

crew

Regeneration Wales  
Adfywio Cymru

# Monitoring & Evaluation: A Guide

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# 1

# Introduction

Monitoring and evaluation (M&E) has steadily increased in importance over the last decade and is now a central requirement of most funded programmes in the UK and European context. However, the heightened interest in understanding the effects of our interventions and maximising the impact of each pound spent should be viewed as a very positive development and a method for achieving maximum impact. This is especially necessary in the current financial climate when ‘doing more for less’ has become a public and third sector requirement. Only by understanding the effectiveness of delivery and the implications of past successes and failures, will we ensure that future interventions will be more successful in delivering greater positive regenerative outcomes.

The central premise of this Guide to Monitoring and Evaluation is that good management requires good Monitoring and Evaluation. It is not an optional add-on but is the central key to effective delivery. Emerging emphasis

on Results Based Accountability has rightly focused attention on outcomes but this has always been the case for effective Monitoring and Evaluation approaches. The purpose is to understand the impact of provision on those who are the beneficiaries of interventions.

This Guide will review some of the key M&E methodologies and provide guidance on their applicability and their use. With many methods and approaches to choose from it is essential that the right tools are applied to the task.

With this guide you will be able to:

- Understand a range of methods
- Understand their advantages and disadvantages
- Decide which method to use in different circumstances
- Be able to source additional support for applying the main methodologies

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## What is Monitoring & Evaluation?

Whilst we often think of monitoring and evaluation as a single process, it is important to remember that monitoring and evaluation are in fact two separate observational activities which are often intrinsically linked, but are not the same process. It is impossible to correctly evaluate the impact of a particular intervention, if there is not a clear and effective monitoring process in place which continually records the correct variables. However, it is possible to accurately record the progress of a detailed set of indicators, and not have an appropriate evaluation strategy in place to utilise the data. Successfully determining the outcomes or impact of any intervention clearly requires good working

synergies between the processes of monitoring and evaluation from the outset of any intervention, but it is important to have an understanding of each process in its own right.

## MONITORING

Put simply, monitoring is the systematic, regular collection and analysis of information to identify and measure change as an intervention progresses. Monitoring is performed while a project is being implemented, with the aim of improving the project design, delivery and functioning while in action. For example, Bamberger and Hewitt (1986), describe how a monitoring study was able to determine that the amount of credit in a micro credit scheme for artisans in Brazil was too small. The potential beneficiaries were not participating due to the inadequacy of the loan size for their needs. This information was then used to make some important changes in the project. Bamberger and Hewitt define monitoring as:

“an internal project activity designed to provide constant feedback on the progress of a project, the problems it is facing, and the efficiency with which it is being implemented”

**BAMBERGER AND HEWITT, 1986**

In 2001 CIVICUS, the world alliance for citizen participation, described the principles of monitoring:

“[Monitoring] helps to keep the work on track, and can let management know when things are going wrong. If done properly, it is an invaluable tool for good management, and it provides a useful base for evaluation. It enables you to determine whether the resources you have available are sufficient and are being well used, whether the capacity you have is sufficient and appropriate, and whether you are doing what you planned to do.”

**SHAPIRO, 2001**

The Charities Evaluations Services (2012) suggest monitoring information is likely to contain:

- Profile information on your users
- Basic project record keeping, such as the minutes of meetings and case records
- Statistical information on take-up of services
- Feedback sheets from training courses and workshops
- Diaries and other records of events
- Complaints and compliments from users.

We will cover the data requirements for effective monitoring in a later section but the above list gives you an idea of the patterns of data that will be required.

## EVALUATING

Evaluation is the analysis of the effectiveness of an activity and involves making a judgement about progress and impact. Evaluations study the outcomes of a project (changes in income, housing quality, benefits distribution, cost-effectiveness, etc.) with the aim of informing the design and delivery of future projects. Bamberger and Hewitt describe evaluation as:

“[M]ainly used to help in the selection and design of future projects. Evaluation studies can assess the extent to which the project produced the intended impacts (increases in income, better housing quality, etc.) and the distribution of the benefits between different groups, and can evaluate the cost-effectiveness of the project as compared with other options”

**BAMBERGER AND HEWITT, 1986**

The Charities Evaluation Services' definition (CES, 2010) reaffirms this:

“Evaluation is about using monitoring and other information you collect to make judgements about your project. It is also about using the information to make changes and improvements.”

Evaluations can, and should, be both formative and summative. One of the best recent examples of monitoring and evaluation practice comes from the New Deal for Communities evaluation. The evaluation was split into two main phases, a formative evaluation and a summative evaluation. The formative phase ran from 2002 to 2005 and resulted in the ‘NRU Research Report 17: NDC Interim Evaluation 2001 – 2005’. This formative report was able to highlight key findings, successes and failures, and improve the strategy and functioning of the projects implementation from 2005 onwards. The summative phase ran from 2006 to 2009 (DCLG, 2010) and focused on; evaluating the programme impacts and outcomes, exploring the different activities and approaches undertaken by each NDC partnership and isolating what aspects of the projects design and delivery had worked and what aspects could have been improved. By comprehensively committing to undertaking a thorough evaluation of the programme, the NDC programme has been able to:

“draw together lessons from all the NDC Partnerships, look for common themes and experiences, and put together a valuable evidence base to inform effective policies for neighbourhood renewal throughout the country”

**NDC EVALUATION OVERVIEW, 2012**

As evidence in this example, a good evaluation should have two phases:

**A FORMATIVE SECTION** which runs during the lifespan of the intervention with the intention of understanding and improving the interventions design and delivery.

**A SUMMATIVE SECTION** which draws lessons from a completed intervention or programme, with the view to building a strong understanding and evidence base to inform the design and delivery of future initiatives.

## THE PROCESS OF MONITORING AND EVALUATION

Whilst we have explored the subtle differences between monitoring and evaluation, the fact remains that there are strong commonalities between the two, which combine to create the familiar process of monitoring and evaluation. What binds the two processes into the singular process of monitoring and evaluation are their commonalities; both facilitate the process of understanding how best to structure, design and implement an intervention both now and in the future (CIVICUS 2001). To facilitate this learning process, monitoring and evaluations strategies have three common focuses;

- Effectiveness
- Impact
- Accountability

**EFFECTIVENESS** is the process of comparing an initiative's projected aims, goals and objectives to its actual results. Has the initiative succeeded in doing all it intended to do, and what has made this initiative succeed or fail to meet its objectives? One of the crucial components of M&E is setting realistic and achievable objectives at the onset of an intervention.

**IMPACT** should be the most important focus of any evaluation. The main question here is did the intervention actually make a difference to its intended area or population. For example, being able to show that your initiative has engaged 20 people in a community learning initiative may show that you have met your objective, but have those people gained any extra qualifications, are they now more employable or has there been a perceptible change in attitudes toward education and training in your area? Questions relating to impact get to the outcomes of an initiative. Before any decisions are made about continuing an intervention, or replicating it elsewhere, it is important to understand what impact has been achieved and why this is the case. The term outcome has particular significance in Results Based Accountability methods and we will return to this in a later section.

**ACCOUNTABILITY** is perhaps more important today than ever before, due in equal measure to a positive organisational change in attitudes towards M&E, and the increasing need to demonstrate value for money as a principle funding requirement. The accountability element of M&E is a process of matching inputs to outputs and outcomes, in order to evaluate how efficiently the initiative has performed and whether it constitutes value for money. Increasingly it also includes reference to the process of delivery and the experience of beneficiaries.

Whilst much of what has been described above may sound complex, monitoring and evaluating need not be complex, expensive or require the input of specialists. In fact it is possible to argue that the more complex M&E systems and processes become, the less useful they are. If the primary goal of monitoring and evaluation is to create a knowledge base of effective techniques to inform and improve future design and delivery, then it seems more appropriate to employ M&E techniques that are easily accessible to a large audience.

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# Why Perform Monitoring & Evaluation

## WHY PERFORM MONITORING & EVALUATION

Whilst the question of why we should perform monitoring and evaluation has been implicitly alluded to several times during the opening paragraphs, it is useful here to identify some of the main advantages of performing M&E. Evaluation and monitoring systems can be an effective way to:

**PROVIDE** constant feedback on the extent to which the projects are achieving their goals.

**IDENTIFY** potential problems at an early stage and propose possible solutions.

**MONITOR** the accessibility of the project to all sectors of the target population.

**MONITOR** the efficiency with which the different components of the project are being implemented and suggest improvements.

**EVALUATE** the extent to which the project is able to achieve its general objectives.

**PROVIDE** guidelines for the planning of future projects.

**INFLUENCE** sector assistance strategy. Relevant analysis from project and policy evaluation can highlight the outcomes of previous interventions, and the strengths and weaknesses of their implementation.

**IMPROVE** project design. Use of project design tools such as the logframe (logical framework) results in systematic selection of indicators for monitoring project performance. The process of selecting indicators for monitoring is a test of the soundness of project objectives and can lead to improvements in project design.

**INCORPORATE** views of stakeholders. Awareness is growing that participation by project beneficiaries in design and implementation brings greater “ownership” of project objectives and encourages the sustainability of project benefits. Ownership brings accountability. Objectives should be set and indicators selected in consultation with stakeholders, so that objectives and targets are jointly “owned”. The emergence of recorded benefits early on helps reinforce ownership, and early warning of emerging problems allows action to be taken before costs rise.

**SHOW** need for mid-course corrections. A reliable flow of information during implementation enables managers to keep track of progress and adjust operations to take account of experience. (Bamberger & Hewitt, 1986)

It is possible to bring this list up to date with the addition of only one point:

**PROVIDE** accountability – to assess whether the project is effectively, appropriately, and efficiently executed to be accountable to the key agencies supporting the work, including the funders (Estrella and Gaventa, 1998).

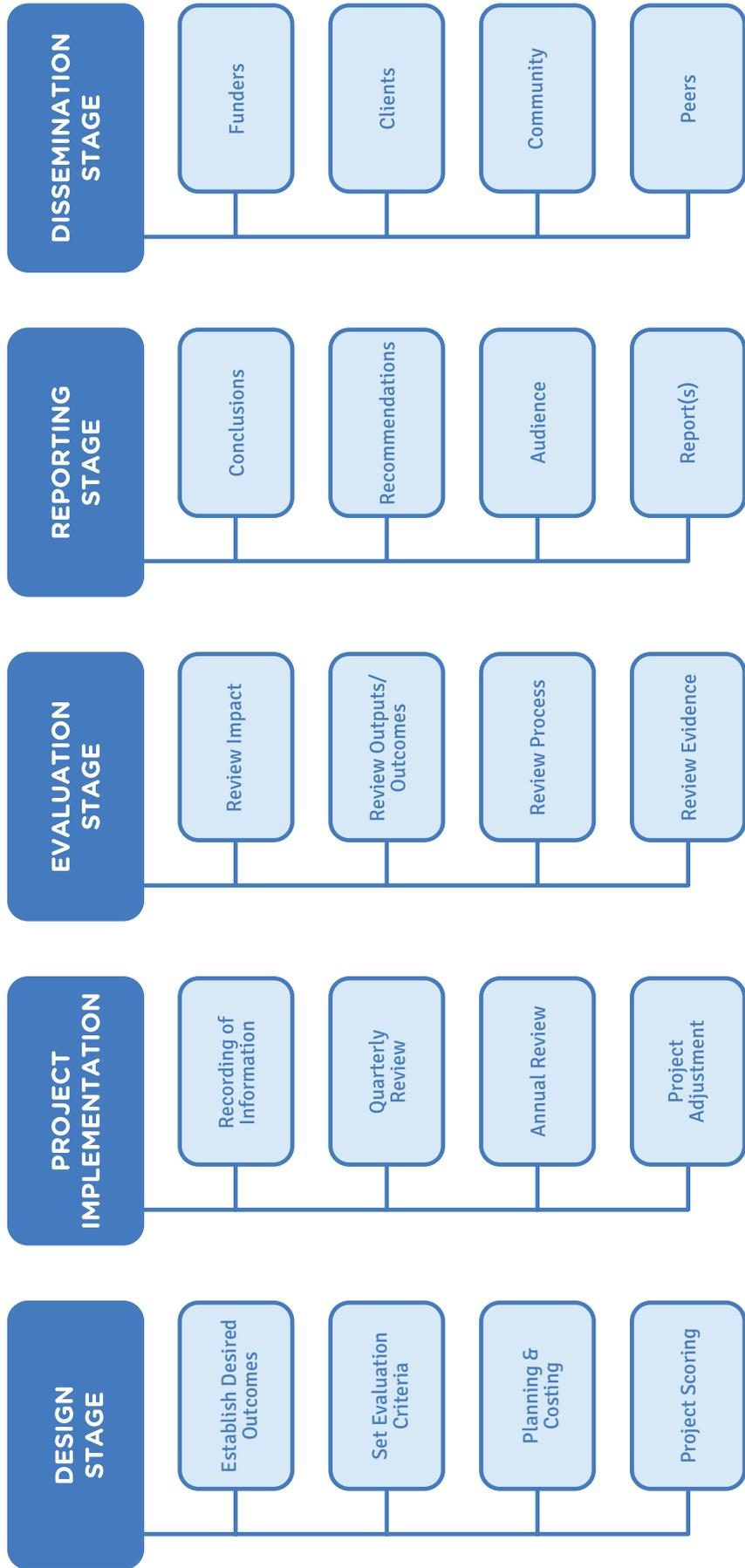
# 4

## How to Monitor & Evaluate

Whilst there are many tools available to aid with the development and delivery of monitoring and evaluation objectives, it is important to understand the basics that underpin best practice M&E. CREW have identified 5 distinct stages in the monitoring and evaluation process which together represent best practice, and ultimately lead to the development and delivery of robust monitoring and evaluation techniques. Each stage has distinct sub-sections.

The following diagram highlights the distinct stages of best practice monitoring and evaluation:

**THE FIVE STAGES OF MONITORING & EVALUATION**



This 'timeline' approach establishes key requirements at each stage of the monitoring and evaluation process.

**THE DESIGN STAGE** Few practitioners recognise that effective M&E begins at the design stage of a project or programme. Establishing clear measurable outcomes at the outset aids effective design and ensures clarity of thinking about the ability to measure your outcomes. It also enables you to understand the costs of M&E and include them in the budget. This is very important if you are seeking funding from another agency. This stage will also allow you to better judge your project against the scoring criteria of the funding programme you are applying to.

**PROJECT IMPLEMENTATION** At this stage you will rightly be concerned with project delivery but it is also critical that you have established all your mechanisms for collecting data and that all participants are complying with the data recording requirements. Regular monitoring of the data provides opportunity for review and fine tuning of project delivery. It is here that good M&E practice demonstrates its value as a project management tool to ensure that your original programme aims and objectives are still in focus and achievable.

**THE EVALUATION STAGE** This is the most important stage and when all your monitoring activities come together to provide a final evaluation of your project. Here you are judging effectiveness and impact. You should be testing the achievement of your original outcomes and quantifying the results. It is a time for honesty and self-reflection and providing a basis for organisational learning about what has worked for you. You must be prepared to accept and account for failure and partial achievement of objectives.

**THE REPORTING STAGE** Here you collate your evidence and conclusions and present them to your key stakeholders. These may include project beneficiaries, funders, peer organisations and other with an interest in your work. This suggests there are multiple audiences for your M&E results and it may be necessary to report to them in different ways. Not everyone wants to read your detailed report, which is largely for internal organisational use, but you can prepare an Executive Summary, issue short summaries in Newsletters and Bulletins and provide key stakeholders with a range of outputs that describe the project results. You can also employ different media for different audiences for example using video, presentations and formal reports depending on the target audience.

**THE DISSEMINATION STAGE** You might want to reach beyond immediate stakeholders and target professional and academic communities with the results of your projects. You might feel that your outcomes have wider significance in promoting good practice and have lessons that are important for a wide range of agencies working in related fields. You can disseminate to this wider audience by delivering workshops, presenting at key conferences, publishing short articles in trade and professional publications and targeting more academic journals. To do this you need to be confident of your findings and of the value of the work you have done.

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## What M&E Tools Are Available?

This section will explore some of the major monitoring and evaluation tools currently available. It is beyond the scope of this guide to fully instruct you in their use but we will outline their applicability and core methods. We will also signpost you to further reading and instructional materials where they exist. Whilst some of the methods examined have specific uses, others are far more generalised and are more widely applicable. This section should be of use to practitioners by attempting to give an overview of each methodology and when it may be appropriate to use them. It is also important to remember that tools do not have to be used in isolation, a combination of two or more tools will be appropriate on some occasions.

### WHAT IS RBA?

Results Based Accountability (RBA), also known as Outcome Based Accountability, can be described as a common sense approach to using outcome-based thinking to help improve both the wellbeing of populations and the performance of services. The concept of RBA originates from Mark Friedman's (2005) book entitled 'Trying Hard is Not Good Enough – How to Produce Measurable Improvements for Customers and Communities', in which Friedman outlines the key features of the methodology.

- RBA starts with the ends and works backward, step by step, to the means. For communities, the ends are conditions of well-being for the community such as children being healthy. For programmes or services, the ends are how service users are better off when the service works the way it should.
- It provides step by step processes to enable partners to get from talk to action quickly.
- It uses plain language and avoids jargon.
- It uses common sense methods that everyone can understand.
- It's an inclusive process where diversity is an asset and everyone in the community/service can contribute.
- It places importance on the collection, base lining and understanding of data to indicate if things are getting better or worse.

According to the WLGA's Partnership Support Unit, RBA emphasises that working towards improvement must start with the ends which are desired and not with the means which we have at our disposal. Planning with RBA starts with the desired population condition of wellbeing or customer results and works back to means (PSUCymru, 2012). RBA's logical and robust approach has seen its application growing across Wales and the wider U.K., where RBA is now used by a growing number of public, third sector and voluntary organisations to help inform project design, project delivery, service planning and performance management.

### PRINCIPLES, FEATURES AND METHODOLOGY

One of the major features of RBA is its adoption of a 'new language' of monitoring and evaluation. The familiar language of monitoring and evaluation has been based around, aims, objectives, initiatives, milestones and targets. However, Friedman (2005) opts to lose these traditional terms and replaces them with what he considers more focused and meaningful terminology such as population accountability, performance accountability, impact, effectiveness, evidence, outputs and outcomes.

The RBA approach is split between two central types of accountability, population accountability and performance accountability, which often become confused. However, Friedman (2005) argues that it is essential that the differences and interconnections between the two are understood in order to perform robust monitoring and evaluation.

**POPULATION ACCOUNTABILITY** is primarily concerned with the entire population of a specified geographic area, be that all the children in Wales or all the females in Cardiff etc. Population accountability is not concerned with attribution but instead "the collaborative responsibility for improving the conditions of well-being of populations or sub-populations regardless of whether individuals access particular services" (PSUCymru, 2012). Put simply, population accountability is bigger than any one project, programme or department, and simply aims to discover whether conditions have changed in a certain location.

**PERFORMANCE ACCOUNTABILITY** focuses on the performance of particular projects, programmes or managers, looking at how well projects have been run and aiming to discover what impact a particular project has had on its 'client population'. The principle difference to population accountability is that performance accountability focuses on the well-being of customer populations, as distinct from whole populations. It's about discovering the impact and effectiveness of a particular project, and assigning attribution to that project.

The principle distinction between the two is the issue of responsibility. "With programmes and services, we can identify the manager or managers who should be held responsible. For cross community conditions such as Health Children, there is no one person or agency that can be held responsible. Population accountability requires broad partnerships that take collective responsibility for progress."

PSUCYMRU, 2012

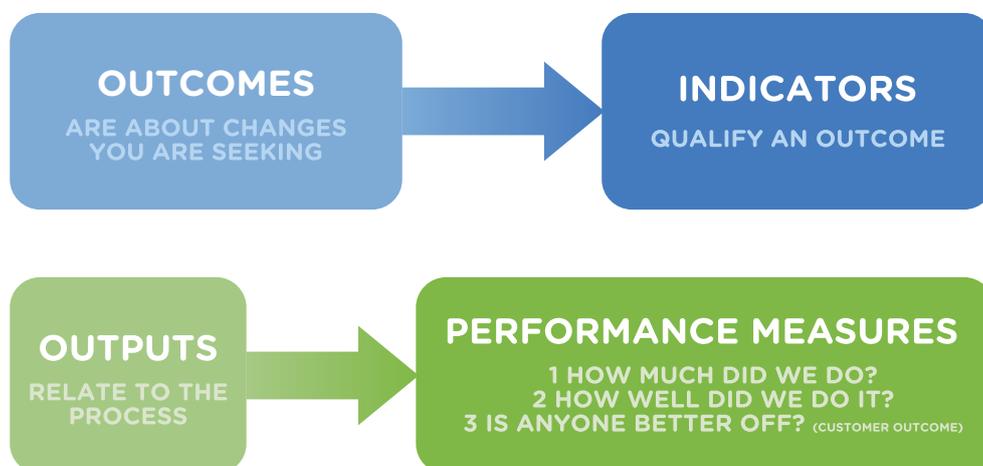


FIG A Visual Representation of the RBA concepts

The new language can become confusing, so it's important to try and establish exactly what each term means.

**OUTCOME** is a condition of well-being for a population (or sub-populations) stated in plain language. An example of an outcome would be children born healthy, clean environment or safe communities in Merthyr Tydfil. Social Outcomes relate to impact, what change are you trying to effect?

Outcomes are measured by **INDICATORS** which help to quantify the achievement of an outcome. For example, the crime rate in Merthyr Tydfil or the rate of low weight babies.

When an organisation runs a project or intervention there will be **OUTPUTS**. Outputs refer to process and can be directly measured and easy to influence. However, in order to remove confusion when using the language of RBA its best to think of outputs as **PERFORMANCE MEASURES**. Performance measures track how well an organisation or project is doing and have three distinct and important components:

**1 HOW MUCH DID WE DO?** this can use data such as the number of referrals, the number of sessions run or the number of people who attended.

**2 HOW WELL DID WE DO IT?** this can include the dropout rate, the percentage of people who report being satisfied with the scheme or the percentage of referrals responded to within "x" days of a request for service.

**3 DID WE MAKE A DIFFERENCE?** This is often referred to as a Customer Result or Customer Outcome. If we use a family support service as an example, the customer result could be represented as; % of parents / carers who report they are now more able to understand their child's behaviour, % parents who report that their child's behaviour has improved or the % of children who now remain safely with their parents.

One of the claims often cited by proponents of RBA is that it can be implemented in one meeting by asking 7 questions. The questions relating to both population and performance accountability are displayed below.

**THE 7 POPULATION ACCOUNTABILITY QUESTIONS:**

- 1 What are the quality of life conditions we want for the children, adults and families who live in our community?
- 2 What would these conditions look like if we could see them?
- 3 How can we measure these conditions?
- 4 How are we doing on the most important of these measures?
- 5 Who are the partners that have a role to play in doing better?
- 6 What works to do better, including no-cost and low-cost ideas?
- 7 What do we propose to do?

**THE 7 PERFORMANCE ACCOUNTABILITY QUESTIONS:**

- 1 Who are our customers?
- 2 How can we measure if our customers are better off?
- 3 How can we measure if we are delivering services well?
- 4 How are we doing on the most important of these measures?
- 5 Who are the partners that have a role to play in doing better?
- 6 What works to do better, including no-cost and low-cost ideas?
- 7 What do we propose to do?

Finally, it is important to understand how population accountability and performance accountability can fit together. The easiest way to understand this relationship is visually through the use of diagrams.

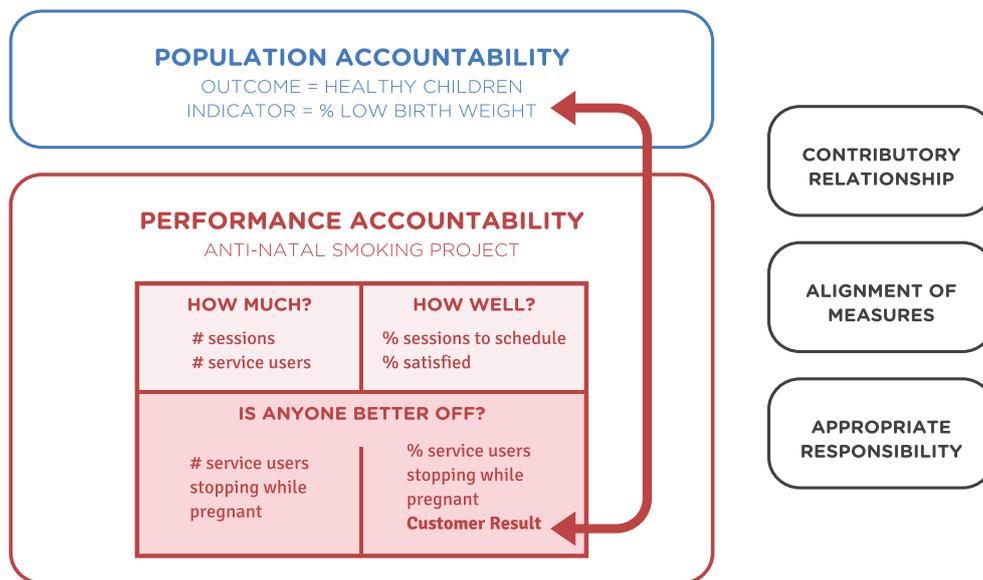


FIG Image taken from: <http://www.psucymru.org.uk/index.cfm?articleid=4928>  
Richard Morton, (2009) Results Based Accountability Presentation

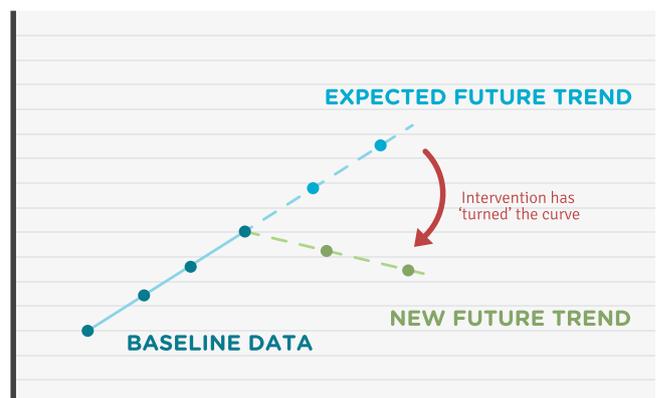
## RECORDING/REPORTING STYLE

The recording style of RBA is determined by the processes involved. The process advocates transparency and a clear line of sight from outcomes, through indicators to performance measures and outputs in order to quickly determine what has been done, how well it has been done and what its impact was. The results are traditionally displayed as a series of indicators, graphs and text that briefly summarises the data.

One of the key goals when undertaking RBA is to “turn the curve”. Basically, by collecting baseline data before an intervention, it is possible to make a judgement as to the future trend of a specific condition such as poverty. For example, if the percentage of people classified as unemployed in a certain area has increased by 4% each year for the past 4 years, it is reasonable to suggest that this trend will continue in the coming years barring an external intervention. Represented graphically, this looks like:



However, Friedman (2005) suggested that by monitoring interventions using RBA our focus should be on “turning the curve”. What this means is we should look to positively influence this trend with our intervention. It’s about breaking the cycle of decline and bringing tangible improvements to an area in the future. To stick with our example, if we were to implement a job match scheme in that area we would hope to generate employment and thus bring about a positive benefit to the area. Represented graphically, a positive improvement would look like a positive departure from the expected future trajectory of the data.



We can see that a good intervention should improve future conditions, which graphically represented looks like a turn in the curve. Within the reporting style of RBA organisations should look to demonstrate how their activities have “turned the curve”.

## EASE OF USE

The RBA methodology is relatively easy to use, understand and implement. One of the major difficulties people encounter upon discovering RBA is a language barrier, and a confusion caused by mixing the traditional language of monitoring and evaluation and the new language of RBA. Whilst the language can be confusing at first, it becomes one of the major strengths of the model once understood as it promotes good practice monitoring and evaluation. RBA is intended to be used by a wide range of practitioners, and professional training is not a prerequisite to use, however there are regular seminars and briefings available throughout Wales which provide an introduction to the methodology and would be beneficial to anyone who is unfamiliar with the model. Also Mark Friedman's (2005) book 'Trying hard is not good enough', is seen by many as an excellent resource from which to begin to implement the principles of RBA. Much like all robust M&E methodologies, RBA can be resource intensive and does require a certain level of prerequisite skills in data collection, reporting and logical evaluation. At certain levels RBA needs real partnerships and collaboration to be effective, which will require the establishment of more robust and collaborative partnerships in many sectors and areas.

## BENEFITS

- RBA promotes good practice in M&E.
- Turns talk quickly into actions
- Explains both collaborative and service accountability and how they fit together
- Embeds performance management into planning and delivery.
- In a Welsh context, RBA has been endorsed by the Welsh Government and is likely to be the M&E tool of choice for most organisations for the foreseeable future.
- Outcomes focussed projects are now adopted by a range of funders including The Big Lottery and the relative success of the project or programme is measured by how the funded work has changed lives.
- The RBA methodology leads to the creation of more focused and better designed interventions.
- Results Based Accountability aims to tackle the underlying reasons for the issue identified.
- RBA appears to be future proofed. In the future there are likely to be less small specific grants, less money, and more emphasis on outcomes and collaboration.

## LIMITATIONS

- There is a required learning curve for organisations as the approach has to be embedded at all organisational levels.
- There may be revised resource implications as an organisation moves to this model.
- There needs to be a clear understanding of what a particular organisation, or performance accountability can be expected to achieve in terms of overall population accountability.
- It becomes essential that all partners are honest and explicit about what they can contribute to a programme, and relies heavily on real collaborative working. There will be no place for artificially created partnerships which includes agencies who attend simply to tick a box on their own strategic plans.

**EMPOWER, 2012**

## WHEN TO USE/WHY USE?

One of the strengths of the RBA approach which accounts for its growing popularity is that an RBA approach can be universally applied to any project or intervention. Essentially RBA is not simply an M&E methodology, but a process that promotes organisations to work in a transparent, effective and best practice manner.

## RECOMMENDED FURTHER READING

Mark Friedman, (2005) - 'Trying Hard is Not Good Enough'

The RBA Implementation Guide – available at [http://www.raguide.org/complete\\_paper.shtml](http://www.raguide.org/complete_paper.shtml)

<http://www.resultsaccountability.com/>

Further help and support is available in Wales from PSU Cymru - <http://www.psucymru.org.uk/rba>

# SOCIAL RETURN ON INVESTMENT (SROI)

## WHAT IS SROI?

SROI can be seen as a type of economic analysis closely related to cost-benefit analysis. The primary focus is on listening to stakeholders and identifying the outcomes that are important to them, and then putting a financial value on these outcomes (NPC, 2010). Essentially it attempts to quantify qualitative outcomes by assigning a monetary value to them. However, whilst SROI builds upon the logic of cost-benefit analysis, it differs in that it is explicitly designed to inform organisations about their social and environmental impacts. It is focused on establishing the monetary value of social and environmental outcomes. After the outcomes have been ‘monetised’ in this way, the results of the SROI analysis are summed up in an SROI ratio. This presents a result which suggests that for every pound the organisation has spent, it has created X pounds of social value. SROI relies on quantitative, qualitative and financial data and can be accredited and used to illustrate the financial, social and organisational worth of an activity.

### EASE OF USE

SROI is based on seven principles: (Nicholls et al., 2009)

- 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

These principles underpin how SROI should be applied, and adhering to these principles is key to the credibility of a good SROI evaluation.

‘The Guide to Social Return on Investment’ (Cabinet Office, 2009) explains that SROI analysis involves six stages:

#### 1 ESTABLISHING SCOPE AND IDENTIFYING KEY STAKEHOLDERS

It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how. Service users, funders and other agencies working with the client group are often included in an SROI.

**2 MAPPING OUTCOMES** Through engaging with your stakeholders you will develop an impact map (also called a theory of change or logic model) which shows the relationship between inputs, outputs and outcomes.

#### 3 EVIDENCING OUTCOMES AND GIVING THEM A VALUE

This stage involves finding data to show whether outcomes have happened and then giving them a monetary value. For example, a contraceptive advice programme saves a number of teenage pregnancies which can be estimated to have saved the health service a standardised unit cost per pregnancy saved.

#### 4 ESTABLISHING IMPACT

Those aspects of change that would have happened anyway or are a result of other factors are taken out of the analysis. It is essential that an SROI analysis only claims the outcomes that are clearly attributable to the intervention. In our example above it would not be possible to claim that the lower birth rate has saved the costs of pupil places that would have been required at a local school. This suggests that the levels of claims made for the success of a project must be limited to first or second level outcomes. Assumptions of ever more distant benefits should not be included in the SROI ratio calculation.

#### 5 CALCULATING THE SROI

This stage involves adding up the measured benefits, subtracting any negatives or costs and comparing the result with the investment. This is also where the sensitivity of the results can be tested by ensuring that you have not made assumptions beyond the scope of the project or attributable to other factors.

#### 6. REPORTING, USING AND EMBEDDING

This vital last step involves verification of the report, sharing findings with stakeholders and responding to them, and embedding good outcomes processes.

The SROI methodology employs the use of technical language throughout the methodology, and it is important to give a brief description of these terms in order to fully understand the methodology.

**DEADWEIGHT** How much would have occurred without your activity?

**DISPLACEMENT** How much of your activity displaced other programmes / activities?

**ATTRIBUTION** How much of the outcome was caused by other people’s contributions?

**DROP OFF** After an intervention the resulting outcomes will diminish over time.

**IMPACT** (quantity x financial proxy – deadweight, displacement and attribution = SROI)

The example overleaf, taken from “Proving Value and Improving Practice: A discussion about Social Return on Investment (SROI)” (nef 2009), shows the methodology and reporting framework employed by an SROI evaluation.

## HOW TO UNDERTAKE AN ASSESSMENT OF THE SROI FOR A PIECE OF ART

STAGES OF AN SROI	OUTLINE OF THE ACTIONS FOR UNDERTAKING AN SROI ANALYSIS ON A PIECE OF ART
<p><b>Establishing scope and identifying key stakeholders.</b> It is important to have clear boundaries about what the SROI analysis will cover, who will be involved in the process and how.</p>	<p>Who are the people affected by the artwork e.g., members of the public: children, young people, students of art, specialist education groups, older people, tourists etc. (draw potential list from visitor data). In addition, what other agendas/who else is affected by the outcomes for these people e.g., DCMS, Departments for Children Schools and Families, Innovation Universities and Skills, NHS etc.</p>
<p><b>Mapping outcomes.</b> Through engaging with stakeholders, an impact map or theory of change is developed that shows the relationship between inputs, outputs and outcomes.</p>	<p>Convene focus groups (sample each stakeholder group) and explore with them what going to the gallery means, what they think of the artwork, what experiences they had (relate to MLA's Generic Learning and Social Outcomes (GLOs, GSOs) including what they hope to gain from viewing a piece of art). Develop an impact map for stakeholders, and identify ways of knowing (indicators) that those outcomes have happened.</p> <p>Outcomes could relate to "feel good" or inspirational factors, and what these feelings lead to, as well as specific behaviour or attitude change as a result of viewing the artwork - the impact map will depend on what people say is happening for them.</p>
<p><b>Evidencing outcomes and giving them a value.</b> This stage involves finding data to show whether outcomes have happened and then valuing them.</p>	<p>For each indicator/stakeholder identify a financial proxy that best represents the value of each outcome for that particular stakeholder.</p> <p>Develop a questionnaire and sampling framework for collecting outcomes data on the effects of the piece of art during, and again after visiting the gallery (e.g., three months later)</p>
<p><b>Establishing impact.</b> Having collected evidence on outcomes and monetising them, those aspects of change that would have happened anyway or which are as a result of other factors are eliminated from consideration.</p>	<p>Collect data to establish an estimate of deadweight (how much of these outcomes would have happened anyway - perhaps identifying a control group of people who have not viewed the artwork as a baseline) attribution (what other artworks, experiences will be contributing to each outcome) displacement (what potential negative effects there might be of viewing the artwork)</p>
<p><b>Calculating the SROI.</b> This stage involves adding up all the benefits, subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested, (i.e., seeing how changing some of the assumptions that have been made can affect the overall ratio) This is known as a sensitivity analysis'.</p>	<p>With the data collected on the extent that outcomes have happened (compared with control group baseline over the same period) complete the Excel spreadsheet that shows the indicators, includes the number of units of change (e.g., number of people experiencing an outcome), and multiply each unit of change by the financial value (proxy) chosen for each indicator.</p> <p>The ratio will be calculated by comparing the monetised value of the combined net social benefits (over time) with the value of the initial investment to buy and maintain the artwork.</p> <p>Alter the assumptions made (e.g., proxy values) to see what relative effect it has on the share of value, and the overall SROI ratio.</p>
<p><b>Reporting, using and embedding.</b> This vital last step involves sharing findings with stakeholders and responding to them, embedding good outcomes processes, and verifying the report.</p>	<p>Prepare a report, and in subsequent years set up a system to continue outcomes data collection for this piece of art to see if positive/negative outcomes increase over time.</p>

## RECORDING / REPORTING STYLE

This analysis results in a financial value being put on an initiative's results, while allowing those responsible to understand their key outcomes and involve stakeholders along the way. In practical terms, this allows an initiative to add together the values of all of their outcomes and to compare the total value created for stakeholders to the money required to achieve those results. This is summed up in the SROI ratio, usually expressed as 'for every pound spent, initiative A creates Y pounds of social value'. (NPC 2010)

Whilst this ratio is the final production of an SROI analysis, it is important to note that SROI analysis is about more than just assigning a value to investment outcomes. SROI is able to present a story of change in a compelling way and provides information to help organisations maximise their outcomes. The process of monetising the social value of key outcomes involves interacting with a wide range of people to discover what has been delivered and how beneficial a component of change has been. This understanding of project delivery better informs practitioners as to what is working well, and what may need improvement.

## EASE OF USE / WHO CAN USE IT?

SROI is a relatively resource intensive and complex technique, requiring an organisation to have certain prerequisite skills sets in evaluation, outcomes, Microsoft Excel and accountancy. Additionally, there is the need for key staff members to undertake specialist SROI training to understand the procedures and processes of SROI evaluation, which can become expensive. The evidence suggests that many organisations will require long lead in processes to fully understand the SROI methodology. For these reasons, SROI may not be appropriate for all organisations. However, organisations who have already done some work on identifying and measuring their outcomes will find SROI easier to use. Used wisely and appropriately, SROI can be a very powerful option in the palette of tools available to demonstrate change and value for money.

## BENEFITS

- Like other outcomes approaches, SROI can help you manage and improve services and make your organisation more sustainable.
- SROI analysis should bond an organisation and strengthen stakeholder relations; stakeholder engagement is a very important part of the SROI process and is one of its real strengths.
- SROI is especially useful if the funders of an organisation require outcomes information in financial terms.
- SROI analysis forces practitioners to think about the wider effects of an initiative in a way that many M&E tools do not. This wider thinking is key to tackling the cycle of poverty and deprivation, as it is only by understanding the problem in its entirety, and fully understanding the implications of our interventions that we can hope to tackle the problems associated with poverty.
- The SROI Network provides organisations the opportunity to have their evaluation accredited, which strengthens conclusions and ensures accuracy by having an external body cross-check your results.

## LIMITATIONS

- SROI has the potential to become simply a funder's value for money tool, which is used to allocate money to projects which are perceived to be better value for money, rather than a management tool that could help organisations understand where their impact is greatest and how they could improve their activities (NPC 2010). There is understandable fear that funders may use the ratio, in isolation, to guide funding decisions. While there is some danger of this, it would be a very unwise funder who made funding decisions simply on the basis of one number.
- As with any approach SROI does involve making judgements, which should be well documented so as to be transparent and allow for a clear audit trail. However, as these judgements form an integral part of the methodology, it is possible for two different evaluations to yield widely varying results. The methodology is largely subjective, which allows for the potential for analysis to be incorrect, misleading or inaccurate from their inception. Subjective analysis is not a problem in itself, but relies on all parties understanding the scope for error in their analysis. SROI gives the impression of being a robust, evidence-based methodology that is able to quantify social value, when in reality it reflects the assumptions of the small group of people involved in the analysis.
- Due to the subjective nature of the underlying assumptions of SROI analysis, it cannot be used to compare different organisations or interventions. They will be working with different users with different needs, and will have made different judgements in calculating their ratio.
- Some critics of SROI feel that putting a financial value on what regeneration initiatives aim to achieve somewhat misses the point. It is argued that you lose sight of the purpose of many initiatives if they are thought of purely in financial terms. Whilst SROI is undoubtedly as much a process of listening to stakeholders, understanding what outcomes are most important and how they are valued, as it is about expressing value in financial terms. SROI should never be the only way to look at what a regeneration initiative achieves (NPC 2010).

## WHEN TO USE / WHY USE?

SROI should be used to strengthen ideas, objectives and targets at the beginning of an intervention, as its methodology encourages engaging a wide audience in order to understand key viewpoints and make judgements on how to go forward. The engagement of stakeholders should allow those involved in an intervention to understand the wider implications of their intervention.

- SROI should be used if placing a financial value on project outcomes is a necessity.
- However, it is unclear as to whether SROI analysis should be used as the sole evaluation tool, especially if the evaluation is unaccredited. Given that SROI analysis is based on perception and judgements of potential impact combined with an artificial financial proxy, it could be argued that SROI is not an entirely robust methodology.
- Finally, SROI evaluations cannot be used to compare and contrast projects given the methodologies subjectivity. The methodology has also been described as overly complex and confusing. Together these limitations combine to remove some of the benefits of monitoring and evaluation. Ideally M&E tools should promote the comparisons of projects in order to develop ideas of good practice, and discover what approaches work well.
- SROI ratios should never be used in isolation to make funding decisions.

## RECOMMENDED FURTHER READING

The official guide to SROI entitled, 'A Guide to Social Return on Investment' available at - <http://www.thesroinetwork.org/>

'The Guide to Social Return on Investment'  
(Cabinet Office, 2009)

'The Ambitions and Challenges of SROI', available at - <http://www.tsrc.ac.uk/Research/EconomicandSocialImpact/TheambitionsandchallengesofSROI/tabid/762/Default.aspx>

SROI Training is available via the New Economics Foundation at - <http://neweconomics.org/projects/social-return-investment> and  
The SROI Network at - <http://www.thesroinetwork.org/training>

### WHAT IS ALH?

The Atmosphere, Landscape, Horizon (ALH) framework employs a touristic metaphor to develop an understanding of social, environmental, economic and cultural features of a community. ALH is intended to provide a universal toolkit, applicable at community level which can provide a new, more accurate and balanced form of assessment of the impact of regeneration interventions. This new measurement tool will also enable policy makers to analyse both the quantitative and qualitative aspects of poverty in our marginalised communities, and design area-specific regeneration initiatives that target the need of each individual community. It will also provide a vehicle to accurately assess the impacts of such initiatives, allowing

for the development of a knowledge base of what works and what doesn't in the design and delivery of focused area-based regeneration.

ALH can be employed as a 'baseline' measure prior to interventions and as intermediate term (formative) and end of term (summative) evaluation methodology. It is intended to give both a statistical basis for assessing change alongside more experiential evaluation provided by residents/beneficiaries/stakeholders. In this it attempts to provide a comprehensive assessment of the full 'lived experience of poverty' rather than simply measure the numerical incidence of income poverty.

### PRINCIPLES, FEATURES AND METHODOLOGY

The major distinction between the ALH Toolkit and other M&E techniques is the language employed by the ALH approach. At first the language may seem obscure, but it has actually been designed to promote a lay-professional dialogue, and be easily understood by both practitioners and public alike. The theory underpinning the ALH approach is that complexity of approach is both unnecessary and counterproductive, and that by asking questions and using indicators that are easily understood and readily available, we are able to promote better dialogue with stakeholders and therefore obtain a better understanding of the lived experience of poverty in a particular area.

The toolkit itself stresses the need for both quantitative statistics and more qualitative data, in order to reinforce any conclusions and ensure that there is a thorough understanding of the root causes and associated problems of poverty in the area. The final toolkit contains a group of 22 indicators, which have applicable time-series and spatial availability, alongside a community audit framework, in order to provide the professional, or layperson, the ability to perform an in-depth study of the lived experience of poverty in their community. Once an individual understands the three concepts of ALH, the toolkit is relatively straightforward to apply.

**ATMOSPHERE** refers to the 'feel' of a place. Is it somewhere you would like to live? Is it welcoming or hostile? Does it feel safe or dangerous? Do residents have a sense of identity, and is that positive or negative? Is it a cohesive community or one fractured by difference and inequality? Is it a community respected by others or stigmatised for crime, anti-social behaviour and substance abuse? All these issues are key parts of the regeneration process. When we regenerate a place, we make it somewhere that's good to live and where residents feel pride and a sense of belonging. The atmosphere of a community is a key determinant of the quality of life and shapes a wide range of factors in the local experience of community life. In highly

disadvantaged communities negative components of atmosphere can contribute to the emergence of cultures of fatalism and low aspiration as populations acclimatise to and psychologically normalise the lived experience of poverty.

**LANDSCAPE** reflects the physical and environmental characteristics of a neighbourhood and the ways in which they influence the quality of life for those who live there. It is about the structure and design of the built environment and the public realm. What is the housing quality and its appearance? What is the housing density and distribution? Are there green spaces and gardens, and are they well-kept and attractive? Are there play and sports spaces, and functional public spaces which contribute positively to the atmosphere of the community? Are there services required by residents for shopping, learning, health and wellbeing, and exercise? Is the community well connected internally by good roads and paths, and externally by transport links and information technologies? In many disadvantaged communities there are high levels of physical degradation with poor environmental quality and a physical isolation created by distance from services and poor connectivity with other neighbourhoods and centres of employment, leisure, shopping and sports/play activities. Poor housing contributes directly to negative health and educational outcomes and significantly influences the atmosphere of a community

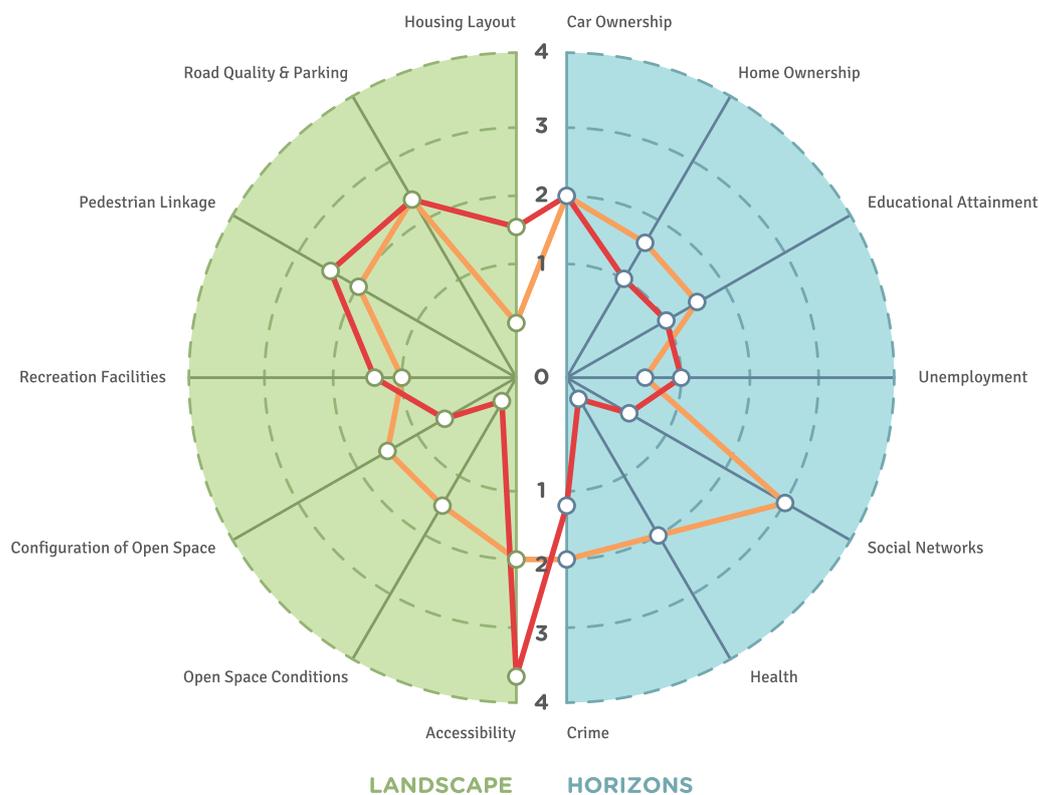
**HORIZON** describes the sense of social horizon experienced by residents. It is concerned with cultural and psychological horizons, and the ways in which residents orientate themselves towards the external world. Are they empowered to interact with the wider social and economic world, or is life restricted to the immediate community by low educational attainment, worklessness and lack of confidence? Do residents travel outside for work, leisure and learning or are they trapped by low aspirations within a peer culture which is passive and lacks direction? Do residents accept poor housing, low educational attainment and poor health outcomes as normal and inevitable? Most fundamentally, is there social provision which builds bridges to the outside worlds of employment, education and healthy living? Disadvantaged communities can experience very limited social and psychological horizons in which a very undeveloped and limited sense of what is possible becomes the cultural norm. Peer, family and communal cultures can develop which foster compliance with the low aspirations and limited expectations that can characterise poor localities.

The Toolkit combines a pre-determined set of statistical quantitative indicators and locally derived qualitative data. The statistical sources are generally accessible and refer to sources such as the Welsh Index of Multiple Deprivation, The Census and National Office of Statistics website for Neighbourhood Statistics. The indicators selected for use in the Toolkit follow research of internationally used indicators and identification of a list of sources that available at the right spatial level and which are updated at regular intervals. Usually, we would avoid use of Census derived indicators but at the time of press the latest results of the 2011 Census will shortly be available and these do represent an opportunity to establish a base line picture which can be compared with the next and subsequent Census results. This offers potential for longer-term study of your area. We would not usually advocate use of Census data beyond the mid-term of the Census period. In addition to the standard indicators recommended in the Toolkit organisations such as Housing Associations and Local Authorities may have useful data held in their own record systems and these can be deployed to provide supplementary information. For example data on housing voids, rent arrears, allocations refusals can help give a local picture of the ‘atmosphere’ of a social housing community.

These statistical indicators are also supplemented by local derived data which are acquired from delivery of a Community Audit. The Toolkit provides instruction on a range of approaches to community auditing but recommends that several methods are used together to acquire local qualitative data. This is termed ‘triangulation’. Methods you can use include:

- Community survey
- Focus Groups
- Critical Persons Interviews
- Tenant panels
- Facilities Audits
- Place check methods
- Consultation events

Full details of all these Toolkit components are available at [www.regenwales.org](http://www.regenwales.org) when you download the ALH Toolkit and its resources.



### EASE OF USE

The ALH Toolkit was purposefully designed to be accessible and useful to all audiences. In a quantitative sense, there are no specialist calculations or skillsets required beyond an understanding of monitoring and evaluation principles, and access to the internet to locate area specific information as directed by the tool-kit. However, for more specialised purposes it is possible to conduct quite complex statistical cross-tabulation and correlation analysis but this is not required to establish the core analysis of the community's key features and issues.

Delivery of the Toolkit can be participative and engage residents in the development of local data. Providing basic training to residents can add an empowerment component to this methodology which can help develop community engagement.

### RECORDING/REPORTING STYLE

This can be very flexible and adapt itself to different audiences as discussed in Section 3. You can report your findings in conventional reports, newsletters and findings summaries or produce audio/visual material which presents your findings in accessible ways. The ALH framework is used to organise your materials and to collate the data you have gathered. Recent applications of the Toolkit have employed 'spider diagrams' to give a strongly visual interpretation of data acquired.

## BENEFITS

- The ALH toolkit was purposefully designed to understand the lived experience of poverty in small spatial areas, such as communities. As such the ALH toolkit is able to highlight the multifaceted elements of poverty and social exclusion in a community, and track how this changes over time.
- The ALH toolkit is informed by both empirical data and statistics, alongside qualitative data, opinions and judgements. By having multiple data types with differing sources the ALH toolkit enables practitioners to check their findings with statistical evidence, or ensure that the statistics portray the lived experience of poverty felt by local residents. Having separate data sources also allows for the easier identification and analysis of anomalous results, which can result in the greater understanding of issues affecting a community.
- The ALH toolkit employs a simple methodology which enables a lay-professional dialogue and can be used by various audiences.

## LIMITATIONS

- The ALH toolkit cannot be used to quantify value for money.
- The ALH was designed for in-depth evaluation at community level, and is limited to relatively small and focused geographical areas.
- The collection of qualitative data collection can become resource intensive.
- Like the majority of Monitoring and Evaluation tools, the ALH toolkit cannot prove causation but relies on common sense judgements regarding individual project outcomes.

## WHEN TO USE/WHY USE?

The ALH Toolkit is ideally suited to an initiative undertaken in a small focused area such as a community, neighbourhood or small town. The primary purpose of this toolkit is to assess the lived experience of poverty, and show what aspect of peoples lives have been changed as a result of an initiative. This toolkit isn't designed to prove causality of the changes, or determine whether an initiative has been cost effective; these elements are left to intuition and individual judgement.

## FURTHER INFORMATION

Full details of the Toolkit are available at [www.regenwales.org](http://www.regenwales.org) when you download the ALH Toolkit and its resources. Alternatively contact Dave Adamson ([dave.adamson@regenwales.org](mailto:dave.adamson@regenwales.org)) or Kyle Burgess ([kyle.burgess@regenwales.org](mailto:kyle.burgess@regenwales.org))

## LOCAL MULTIPLIER 3 (LM3)

### WHAT IS LM3?

LM3 stands for Local Multiplier 3 and is a methodology for measuring the local multiplier effect of any budget or expenditure. The concept of a multiplier effect originates from economics, and was popularised by economist, John Maynard Keynes. Essentially, LM3 enables an organisation to measure how its expenditure circulates in the local economy, yielding a clear and quantifiable figure.

“In many areas, the issue is not that too little money comes in but that most of the money that does enter the local economy flows right out again in the form of spending on and contracts to non-local businesses and labour. Research by the Countryside Agency has shown that on average upwards of 40 percent of business turnover ‘leaks’ outside of the local economy. By finding ways to ‘plug the leaks’ by creating economic linkages between local businesses, labour, and public bodies, poorer communities can build a healthy local economy that can stand on its own long after regeneration funding dries up.” NEF (LM3 Brochure)

LM3 is essentially a process that allows organisations to measure their impact on the local economy by measuring how and where they spend their money and how those with whom they spend their money, in turn, spend theirs. This allows the multiplier to be calculated and can lead to developing an action plan to improve the local impact of any spend, and retain money in the local economy. ‘The Money Trail’ (nef, 2002) is a handbook and a how-to guide.

### PRINCIPLES, FEATURES AND METHODOLOGY

The main principle which underpins the local multiplier approach is that any income or expenditure into a local economy has a multiplied impact on that economy based on how much that income is spent and re-spent in a localised area. The LM3 process entails analysis of three rounds of income/expenditure:

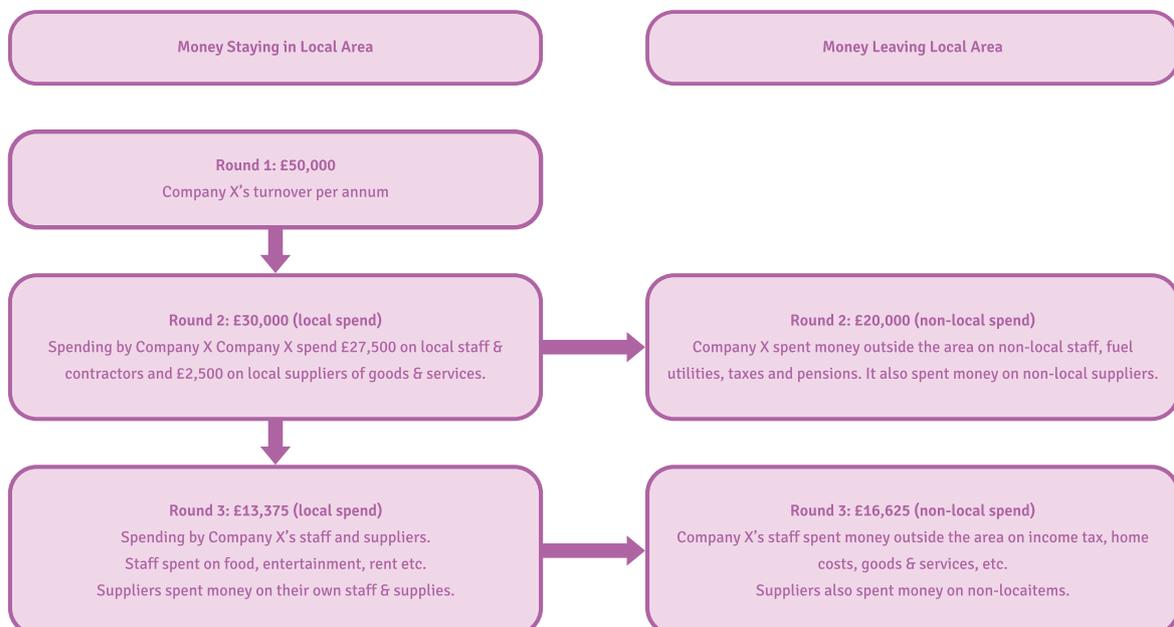
**ROUND 1** Inflow of money to be measured.

**ROUND 2** How that inflow is spent in the local economy.

**ROUND 3** How the people who received money in Round 2 then re-spend their incomes in the local economy.

**TOTAL** Add up Rounds 1-3.

**LM3** LM3 is a relative figure, or ratio. It shows you how much you get out relative to what you put in. The final step is to divide the total of Rounds 1-3 by Round 1 to understand the ratio between the original inflow and total income generated.



**FIG** Money Flows for Company X: A graphical representation of the three stages (NEF – LM3 Brochure)

These figures are then used to calculate the company's LM3 score which gives a financial representation of its impact on the local economy. The worked example offers a representation of the headline figures from an LM3 example (NEF – LM3 Brochure).

### RECORDING / REPORTING STYLE

The recording style of the LM3 is quite straightforward in that it is a representation of the three rounds, accompanied by the LM3 figure. An example borrowed from the New Economics Foundation will show the recording style of LM3 and how it can be used (nef - Local Multiplier 3 (LM3): measuring your impact on the local economy):

“NEF worked with North Norfolk District Council on comparing the LM3 for two construction contracts. We used contracts for comparable concrete work, a sea wall constructed by the Contractor 1 and a car park constructed by Contractor 2. Since such work requires little specialised labour or materials, it was possible for both contractors to use local labour and supplies for the respective jobs.”

Here's what we found:

	CONTRACTOR 1	CONTRACTOR 2
<b>Round 1</b>	<b>£72,000</b>	<b>£120,000</b>
<b>Round 2</b>	<b>£57,600</b>	<b>£20,400</b>
Staff	£24,480	£0
Suppliers	£33,120	£20,400
<b>Round 3</b>	<b>£24,987</b>	<b>£6,768</b>
Staff	£17,038	£0
Suppliers	£7,949	£6,768
<b>Total</b>	<b>£154,587</b>	<b>£147,168</b>
<b>LM3</b>	<b>2.15</b>	<b>1.23</b>

“We found the LM3 for Contractor 1 to be 2.15, while the LM3 for Contractor 2 was 1.23. This means that for every £1 spent with Contractor 1, an additional £1.15 was generated for North Norfolk, while only 23p was generated by Contractor 2. This application illustrates quite clearly that it is not the quantity of money but the ‘quality’ – how the money then circulates in the local economy afterwards. Even though the local authority spent nearly twice as much money on the contract to Contractor 2 (£120,000 versus £72,000 paid to Contractor 1), the spending on Contractor 1 actually generated more money for the North Norfolk economy!”

## EASE OF USE / WHO CAN USE IT?

The LM3 methodology can be used by all organisations regardless of sector or size. It is most effective for organisations seeking to understand or demonstrate its effect on local economic regeneration. The LM3 methodology is relatively straightforward and easy to understand without professional training. The main barrier to using the LM3 methodology would be data availability and collection. However, if data capture is embedded both in project design, delivery and external contracts as a key requirement, the data can be made to be readily available. The data collected is not complex and can be easily manipulated to provide an accurate LM3 ratio.

## BENEFITS

- LM3 is relatively quick to carry out compared to other forms of economic analysis.
- LM3 analysis allows an organisation or intervention to show what its economic impact is has been locally, and it can point to ways in which an organisation can improve their local economic impact further.
- LM3 online provide step by step support and assistance. [http://www.neweconomics.org/sites/neweconomics.org/files/The\\_Money\\_Trail.pdf](http://www.neweconomics.org/sites/neweconomics.org/files/The_Money_Trail.pdf)
- LM3 can help identify and plug any “leaks, or money outflows from an area, by understanding how money is spent and re-spent in the local economy. By creating local economic linkages to “plug the leaks, the local impact of regeneration money is increased.
- With your permission, nef consulting may case study your LM3 work in future publications, which will bring wider promotional value to your business.

## LIMITATIONS (PROVE & IMPROVE 2012)

- Can be difficult to define area and capture data if not embedded in project design and delivery.
- LM3 only captures economic impact, and does not focus on social or environmental impacts.
- Within economic impact, the multiplier only captures the impact of cash, and shows income generated but does not directly show savings (often a concern to external organisations). It does not directly measure the organisation’s impact on poverty.
- LM3 is only a viable tool for showing impact on deprived areas. Increasing the multiplier effect in wealthy areas can lead to ‘overheating’ and further inequalities with deprived areas.
- LM3 can only help an organisation to measure the effect on its defined ‘local’ area, and not on the other areas in which it operates or brings income.

## WHEN TO USE/WHY USE?

LM3 is designed to help people think about local money flows and how their organisation can practically improve its local economic impact, as well as influence the public sector to consider the impact of its procurement decisions. It was designed to be quick and relatively easy to use, and to highlight where an organisation can improve its impact (Prove and Improve, 2012). As such LM3 should be used when financial accountability is a key issue, and where there is substantial investment in a particular project or organisation. It should also be used by organisations that are keen to understand local money flows in order to improve their economic impact. LM3 is also a very useful procurement tool.

## RECOMMENDED FURTHER READING

‘The Money Trail’ (nef, 2002) is a handbook and a how-to guide – available at <http://www.neweconomics.org/publications/money-trail>

New Economics Foundation LM3 Brochure available at <http://www.nef-consulting.co.uk/services/local-money-flows-lm3/>

### WHAT IS THIS TOOL?

The Welsh Community benefits tools designed by Value Wales is designed to be used by contract / project managers and primary contractors to measure community benefits of Welsh public sector contracts. It has been developed through a series of pilot studies in pathfinder 3 areas and the publication 'Community Benefits: delivering maximum value for the Welsh pound' (2010).

In many ways the tool can be seen as an in-depth LM3 approach combined with a practical application of an SROI approach to procurement in Wales, which assigns monetary values to activities using financial proxies and assumptions tailored to the Welsh economy.

### PRINCIPLES, FEATURES AND METHODOLOGY

The tool is an Excel spread sheet which captures a standard set of data for each procurement project. The tool has been developed primarily to examine the community benefits derived from construction and infrastructure contracts. For contracts under a year, the tool is intended for completion at the end of the contract. For contracts longer than one year, the tool is intended for annual completion, enabling the identification of future opportunities. All information collected should be relating to contract-related activity only, rather than overall company operations. It is possible to use the tool for other contract areas merely by filling in the enterprise and employment work sheets.

The tool captures the socio-economic value of Community Benefits interventions by:

- Using minimal raw data
- Being easily understood and applied
- Using a common and robust methodology.
- Having a Welsh focus.

It measures and records factors such as:

- Training
- Education
- Use of Welsh companies in delivering contracts (SME, third sector organisations and supported businesses)
- Cost avoidance on waste to landfill
- Contribution to reducing climate change gas emissions and the value to local communities.

### EASE OF USE/WHO CAN USE IT?

The tool is easily completed by obtaining figures from the contractor and the contracts themselves. It has 6 worksheets for data collection; each section of the worksheet clearly explains which information should be entered at that point. Providing the information is easily attainable, the tool should be able to be deployed relatively quickly, with no need for any specialist training or knowledge.

### RECORDING/REPORTING STYLE

The tool will also provide you with a competition figure which demonstrates the local multiplier effect that your investment has created. It also provides a host of other indicators in data form, under the headings of cashable benefits and additional benefits.

The tool is provided as a preloaded Excel spread sheet into which individual project data should be added. An example of the tool is displayed on the following page (Welsh Government, 2012):

CONTRACT MULTIPLYER		WHAT THIS MEANS	
	<b>Contract Value</b>	£-	This is the value specified in L5.
	<b>Welsh local multiplier</b>	£-	The Welsh local multiplier shows the relative impact of this contract on Wales. For every £1 spent on this contract the following amount of money has been reinvested in the Welsh economy. This figure is based on whether the contract was spent on a contractor based in Wales and then how much that contractor, regardless of location, re-spent the contract income. These two figures are added together and divided by the contract value to create a ratio showing how much was spent on the contract to create the added income for the Welsh Economy.
CASHABLE BENEFITS		WHAT THIS MEANS	
7.1	<b>Direct investment</b>	£-	This is the value of the contract if going to a Welsh based contractor. This is the figure entered in 2.2 if the contractor is based in Wales. This figure is 0 if the contractor is based outside of Wales.
7.2	<b>Revenue to businesses based in Wales</b>	£-	This is how much the contractor spent with businesses based in Wales and is the figure entered in 2.2. The percentage represents how much of expenditure on businesses was spent with businesses based in Wales.
7.3	<b>Income to people living in Wales</b>	£-	This is how much the contractor spent on people living in Wales entered in 3.2. The percentage represents how much of expenditure on people was spent with people living in Wales.

## BENEFITS

- The Community Benefits tool has been designed specifically for the Welsh economy.
- The local multiplier shows the relative impact for every pound spent on the contract, showing the following amount of money has been retained in the Welsh economy. The figure is based on whether the contract was spent on a contractor based in Wales and the how much that contractor, regardless of location, re-spent the contract income. These two figures are added together and divided by the contract value to create a ratio showing how much was spent on the contract to create the added income for the Welsh economy.
- The tool is a relatively easy way of calculating the multiplier effect from raw data which is easily collated.
- The Community Benefits tool is quick and easy to implement compared to other forms of economic analysis.
- Like LM3, this tool can help identify and plug any “leaks, or money outflows from an area, by understanding how money is spent and re-spent in the local economy. By creating economic linkages to “plug the leaks; the local impact of regeneration money is increased.

## LIMITATIONS

- At present the tool only measures how much of the contract is spent in Wales. Many organisations need to demonstrate economic value more locally than this and may need to adapt the tool further to provide the results in the format that they require.
- The Community Benefits tool cannot be applied outside of procurement and contract-based activity.
- The tool focuses primarily on the economic impacts, at the expense of social impacts.

### WHEN TO USE/WHY USE?

Much like LM3 the Community Benefits tool is designed to help people to think about local money flows and how their organisation can practically improve its local economic impact, as well as influence the public sector to consider the impact of its procurement decisions. It has also been designed to be quick and relatively easy to use, and to highlight where an organisation can improve its impact. Given its ease of use and specific Welsh context it is suggested that this tool be used in place of LM3 in Wales, when financial accountability is a key issue, and where there is substantial investment in a particular project or organisation. However, the Community Benefits tool is limited to procurement and contract related activity meaning it isn't as widely applicable as LM3.

### RECOMMENDED FURTHER READING

‘Community Benefits: delivering maximum value for the Welsh pound’ (2010) – available at <http://wales.gov.uk/topics/improving-services/better/vfm/publications/commbenguide/?lang=en>

# 6

## Conclusion

The purpose of this guide is to encourage organisations to develop and implement effective monitoring and evaluation procedures. It is our belief that good monitoring and evaluation is directly linked to good practice. Understanding the impact of interventions, projects and programmes is the route to refinement of delivery and ensures that outcomes are achieved. In the past we have been too concerned with the measurement of organisational performance rather than the experience of beneficiaries and the impact on their lives. The methods reviewed in this guide shift our attention to the 'ends' of delivery rather than the 'means'. We firmly believe that this perspective promotes better service delivery and improves the

experience of all stakeholders engaged in programmes in Wales. Good monitoring and evaluation is often feared by organisations as it focuses attention on achievement. We would argue that it rightly focus attention on effective management and will always improve organisational performance. It is not to be feared but should be welcomed as a key part of good management.

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Welsh government, (2012) 'Community Benefits: Delivering Maximum Value for the Welsh Pound' – <http://wales.gov.uk/topics/improving-services/better/vfm/publications/commbenefitguide/?lang=en>

## WEB RESOURCES

<http://www.ces-vol.org.uk/index.cfm?pg=544>

<http://www.empowersvs.co.uk/eng/index.php/company/blog/entry/results-based-accountability-will-it-work-in-wales/>

<http://extra.shu.ac.uk/ndc/downloads/general/A%20final%20assessment.pdf>

[http://extra.shu.ac.uk/ndc/ndc\\_evaluation.htm](http://extra.shu.ac.uk/ndc/ndc_evaluation.htm)

<http://www.neweconomics.org/publications/money-trail>

<http://www.proveandimprove.org/tools/localmultiplier3.php>

<http://www.psucymru.org.uk/rba>

[www.thesroinetwork.org/component/option,com\\_docman/task,cat\\_view/gid,29/Itemid,38/](http://www.thesroinetwork.org/component/option,com_docman/task,cat_view/gid,29/Itemid,38/)

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