

Committee:	Date:	Item No.
Social Investment Board	13 th December 2013	
Subject: Social Impact Measurement	Public	
Report of: Chief Grants Officer	For Information	
<u>Summary</u>		
<p>This paper examines how social investors are working to measure the social impact of their investments. It notes the different approaches available to assess impact, and describes the work that the City of London Corporation Social Investment Fund is developing to assess the intended impact of each investment proposal it receives.</p> <p>The paper notes that, unlike financial accounting standards, there is a broad range of tools and approaches to measuring social impact. The range reflects the different resources available to social purpose organisations of different sizes, needs, focus areas, and the availability (or otherwise) of robust data on which they can build their work. A tool which is effective in one context may not work in another for very good reasons.</p> <p>Whilst there have been efforts to develop systems where social impact can be classified in common categories, the commonly held principle is that a measurement approach should be driven by the type of intervention and by the needs of the organisations that deliver that work.</p> <p>A screening tool, such as the risk-assessment framework which your officers are developing, will help to identify social impact risk to each proposed investment. In time, when more investments have been placed in common thematic areas it will be possible to look at trends and aggregated impact.</p> <p>Recommendation:</p> <p style="padding-left: 40px;">That you receive this report and note its contents.</p>		

Main Report

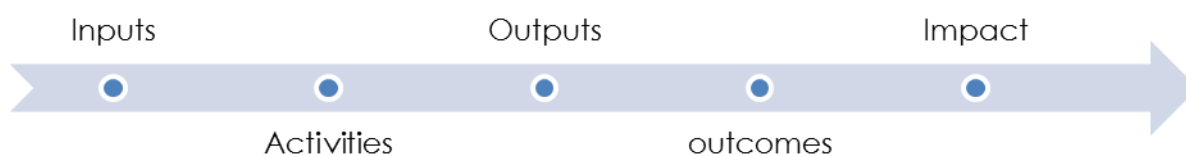
Introduction

1. Social investment is based on the principle that investors receive both social and financial returns. Accordingly, effective social impact measurement is essential for the credibility of the concept of social investment.

2. At your last meeting you asked how the impact of your social investments could be assessed and measured, and whether it was possible to use a common standard for all investment activities. This paper provides a summary of the work done in this field by social investors and evaluators, and describes the work that officers are doing to ensure that your Fund takes a rigorous approach to social impact measurement.

The Concept

3. Social impact measurement aims to assess the difference between what would happen with a given action and what would happen without it. It aims to answer questions such as 'did an intervention work?' 'How did it work?' 'Will it work again?' 'Does it work every time?' and 'Why did it work?'
4. Measurement often focuses on different points of the impact chain (below), looking at whether specific inputs and activities result in the same outputs each time, what outcomes (changes, benefits or learning) occur for different target groups, and what longer-term difference (or impact) results from a programme of work.



5. Depending on the area of intervention, there will usually already be a body of evidence providing some impact chain data, and the evaluator or social impact analyst will try to fill in specific gaps relevant to the programme they are examining.

Methods

6. Social change is a broad field, and your current investments support a range of activities including: accommodation for adults with learning disabilities; employment training for ex-offenders; housing for formerly homeless people; and small and medium enterprise development in low-income economies. Each area of activity requires its own indicators, and each has been developed by different organisations with their own social impact measurement tools.
7. A range of different tools exist, and there is extensive debate regarding which are more or less effective for different circumstances. Social purpose organisations are diverse both in size and focus, and the impact measurement approach taken by a small organisation focused on a specific group of service users in a local area will not be suitable for a large international charity with a multi-million turnover.
8. Despite the range of tools, each can be classed into one of five broad categories of approach:

- 8a. **Cost-benefit analysis:** (such as Social Audit and Accounting, and Social Return on Investment) which calculate the approximate monetary value of the outputs, outcomes and impact arising from a specific set of inputs and activities. These approaches compare the cost of work with the value of the benefits arising. An example is the study by Oxford Economics to assess the social return on Anchor House's work with formerly homeless people (<http://www.oxfordeconomics.com/publication/open/224360>) This is generally a rigorous and in-depth method, but is costly and time-consuming, and works better for certain types of intervention than others.
- 8b. **Statistical approaches to assessing change:** (such as benchmarking, 'before and after' comparisons, and randomised control trials) which work well when there is already a well-established data set and a high degree of confidence that an approach can be replicable. An example is a randomised control trial conducted with a voluntary sector befriending project working with people who care for dementia sufferers (<http://www.bmj.com/content/336/7656/1295>). These approaches can provide good information on causality, but may not pick up the full story of difference made. They can be expensive methods and may not be suitable for every type of social initiative.
- 8c. **Outcome indicator banks:** (such as Big Society Capital's outcomes matrix), which gather common measures of change for use by investors to categorise the intended impact of their investment. (Big Society Capital's outcome matrix can be found here: <http://www.bigsocietycapital.com/outcomes-matrix>). Whilst indicator banks help with classification of social approaches, by itself it is not enough to examine broader questions about why change has occurred, whether it was cost-effective, and whether it is replicable.
- 8d. **Impact rating platforms:** (such as the Impact Reporting and Investment Standards, or IRIS, and the Global Impact Investing Rating System, or GIIRS) which provide standard metrics but are more suitable for emerging market investments rather than activity in the UK. (Details of IRIS can be found here: <http://iris.thegiin.org/>). As with Big Society Capital's outcomes matrix, the platforms do not attempt to provide a complete analysis of the social impact generated from a specific intervention.
- 8e. **Case-by-case approach:** where a bespoke method is developed for the specific case. Bespoke methods are the most widely used in the social sector and allow for something tailored to the circumstances. It is extremely difficult to aggregate data from different bespoke evaluations.
9. Philanthropic grant-makers have amassed extensive experience of social impact measurement, and this is proving useful to those working on the same problems in the field of social investment. Grant-makers, including City Bridge Trust which has

distributed over £250 million of grant-funding, recognise that social impact can be measured more easily in certain situations than in others. Data on outcomes such as educational attainment and employment is easier to gather than data where the outcomes relate to preventative work or work of high sensitivity, such as interventions that seek to slow the rate of the onset of dementia or prevent instances of domestic violence. Precision and standardisation is far more straightforward in certain fields of social intervention than in others.

City of London Corporation Social Investment Fund approach

10. Your Fund currently classifies the intended benefit of all its active social investments using the Big Society Capital Outcomes matrix. However, standard classification does not reflect standard evaluation methods by investees and, to date, each investment proposal submitted for Fund consideration has been proposed with its own bespoke approach to social impact measurement. This is unsurprising and reflects the range of social outcome areas which you are supporting.
11. Ahead of your meetings, officers scrutinise the social impact approach of prospective investees. This includes an examination of how beneficiary progress will be measured, the resources the organisation has set aside to measure social impact, how the measurement process will be quality controlled, when data will be available, and how the business model might be adapted if the intended social outcomes are not being achieved.
12. A standard risk-assessment framework is under development to help screen investment proposals, and this tool includes questions relating to social impact such as:
 - Is the overall aim of the work sufficiently specific?
 - What are the intended outcomes of the work?
 - Are these outcomes important, and are they likely to result in longer term impact?
 - To what extent is the investee able to deliver the intended outcomes?
 - How can we be sure the intervention resulted in the intended outcomes, or would these changes have happened anyway?
 - Is it possible that the problem will move elsewhere as a result of the work delivered?
 - What are the most significant risks to impact and how will the investee mitigate these?
 - Will everyone involved in the work rate the impact positively?
 - What data will investors receive during programme delivery, and will this data be credible?
13. The social benefit of the proposed work is then presented in the investment case submitted to your meeting.

14. Along with their financial reports, investees are expected to present (at a minimum) annual updates on social impact achieved. You receive a summary of this data through your Portfolio Update, which is a standing item in your non-public papers.
15. You currently have four active and one conditional investment, representing £2.1m, supporting work in different geographies and on different social issues. Although it is too soon to talk about aggregated impact, at a point when you have several investments in a thematic area (such as move on accommodation for homeless people) it would be useful to evaluate these to identify what works, and where your investments could be directed to greatest impact in the future.

Conclusions

16. It is comparatively straightforward to measure the relationship between financial investment and financial return. Some social impact measurement can be simple and can be standardised, but this is rare. Inputs and activities may differ between organisations, and are delivered in an ever changing social, economic and political context. Outcomes and longer-term impact may only be apparent some time after the intervention was delivered, and may arise a result of other variables outside the control of the delivery agency. A rigorous social impact measurement approach is desirable and should be adopted, but will often need to be tailor-made to the specific intervention.
17. A broad range of tools and approaches exist to measure social impact. This plurality of approaches reflects the different resources available to social purpose organisations of different sizes, their different focus, needs, and the availability (or otherwise) of robust data on which they can build their work. A tool which is effective in one context may not work in another for very good reasons.
18. Whilst there have been efforts to develop systems where social impact can be classified in common categories, the commonly held principle is that measurement approach should be driven by the type of intervention and by the needs of the organisations that deliver that work.
19. A screening tool, such as the risk-assessment framework which your officers are developing, will help to identify social impact risk to each proposed investment. In time, when more investments have been placed in common thematic areas it will be possible to look at trends and aggregated impact.

Recommendations:

That you note the contents of the report,

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Report written: 29th December 2013