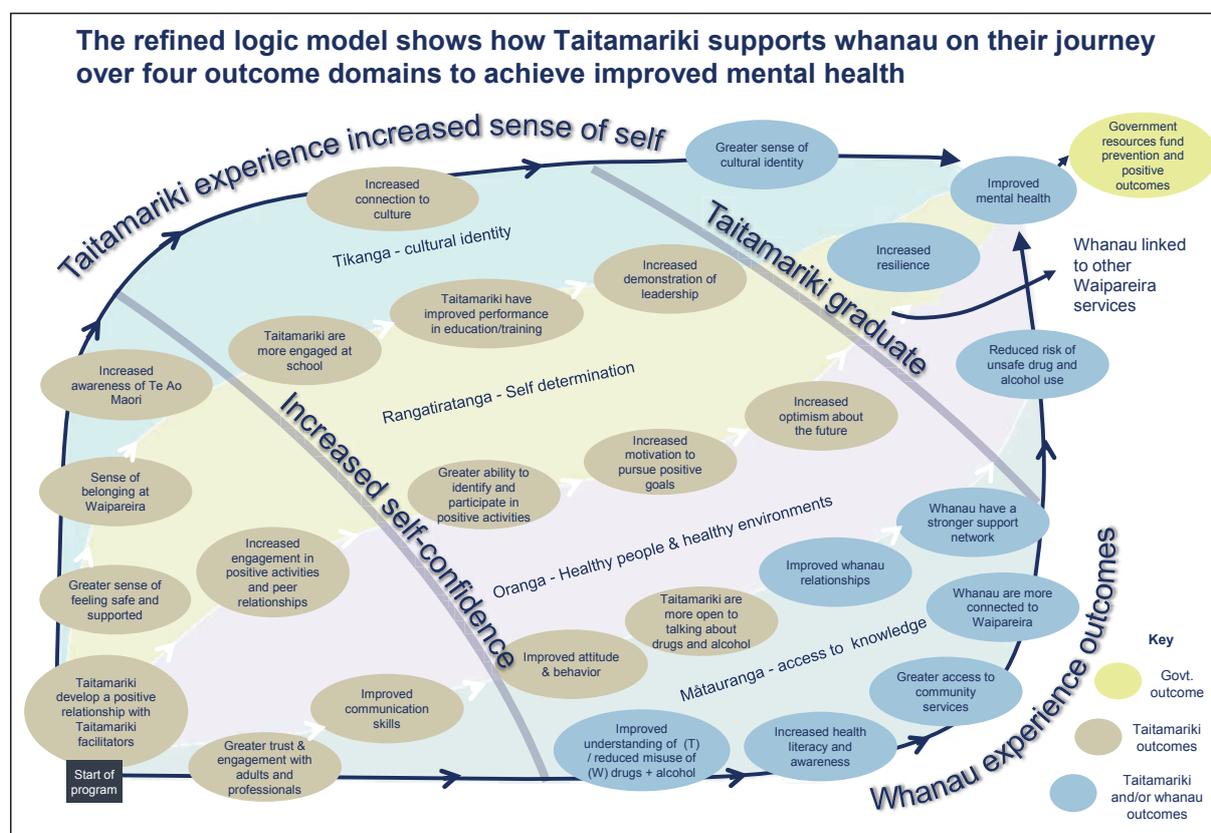


Figure 3. Logic Model of Taitamariki Programme



FORECAST SOCIAL RETURN ON INVESTMENT

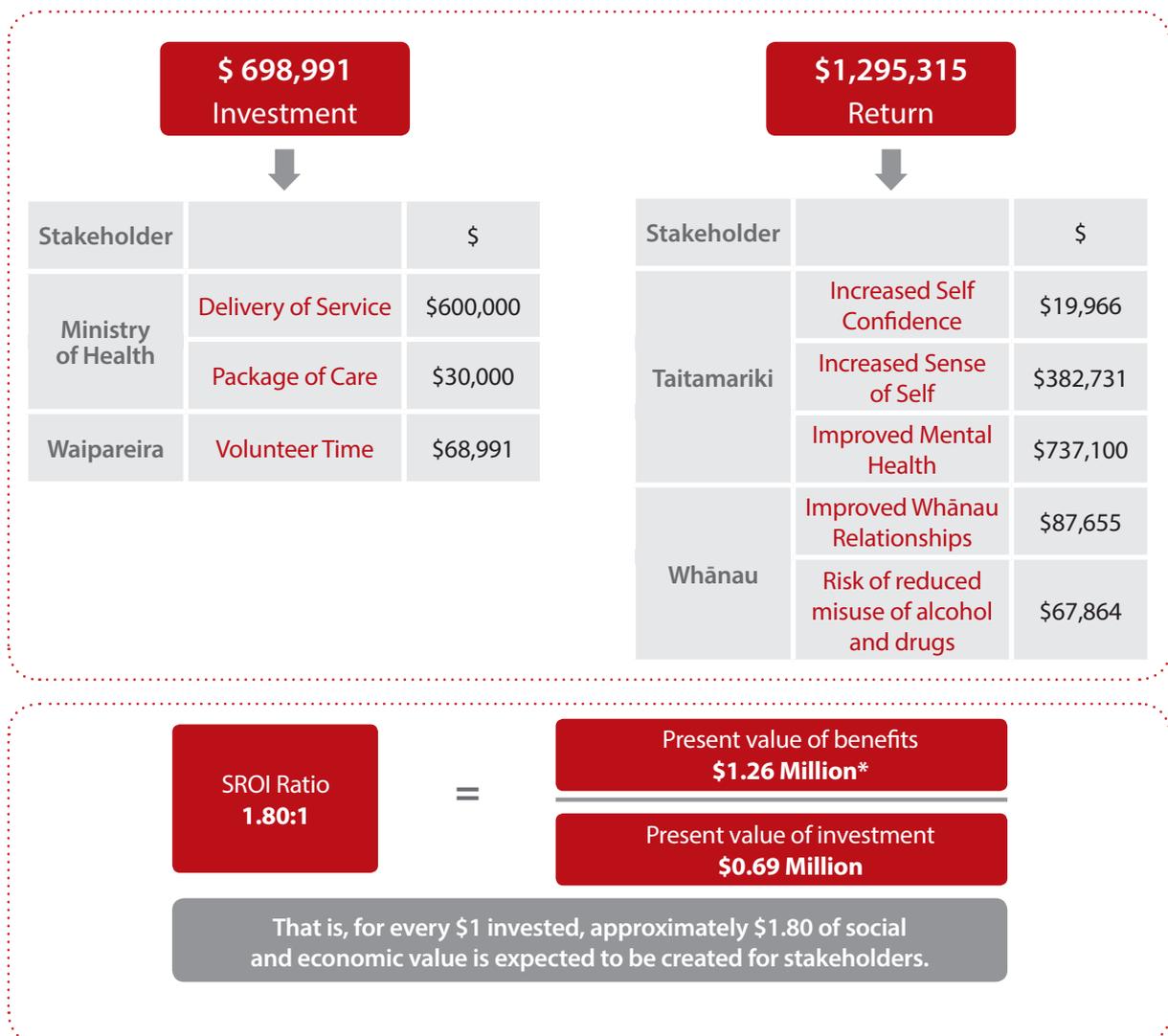
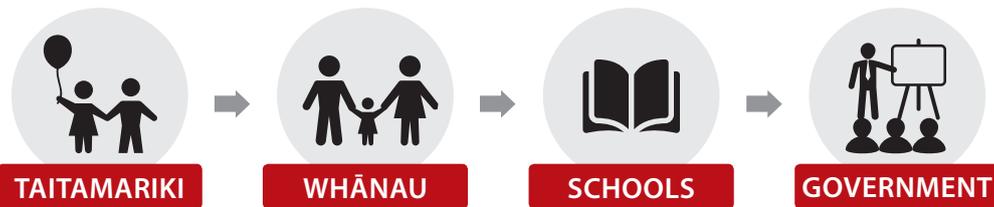


Figure 4. Forecast SROI for Taitamariki Programme

*Present value of investment and benefits calculated with a discount rate of 1.75%, reflecting NZ Reserve Bank Official Cash Rate at 10th November 2016.



CONCLUSION

Measuring Impact, rather than outputs, marks a fundamental shift in understanding how positive change occurs and whether an organisation's activities contribute to reaching set goals. Impact measurement is important for mission focused organisations and those who invest in them; it helps gauge the progress towards achieving social goals, as well as, helps communicate more effectively with stakeholders and funders.

Te Pou Matakana has been a crucial advocate for Whānau Ora, to shape and determine outcomes indicative of whānau success. It seeks to establish itself as an example of best practice in commissioning for outcomes and impact. To this end, TPM introduces the Social Return on Investment (SROI) framework, as an innovative approach to measure impact in the Whānau Ora space. SROI helps to measure the wider value created by activities of an organisation for the whānau. Engagement with stakeholders is the key element of the SROI framework which aligns strongly with the concept of Whānau Ora. SROI is more than just a number - instead, it has the potential for providers of Whānau Ora services to narrate their stories of change and impact more comprehensively and foster relationships with the whānau and other partners.



GLOSSARY

- **Attribution** – An assessment of how much of the outcome was caused by the contribution of other organisations or people.
- **Cost Allocation** – The allocation of costs or expenditure to activities related to a given programme, product or business.
- **Deadweight** – A measure of the amount of outcome that would have happened even if the activity had not taken place.
- **Discounting** – The process by which future financial costs and benefits are recalculated to present-day values.
- **Displacement** – An assessment of how much of the outcome has displaced other outcomes.
- **Drop-off** – The deterioration of an outcome over time.
- **Duration** – How long an outcome lasts after the intervention, such as length of time a participant remains in a program.
- **Financial Value** – The financial surplus generated by an organisation in the course of its activities.
- **Impact** – The difference between the outcome for participants, taking into account what would have happened anyway, the contribution of others and the length of time the outcomes last.
- **Impact Map** – A table that captures how an activity makes a difference: that is, how it uses its resources to provide activities that then lead to particular outcomes for different stakeholders.
- **Income** – An organisation's financial income from sales, donations, contracts or grants.
- **Inputs** – The contributions made by each stakeholder that are necessary for the activity to happen.
- **Materiality Information** – is material if its omission has the potential to affect the readers' or stakeholders' decisions.
- **Monetise** – To assign a financial value to something.
- **Net Present Value** – The value in today's currency of money that is expected in the future minus the investment required to generate the activity.
- **Net Social Return Ratio** – Net present value of the impact divided by total investment.
- **Outcome** – 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.



GLOSSARY CONTINUED

- **Outputs** – A way of describing the activity in relation to each stakeholder’s inputs in quantitative terms.
- **Outcome Indicator** – Well-defined measure of an outcome.
- **Proxy** – An approximation of value where an exact measure is impossible to obtain.
- **Scope** – The activities, timescale, boundaries and type of SROI analysis.
- **Sensitivity Analysis** – Process by which the sensitivity of an SROI model to changes in different variables is assessed.
- **Social Return Ratio** – Total present value of the impact divided by total investment.
- **Stakeholders** – People, organisations or entities that experience change, whether positive or negative, as a result of the activity that is being analysed.



BIBLIOGRAPHY

Cabinet Office, UK Government. (2013). A measurable outcome. Centre for Social Impact Bonds. http://data.gov.uk/sib_knowledge_box/measurable-outcome.

Cabinet Office, UK Government. (2009). A guide to Social Return on Investment. https://ccednet-rcdec.ca/files/ccednet/pdfs/2009-SROI_Guide_2009.pdf

Controller and Auditor-General. (2015). Whānau Ora: the first four years. <http://www.oag.govt.nz/2015/whānau-ora>.

Durie, Mason, et al., (2002). Māori Specific Outcomes and Indicators. A report prepared for Te Puni Kōkiri.

New Economics Foundation (NEF).(2014). commissioning for outcomes and co-production: A practical guide for local authorities. <http://www.neweconomics.org/publications/entry/commissioning-foroutcomes-co-production>.

New Economics Foundation (NEF). (2004). Social Return on Investment: Valuing what matters. New Economics Foundation. http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=180.

National Health Service (NHS) (2015). Commissioning for Value. Right Care. <http://www.rightcare.nhs.uk/index.php/commissioning-for-value/#commissioningforvalue>.

Te Pou Matakana. (2014). Te Pou Matakana Outcomes Framework. <https://www.tepoumatakana.com/wp-content/uploads/2017/03/A-Shared-Outcomes-Framework-for-Wha%CC%84nau.pdf>.

Te Pou Matakana. (2016). Te Pou Matakana Outcomes Roadmap. <https://www.tepoumatakana.com/wp-content/uploads/2017/03/Te-Pou-Matakana-Outcomes-Roadmap.pdf>.



Te Pou Matakana

COMMISSIONING AGENCY

www.tepoumatakana.com

Level 4, Whānau Centre | 6-8 Pioneer Steet, Henderson, Auckland, New Zealand
Postal | PO Box 21 081, Henderson, Auckland 0650. New Zealand | Phone 0800 929 282