



Solstice Nurseries Social Return on Investment Report

Series Report No. 2

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Executive Summary

This is a Social Return on Investment report on Solstice, a social firm based in Aberdeenshire employing people with long-standing mental health issues.

A social firm is a business which exists to create employment opportunities for those disadvantaged in the labour market, and support them to engage in real and meaningful work. The aims of Solstice are to create a supportive working environment for people, within a strong team working ethos, which aids their recovery and assists those who wish to move on to other employment opportunities.

Solstice runs two main business activities. It undertakes estate maintenance services on contract to Grampian Housing Association in Aberdeen, with whom it is in partnership. In 2003/04, Solstice initiated a five year business plan to set up a horticultural nursery, aiming to become self-financing through its trading activity. Solstice is therefore still in the start up phase for this business activity, having secured investment from a range of sources.

The analysis within this report is based upon the Social Return on Investment (SROI) model which attributes values to identifiable impacts, in order to calculate the value returned relative to the cost of service provision.

The period over which Social Return on Investment was measured was January 2006 to December 2007, and the methodology used followed the global framework for SROI as adapted for use in the UK.

Stakeholders

This report presents an analysis of the social added value delivered through the funding investment made in Solstice, and explores how the investment made in the establishment of the horticultural nursery compares to the social value being created. It examines the social added value that is unique to the social firms' model, which would not be created by the same business in the private sector.

The stakeholders in Solstice range from the internal ones - staff, Board and participants - to external funders and supporters such as Grampian Housing Association, NHS Grampian and the private estate owner which provides the base from which Solstice operates. There are other stakeholders which benefit from Solstice's activities, such as central government, the Local Authorities in Aberdeenshire and Aberdeen City and other mental health and employment agencies.

Solstice Nurseries has been developed in partnership with Grampian Housing Association during its start up phase, and has been funded by Communities Scotland, Futurebuilders, the Scottish Rural Partnership Challenge Fund and the Esmee Fairbairn Foundation.

The impacts of Solstice

The impact map constructed for Solstice showed the main impacts being created:

- Mental health improvement
- Increases in social inclusion
- Increased training and employment opportunities
- Movement into the local labour market.

The financial indicators used in the study to measure these impacts were:

1.	Participant earnings
2.	Increased earnings of participants moving into jobs
3.	Reduction in consumption of mental health/support services
4.	Reduction in welfare benefit spend
5.	Increased tax take
6.	Savings to the NHS from Solstice paying the salary of the seconded nurse
7.	Social inclusion gains
8.	GHA savings on complaints
9.	Avoided costs of day care.
10.	Participant earnings
11.	Increased earnings of participants moving into jobs
12.	Reduction in consumption of mental health/support services

The study was unable to explore some aspects of value creation, such as the value of the supportive working environment, access to training, and the impact on the families of Solstice participants, referral agents and customers. Thus this study is likely to have under-represented the social value arising from Solstice.

Results

The analysis estimates social added value arising from Solstice in 2006 was £211,521.

The analysis demonstrates notional savings to mental health and support services in Aberdeen of around £116,000 per annum, social inclusion gains of almost £19,000 and savings on welfare benefits and gains in employment income and tax income of almost £44,000 per annum. Social value per participant is over £13,000 per annum, for an investment of just over £94,500 in the year under study, including the development support time invested by Grampian Housing Association.

Overall, the results suggest that for every £1 that has been invested in Solstice, a social return on investment of £2.93 has been realised.

An analysis was also undertaken of the value likely created by the total investment in the first business plan period for the horticultural nursery between 2004 - 2009. This analysis shows that the payback time for the total investment has been 28 months if social added value is taken into account, and therefore Solstice had already 'paid' for itself by the end of 2006. The Social Return on Investment index

for the development of Solstice in its whole start up period including capital investment will become greater than 1:1 by the end of 2008.

It proved possible to compare the social returns accrued by the two main investors/stakeholders in the project, which demonstrates individual returns of 1:1.38 for Grampian Housing Association and 1:28.24 to NHS Grampian.

When Solstice is supporting the total number of people with mental health problems it is aiming for, i.e. 30 participants, it will be returning over £535,000 a year in social value to its stakeholders. If Solstice reaches financial sustainability as planned by 2009, it will be delivering this value at no cost.

The study presents a powerful argument for investment in further social firms support and development, and demonstrates that Grampian Housing Association has made a worthwhile investment by supporting Solstice.

Recommendations

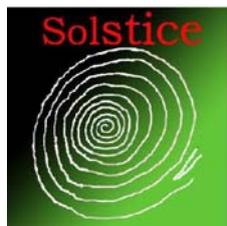
Recommendations to Solstice for future work arising from this study include:

- Incorporate mental health and social inclusion gain measurement into the standard recruitment and review process for participants, most likely after the probationary period mid-way point, to improve recording and allow for SROI calculations in future
- Secure the help of a nursing student, or some other external person, to repeat the mental health interviews with newer recruits to Solstice, and re-calculate mental health gains
- Investigate the retention and attendance rates of full-time staff working with competitors in the horticultural market and benchmark Solstice retention and attendance against this
- Use information provided by the researcher to financialise the value of qualifications and training achieved through Solstice in future
- Undertake a survey with referral agents and other support bodies, to explore attribution further.

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1. Introduction to Solstice Nurseries



Solstice, as a social enterprise and an emerging social firm, has been in existence for some time. It was previously part of Unicorn Enterprises, a sheltered workshop complex providing training and work opportunities for people recovering from severe and enduring mental health problems in Aberdeen, supported by Grampian Primary Care NHS Trust. Unicorn Enterprises was considered innovative in the 1960's when it was set up, but increasingly found itself outmoded and under question. Unicorn served approximately 60 people.

In the late 1990's, Unicorn began a long process of restructuring and re-provisioning its services, involving selling the site and relocating mental health service users into a local network of social enterprises and social firms. Each social enterprise was based on the type of work that had been undertaken at Unicorn, with an Employment Support Unit created to help other people with mental health problems benefit from the training and employment opportunities created through this network of social enterprises. The process involved service users in determining how the separation from Unicorn would be managed.

Solstice was created by mental health service users working within Unicorn, and training instructors, who saw the opportunity as part of this restructuring to create real employment in a community setting, which would be of substantial therapeutic benefit to people recovering from mental illness.

A Unicorn team had been offering gardening services to private individuals in the city. While other aspects of Unicorn had been transferred to voluntary organisations to manage and develop once Unicorn was closed, in 2002, the Unicorn gardening team decided to 'go it alone' and form their own independent organisation. At that point it employed 3 staff, and 7 service users who were all working on a benefits plus basis, and it was wholly funded by the Grampian Primary Care NHS Trust.

The aim of Solstice had always been to set up a social firm with two aspects to it: a wholesale nursery growing on plants for sale to local nurseries and garden centres, and a garden maintenance service.

In 2003, Solstice commissioned a feasibility study for a horticultural nursery social firm, as an addition to its garden maintenance work. This feasibility study was set in the context of a decision to be made by GPC NHS Trust and Aberdeen City Council Social Work as to whether to support Solstice in relocating to a community setting via development of the horticultural nursery, as part of its re-provisioning of Unicorn Enterprises. The report was presented in December 2003.

The feasibility study indicated that there was a market for a new horticultural nursery in Aberdeen, and that Solstice could develop a viable social firm in the medium to long-term, but that the staffing structure and capital investment required meant that there was a certain level of risk attached to the enterprise, especially in the short-term. In view of the level of risk, funding was not offered, although Solstice was able to retain assets from Unicorn, such as the vehicle and tools. At this point therefore, Solstice appeared to be in danger of closing. It has lost its premises and funding.

The determination of the mental health service users however helped carry them through this difficult time, together with offers of significant support from the local community and local business. One of the offers of help was from a private estate in Banchory Devenick, which had a walled garden that they offered to Solstice to develop as a base.

During the feasibility study, Grampian Housing Association had been approached about the possibility of Solstice undertaking estate maintenance contracts. They were highly supportive of the group, and began negotiations to take on the project when funding fell through in December 2003.

In January 2004, Solstice became a contractor to GHA, one of the GPC NHS Trust staff was employed by GHA, and the service user team began working with GHA to undertake maintenance work within Aberdeen City.

GHA have been highly supportive of Solstice's long-term aims to establish a new horticultural nursery. Over 2004, the maintenance team proved their ability to work to commercial standards, and GHA's support was rewarded with the elimination of tenant complaints about estate maintenance work.

In September 2004, Solstice and GHA turned its attention to the horticultural nursery proposal, and commissioned the production of a five year business plan, building on the feasibility study. A team was formed, comprising officers of GHA led by the Development Manager (Projects), estate management, finance, architects, surveyors and legal services, with the involvement of the maintenance supervisor and the Chair of Solstice, and Social Firms Scotland. Solstice is now an independent Company Limited by Guarantee, and a new Board was formed from the team above, with the addition of local business supporters.

In 2005, investment was secured through Communities Scotland through its Wider Role fund, the Scottish Executive's Rural Challenge Fund and other sources, to set up the horticultural nursery at the Banchory Devenick site. The site became fully operational during the period under study, i.e. in 2006.

As a result partly of the experience with Solstice, GHA have become very interested in the social enterprise sector, and their role as a Housing Association in supporting its development in Grampian. Recently, GHA has been pioneering work on social clauses in procurement contracts, and used the re-tendering of Solstice's contracts in 2007 to pilot this approach.

They therefore saw the work on Social Return on Investment as a way of exploring the value that they had created in supporting Solstice, particularly as Solstice was in the start up phase of the new enterprise.

Solstice itself also knew that it was supporting the mental health of its participants, and that without its support many individuals would be repeatedly hospitalised and would experience isolation and exclusion.

Social Return on Investment is a process and a method for understanding, measuring and reporting on the value that is created by an organisation. It examines the social, economic and environmental benefits arising from the organisation's work, and estimates a value for its social and environmental impacts in the same language, and using the same accounting and investment appraisal methods, as are used to determine financial value.

SROI analysis assigns a monetary value to the social and environmental benefit that has been created by an organisation by identifying indicators of value which can be financialised. Comparing this value to the investment required to achieve that impact produces an SROI ratio. It takes standard financial measures of economic return a step further by capturing social as well as financial value.

SROI was developed in the USA, but has been extended and adapted for a European and UK context.¹ By developing an understanding of the organisation, how it meets its objectives, and how it works with its stakeholders, an organisation can create its own impact map, or impact value chain, which links inputs and outputs through to outcomes and impacts.

The SROI study of Solstice Nurseries is one of a series of SROI studies undertaken through Social Economy Scotland - the Equal Development Partnership. Funding to support the study has come through the Equal programme, with match funding from Communities Scotland's Social Economy Unit. The aim of the work overall has been to learn how SROI might be used in assessing the social added value of a range of different social enterprise and social economy activities, and to appraise the returns made through funding these activities.

¹ The researcher is a founder member of the European SROI Network, established in 2003.

2. Strategic context

People with mental health issues are amongst the most disadvantaged groups in the labour market, and now constitute the largest single group of claimants of Incapacity Benefit.² This is despite research which shows that people want to get back to work, but it appears that for many, the barriers are too great.³

The Government has announced its intention to move 1 million people off Incapacity Benefit and into work, and is currently engaged in a process of welfare benefits reform, and restructuring of the support services, to achieve this. The Department of Work and Pensions' Pathways to Work pilot demonstrated that with the right support, and inter-agency working between health and employment services, more people with disabilities, including those with mental health issues, can be employed.

Not everyone who is unemployed with a mental health problem however wants to work full-time, and many people who have worked previously attribute some of their mental health issues to poor support at work, and are therefore reluctant to put themselves at risk again.

Social firms are one response to this situation. They offer real work in a commercial setting, they aim to be socially inclusive, and provide support to engage in meaningful work, sometimes as a stepping stone into employment, and sometimes as an end in itself. It provides the missing link in the current landscape of support, by working with those who are furthest from the labour market, and giving them the time and support to become more employable through working in a realistic commercial environment. There has been a body of research in Scotland and the UK over the last 5-10 years which demonstrates the value of social firms to people with mental health problems and other disabilities, which also highlights the role that social firms can play in employability and health improvement.⁴

In Scotland, the Workforce Plus initiative and other statutory agencies are working to address the barriers for people with mental health problems, and there are a range of national and local initiatives to tackle stigma and discrimination and offer training to employers in how to better support people with mental health issues at work.⁵

² This group make up 40% of all IB claimants as shown by DWP statistics

³ For an introduction to policy and research findings, see S. Durie, 2005, 'A mental health and employment policy for Scotland: the evidence base for change', Scottish Development Centre for Mental Health, Edinburgh

⁴ For research and policy reports, visit www.socialfirms.org.uk, the website of Social Firms Scotland

⁵ Through the Scottish Executive's National Programme to Improve the Mental Health and Well-being of Scotland's Population, which can be visited at www.wellscotland.info

3. Solstice Nurseries activities

The nursery site has been gradually developed over the last two years. It includes a 2 acre walled garden containing a range of polytunnels and outside growing areas, potting areas etc. Solstice set up a large suite of portacabins that as well as providing their office accommodation also offers a large training room and meeting room space which other groups can hire. There is also seven acres of land into which Solstice can expand, and a small polytunnel has been set up for participants at Solstice to also grow their own vegetables. Solstice has recently taken over another area of the estate for outside growing. Another local organisation has recently set up a base at the site.



The estate maintenance team operates from the nursery site. They carry out a range of maintenance work on communal landscaped areas, such as grass cutting,

litter picking, spraying, pruning and renewal of planting, as well as continuing to work for private owners.

The work in the nursery includes watering, potting on, taking cuttings and disease and pest control.

Solstice specialises in growing Scottish hardy heathers, and has built up a considerable range of varieties. Their USP in the commercial market is supplying plants not available from other nurseries, and plants which are properly conditioned to the Scottish climate and which are therefore more suitable for use, especially in the north of Scotland.

The overall Solstice Manager also runs the nursery operation, with the help of a nursery supervisor who was recruited in 2006 after having been a volunteer with Solstice.

At the beginning of 2006, Solstice took over responsibility for the salary of an occupational nurse, who had originally been seconded from the NHS. This person focuses on providing personnel support to Solstice and mental health support to participants.

During the year under review in this study, Solstice offered training opportunities to 12 people, most of whom had been involved in Solstice for some time.

It also created three new jobs, bringing employment up to 4 staff in total. During 2005, there had been only 1 paid employee.

In addition, during the study period, five people moved on from Solstice, four to employment and one into full-time education.

Solstice is aiming to offer 30 places eventually. At July 2007, numbers of participants had increased to 18.

The nature of welfare benefits rules makes it impossible at present to employ people on a part-time waged basis if they are reliant on Housing Benefit, and therefore participants are limited to £20 earnings per week, and under Minimum Wage regulations are restricted to 3.5 hours work per week. During the study period, one person qualified for higher Permitted Work earnings, and was paid £50 per week.

Participants can rotate between the horticultural nursery and the maintenance team, in order to ensure a range of skills are developed and create variety in the work experience. The dual nature of the activity also allows for flexibility. In 2006 for example, the nursery stock suffered an infestation of leatherjackets, and some 8,000 plants were lost. The team had to significantly increase its productivity for a period to counteract this loss, and the response from the workforce was very positive.

Solstice offers certificated training to its workforce. In partnership with Aberdeen College, it offers Amenity Horticulture at Level 2, for both nursery and

maintenance participants. The college has offered to work with Solstice to become an Accredited Training Centre, and is currently training staff in the A1 assessor's qualification and the Manager in the V1 verification qualification.



People are recruited through a wide range of referral agents, as well as through self-referrals, as the organisation is well-known, and service users talk to each other about local services on offer. A wide range of organisations refer people for work, although half of referrals are now reported to be through Aberdeenshire Council's supported employment team. This is thought to reflect the lack of opportunities for people with mental health problems in the area, but also the constructive relationships that have been established with Local Authority staff.

All participants complete an interview and application form. Solstice operates a 13 week probationary period, during which 3 reviews are conducted, with a view to developing an action plan, a training plan and customising the work and the service people can expect from Solstice. There is thereafter a monthly review with the occupational therapist working within Solstice, and the work supervisor (maintenance or nursery). Solstice is in the process of developing a written personal development planning process, which at present is mainly verbal.

The model of support that Solstice is developing has a very specific philosophy behind it. Horticulture and working outside is known to be therapeutic for certain individuals with mental health problems, as it encourages a holistic approach to

promoting well-being through physical activity as well as providing safe spaces within which individuals can talk.⁶

Solstice is also based on the concept of peer support, where individuals take responsibility for supporting each other, rather than relying on a 'specialist' to do this. It therefore provides individualised support, where every individual is valued and accepted, but within a team working ethos that is particularly strong.

Participants also socialise, and every Wednesday, team members meet for lunch. Solstice participants are involved in regular social activity, such as fishing trips and barbeques.

How social firms employment can transform people's lives

Daniel started at Unicorn Enterprises in 1998. Since he was 5 years old, he says he had been interested in gardening, and this was the work he did within Unicorn. Prior to this, he had a variety of jobs - forklift truck driving, handyman - but the longest he had stuck at a job was five years as an apprentice linesman, and he had no real direction in mind. By his own admission, Daniel was drifting at Unicorn. He had a good social life, he was into music, but he did not have the motivation to stick at employment, and spent a lot of time watching TV and 'piddling about'.

While at Unicorn however, he became involved in the core group of people planning to set up Solstice as a separate social firm. During the funding crisis of late 2003, along with the rest of the core team, Daniel found himself fighting to keep Solstice alive and keep true to the vision of what Solstice was about - a place to work for people with mental health problems where everyone contributed and made it work, and where people were supported. He was heavily involved in the media campaign to inform the public about Solstice, and explain why it had to be kept running. He says that this experience gave him motivation to help establish Solstice, and to think about his own future direction. He began to believe he could work in open employment, in the area he loved - gardening.

When Grampian Housing Association took on Solstice as partners, Daniel became more involved in the estate maintenance work for GHA, while others were setting up the horticultural nursery. He gained qualifications in Amenity Horticulture at Level 2, First Aid, Health and Safety, Knapsack Spraying, Computing and Communications. He took on the supervisory role for the maintenance side when the nursery was being set up, but by his own admission, he found the organisational side of the work challenging.

In May 2007, he found something more to his liking - as a dedicated gardener for a 10 acre housing estate. This is a permanent job, and not supported.

By this time his doctor had 'signed him off' as having recovered from his mental health problems.

Daniel had also met his partner, and later in 2007, they will be getting married. His partner and he have exciting plans to live and work abroad for a period, and have a clear plan for the future.

Would this have happened without Solstice?

Daniel says that without Solstice, he might well have left Unicorn, but would have floated around doing jobs for a while and then dropping out. He thinks he would have used his 'illness' as an excuse to leave jobs he wasn't committed to.

Solstice gave him stability, direction and motivation. It also gave him the skills and qualifications in the area he was really interested in and increased his self-confidence '10 or 20 fold'.

Reflecting on Solstice's role in his life, Daniel acknowledges he has 'come a hell of a distance' and that the people at Solstice 'have all grown up with each other'. Up to a point, he will still be part of Solstice and keep the connection going, even from another part of the world.

⁶ For more information, see www.thrive.org.uk

4. The Solstice workforce

Their average age is 41 years old, and there were 3 women and 9 men working with Solstice during the study period, which was January to December 2006.

The 12 participants surveyed at Solstice broke down into two main groups: people who had been with Solstice since the Unicorn days and those who had very recently been recruited when Solstice had set up the nursery and advertised its ability to take on more people.

Of the first group of 4 people, they had been unemployed on average for a long time before joining the social firm (10+ years) and had been with Solstice for around 8 years. The second group of 8 people had been unemployed for just over 4 years before joining Solstice, although one person reported that they had never worked. On average they had been with Solstice for 9 months.

On average, the length of time since participants had first been diagnosed with a mental health problem was over 10 years ago, with the shortest time since diagnosis being 1 year. Half the participants had received a diagnosis of schizophrenia and half were diagnosed with chronic depression, one of whom also reported their primary diagnosis was agoraphobia.

One person reported no primary mental health diagnosis. Solstice's policy is only to accept referrals for people with a primary mental health diagnosis, so it is assumed that in the case of the last individuals, their referring agent felt the supportive work experience would be beneficial. In common with many social firms, Solstice will only ask direct questions about mental health status if someone wants to talk about it.

People reported a range of personal, social and emotional benefits from working at Solstice:⁷

"I see more friends, I have more social skills, I can hold down a conversation and now I have something to talk about"
"I'm in a stable relationship now and I've bought a house and a car"
"I have the motivation to push myself further"
"The support has stopped me going back into hospital"
"I've stopped seeing my psychiatrist"
"I am less anxious as part of a team and I sleep easier"
"I have a more active lifestyle out of work"
"I get much more respect from my family and friends"
"My thoughts are clearer than before and I am much more positive about my future"
"I go home tired - I've done a day's work"
"It's a job worth doing"

"Solstice is growing and so are the plants"

⁷ From workshop session conducted with Solstice participants in February 2006

5. The methodology

The design and delivery of an SROI analysis involves set stages and standards, agreed at a European level based on practice from the USA:

Boundaries	<i>Defining the scope of the work</i>
Stakeholders	<i>Identifying and mapping objectives</i>
Impact mapping	<i>Analysis of inputs, outputs and outcomes</i>
Indicators	<i>Identifying the evidence base for impacts</i>
Data	<i>Collecting required information</i>
Model and calculate	<i>Financial modelling of social return</i>
Present	<i>Sensitivity analysis based on results, and report writing</i>

In term of Solstice, this has translated into the following work:

- Review of business plan and funding applications to ascertain internal and external stakeholder objectives
- Workshop with participants to identify impacts and scope issues
- Interview with main external stakeholder
- Impact mapping to identify indicators to test for actual outcomes
- Individual interviews with participants regarding their mental health supports, to identify changes in mental health interventions over time and identify social inclusion gains
- A number of visits to Solstice to discuss progress and get further information, including discussion with the Chair of the Board
- Desk research into financialisation of indicators of value created, and the evidence base to establish benchmarking data
- Collection of financial information
- Collation of participant information
- Setting up a calculation spreadsheet
- Peer review of interim results
- Receiving feedback from the Board on the draft report
- Production of final report.

Agreeing the boundaries is the starting point for any SROI analysis. Solstice is an independent organisation. It receives practical assistance from GHA, although the value of this input has now been calculated, and a management fee is paid by Solstice. Thus there are no complex boundary issues to resolve, following the basic decision to include both the maintenance and nursery activities within the scope of the analysis.

The study period chosen was January 2006 to December 2006. The original intention had been to start the SROI analysis during 2005, however the demands of setting up the nursery and adding to Solstice's infrastructure meant that it was impracticable for Solstice to engage with the process until 2006.

The study period coincides with the seasonal activities of Solstice, rather than the financial year end, but was also chosen because of the developmental stage

Solstice had reached in setting up the nursery, as it began recruiting new people from spring onwards, and it was thought that it would be feasible to get a better understanding of the mental health gains of participants with relatively new recruits.

It was decided to identify solely the social added value of Solstice, and not to attempt an economic appraisal of the business, although these figures were available.⁸

In effect, this SROI study examines the additional value created by the social firm, and calculates the social returns from the social firm which would not be created by a private horticulture nursery and estate maintenance service of similar size.⁹

⁸ Previous work has established that the USA model is not workable in a UK context, as it requires detailed benchmarking of private business results against social business results and access to industry information which is not readily available. For discussion of this, see S. Durie, 2005, 'An appraisal of the use of SROI in measuring the value of social enterprise in Scotland using three case studies', Scotland unLtd and Communities Scotland

⁹ So for example, the employment creation benefits resulting from 1 post created during the study period are not taken into account, as any nursery would have required this level of staffing, nor has the economic return generated through local spending been calculated, which it has been in other SROI studies. In the case of Solstice, local economic impact arising from the nursery set up would not be insignificant.

6. Stakeholder analysis

The stakeholder analysis undertaken in early 2006 identified the stakeholders, which are presented in Tables 1 and 2.

The stakeholders' aims and objectives were then analysed, through scrutiny of written papers and including an interview with the main stakeholder¹⁰ and a session with participants, and the inputs, outputs and outcomes are presented in section 7 below as an impact map.

¹⁰ The New Initiatives Manager within Grampian Housing Association

Table 1 Solstice Stakeholders

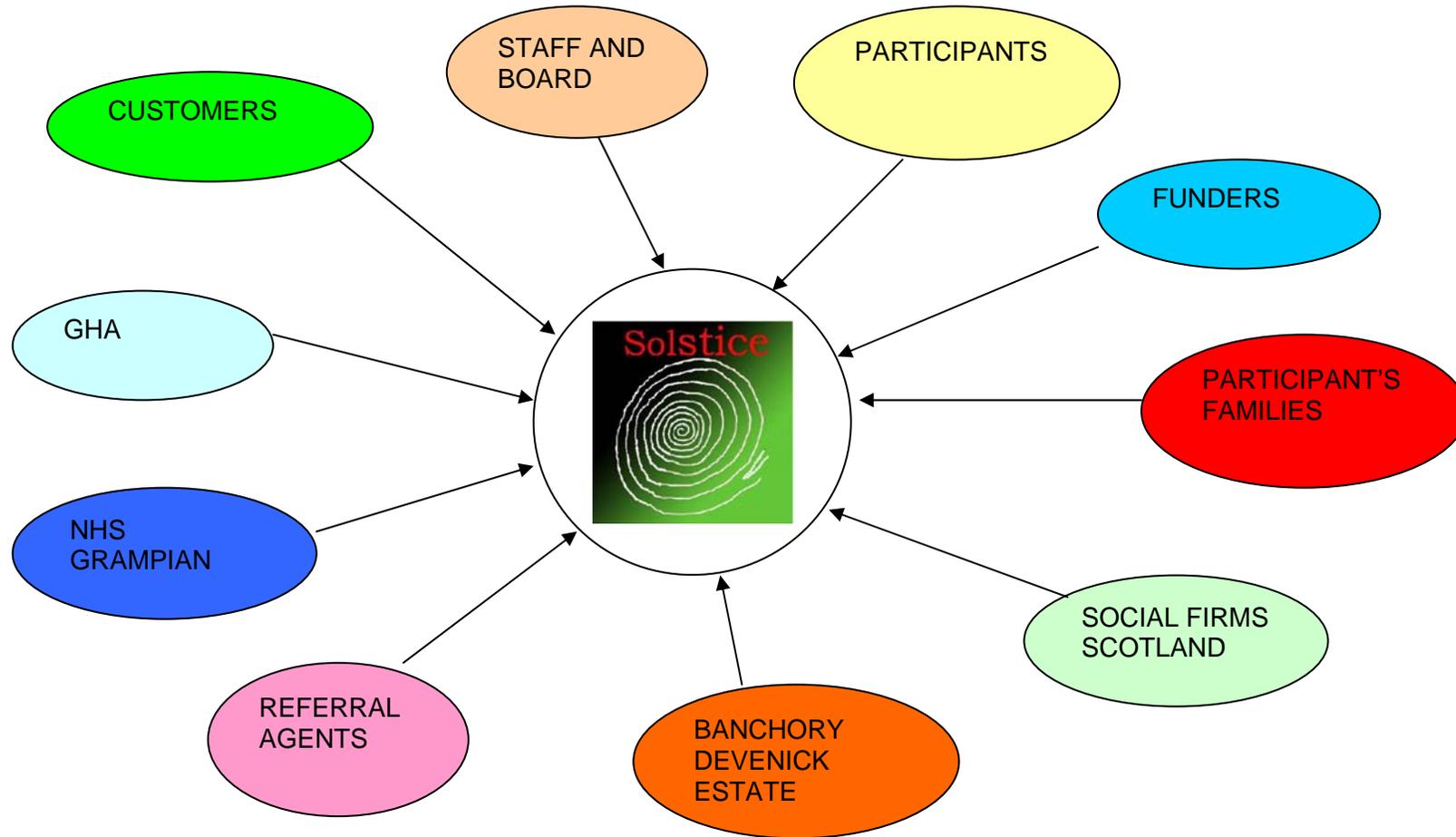


Table 2. Stakeholder Analysis of Solstice

Stakeholders	Inputs	Outputs	Outcomes (overall aims and objectives)
Grampian Housing Association	New Initiatives Manager time Other GHA staff time	1. Sustainable social firm 2. 20 participants with mental health problems recruited 3. Contract with Solstice for estate maintenance	1. Create a new social firm 2. Moving people towards employment 3. Improved estate maintenance service
Participants	Time Travel costs	1. Work attendance 2. Number of qualifications (or training sessions attended)	1. Supportive working environment 2. Improved mental well-being and recovery 3. Improved social networks 4. Access to employment and training 5. Improved physical health 6. Increased personal money 7. Improved personal and social development
Staff and Board	Voluntary time input Donations from private business	1. 20 participants with mental health problems 2. Sustainable social firm 3. Funds raised for nursery and site development	1. Improved mental well-being and recovery of participants 2. Creating a supportive working environment 3. Financial sustainability
NHS Grampian	Time for Chair of Board and secondment of member of staff	1. Participants with severe and enduring mental health problems involved in work and training	1. Successful exit strategy from Unicorn/reduced service costs compared to Unicorn 2. Improved mental well-being and recovery
Social Firms Scotland	Initial funding support Development Officer time	1. Social firm start up 2. Sustainable social firm	1. New social firm 2. Successful business plan implementation
Communities Scotland	Investment in the nursery development	1. Social firm start up 2. Sustainable social firm	1. Local employment opportunities for people with mental health problems 2. New social firm/enterprise
Aberdeen City Council (social services)	N/A	N/A	1. Local employment opportunities for people with mental health problems
Aberdeenshire Council	Employment Support staff time	1. Clients referred to Solstice 2. Individual support package available	1. Local employment opportunities for people with mental health problems
Employment Support Team	Employment Support staff time	1. Clients referred to Solstice 2. Individual support package	1. Sustained work placement 2. Move to open employment
Banchory-Devenick Estate	Reduced site rental	1. Site development 2. Rental income	1. Contributing to local community 2. Long-term enhancement of estate value
Central Government	1. Supported employment subsidy	1. Reduced welfare benefits spend 2. increased tax take	1. Moving disabled people into employment
Customers	Not included		
Participants families	Not included		

It was clear that only two of the stakeholders particularly wanted to see outcomes on moving participants from Solstice into the local labour market, although they had set no targets that they would like to see achieved.

The only targets set for Solstice were the number of participants, which was not achieved during the period under study, but which was met early in 2007.

The overall aim of creating a sustainable social firm would not be reached during the study period, as the nursery was in the start up phase of a five year business plan. In 2006, only £20,000 worth of plants had been sold. The main aim was to increase the plant stock sufficiently over the year to be able to sell during the 2007 season. At December 2006, analysis of Solstice accounts showed a value of stock of £130,000 with value added to the plant stock of £116,244 during the study year.

The aims of the staff group who offer support services are sufficiently similar to the Board's aims and objectives, as to be included as one stakeholder. Social Firms Scotland is a Board member of Solstice, and has been closely associated with the social firm for some time, therefore their aims are similar to the Board.

Customers were not included in the analysis as no method could be devised at the time to collect information and estimate the value accrued. The value created for maintenance customers has been explored through the reduced level of complaints experienced by GHA.

Due to time constraints, it was not possible to survey participants' families to establish the benefits that they may have experienced as a result of their family member being involved in Solstice. Participants did report a range of impacts on their family arising from their mental health improvement. The social inclusion measurements however picked up some of these impacts, by calculating the increased level of contact with family.

Central government was included as a stakeholder. Although there is no direct input from central government to Solstice, government gains have accrued during the study period as two participants have moved into work with Solstice that would not otherwise have been employed, and four other people have moved on into work with other employers. There are reduced benefits and increased tax income associated with this, therefore government is included as a stakeholder for the purposes of the SROI analysis.

The stakeholder analysis identified that the key aims of Solstice are to:

- Promote mental health and well-being among its participants
- Promote the social inclusion of participants.

Solstice therefore does not have moving people through the social firm and into local labour market employment as one of its primary aims. Staff will support individuals who want to do this, and work with other agencies to help people make the transition. In fact, during 2006, Solstice helped four participants to go into employment, and one into full-time education, but this is not something the organisation consciously strives to achieve on a daily basis. The aims of the organisation are more to create job opportunities within Solstice as sales income build up. As the number of recruits working at Solstice increases however, there

may be more of a demand from participants for this kind of support, to which Solstice would respond.

7. Impact map

Stakeholder	Desired outcome	Indicator used	Financial Proxy used	Source of financial and monitoring information	Attribution	Benchmark for deadweight	Benchmark for displacement or drop off
Grampian Housing Association	1. Create a new social firm 2. Moving people towards employment 3. Improved estate maintenance service	1. Contained within enterprise figures 2. Number of participants moving into jobs 3a. Reduced tenant complaints	2. Increased earnings/wealth 3a. Unit costs of complaint management	2. Participants 3a. GHA Finance Manager analysis/management reports	2. Shared with CS and employment support team	2. Local and/or national statistics 3a. Historical level of complaints	2. Local and/or national statistics 3. Need to ascertain any impact on other local contractors
Workers/participants	1. Supportive working environment 2. Improved mental well-being and recovery 3. Improved social networks 4. Access to employment and training	1. Improved attendance compared to industry 2. Medical costs saved 3. Increased hours in positive activity 4. Increased earnings potential or value of SVQ's	1. Number of days sickness 'saved' 2. Reduction in hospitalisation, GP appointments, secondary mental health services 3. Annual income on benefits 4. Average earnings in local area for desired occupation/job	1. Number of days sickness 'saved' 2. Participant questionnaires and NHS unit costs 3. Project tool 4. Jobcentre Plus, recruitment advertising, participant interview	2. Participant survey 3. Participant survey 4. Shared with other support agencies, need participant information	N/A 2. Previous medical history from participants compared to average outcomes 4. Local and/or national statistics	N/A 2. Project records 4. May be displacement effect

	<p>5. Improved physical health 6. Increased personal money 7. Improved personal and social development</p>	<p>5. Measured under recovery 6. Increased disposable income 7. Measured under social inclusion</p>	6. Earnings from project	6. Project records		6. Participant survey	
Staff and Board	<p>1. Improved mental well-being and recovery of participants 2. Creating a supportive working environment 3. Financial sustainability</p>	<p>1. and 2. As for participants 3. Full-time jobs created</p>	3. Increased earnings over benefit	3. Project records and participants	1. and 2. Shared with participants		
NHS Grampian	<p>Successful exit strategy from Unicorn/reduced service costs compared to Unicorn Improved mental well-being and recovery, and reduced service expenditure</p>	<p>1. Reduced unit costs per participants 2. Salary savings from Solstice secondment</p>	<p>1. Service costs under NHS regime 2. NHS Grampian invoices to Solstice</p>	<p>1. Research evidence of unit costs 2. Solstice financial records</p>	N/A	N/A	
Social Firms Scotland	<p>1. New social firm 2. Successful business plan implementation</p>	<p>1. Contained within enterprise figures 2. Successful case study for promotion</p>	2. Fees for promotion/speakers/study visits	2. SFS records			
Communities Scotland	<p>1. Local employment opportunities for people with mental health problems 2. New social firm/enterprise</p>	<p>1. Number of job exits 2. Contained within enterprise figures</p>	1. Increased earnings above benefits	1. Participants	1. Shared with GHA	1. Local and/or national statistics	

Aberdeen City Council (social services)	1. Local employment opportunities for people with mental health problems	No share of value created					
Aberdeenshire Council	1. Local employment opportunities for people with mental health problems	1. Increased opportunities to refer to	1. Value of staff time saved in making referrals	1. Employment support staff		1. Overall referral opportunities in area	
Employment Support Team	1. Sustained work placement	1. Reduced support worker time spent with individuals	1. Hourly support staff hourly salary	1. Employment support staff records			
Banchory-Devenick Estate	1. Contributing to local community 2. Long-term enhancement of estate value	1. Providing premises	1. Below market rent	1. GHA valuation			

There are terms used in the impact map which need explanation:

- Deadweight
- Drop off
- Attribution
- Displacement

Deadweight

'Impacts' are the outcomes from an activity, less the deadweight. 'Deadweight' is an estimation of the social benefits that would have been created anyway, without the involvement of Solstice. SROI analysis provides a method for estimating how much of the benefit would have happened anyway by making use of available baseline data, and subtracting this from the organisation's calculated social value.

Drop off

This is the proportion of outcomes which are not sustained. These can be calculated using benchmarking information or research evidence. An example of this is in moving people into employment, where a proportion of people drop out of employment in the future, and therefore the value created initially when they get a job is lost.

Attribution

In some situations the organisation will be sharing the returns with other agencies, who for example have all been involved in supporting individual participants. In this situation, the value added has to be shared between agencies, and only that proportion of the returns being generated by the organisation itself should be included in the calculation of SROI.

Displacement

In some cases, the positive outcomes for stakeholders generated by an activity are offset by negative outcomes for other stakeholders. For example an employment organisation may place individuals with employers at the expense of other individuals who are seeking work.

The assumptions made for these four factors, and the detailed calculation of social benefits made for Solstice, are discussed in more detail in the financial indicators section below.

Outcomes not included

Not all the outcomes identified in the impact map were measured in the study.

The value for staff and participants arising from working in the supportive environment created by Solstice was not measured, mainly because benchmarking information such as attendance and sickness absence figures for other horticultural

nurseries could not be found. It was the contention of Solstice that their results for these two indicators would be far higher than a private business, due to the supportive working environment.

The value of increased access to training has not been valued, as Solstice participants had not completed qualifications during the study year. As these qualifications are achieved, they can be valued.¹¹

The value of Solstice to Social Firms Scotland, in terms of having a case study to demonstrate the impact of social firms, has not been calculated. Solstice staff do get involved in presenting at Social Firms' Scotland events, and also host study visits, plus the work on social added value contracts with Grampian Housing Association has been supported by Social Firms Scotland and received attention, but it was not thought possible to financialise this.

The main referring agents were not surveyed. There may be reductions in support staff time input into clients, leaving staff time to focus on other activities, but this has not been valued. Anecdotally, the ex-service users from Unicorn Enterprises who did not move over to Solstice are not involved in other services, but support workers are known to have had to increase their level of support significantly to cope with the loss of the Unicorn service. This is explored tangentially in the estimate of avoided day care costs.

It has been assumed that the benefit to Solstice of the support from the Banchory Devenick Estate from a less than commercial rental has been offset by the additional time needed to develop the site from scratch, and that the publicity value to the estate has been offset by the value of their contribution to Solstice. Thus, the net effect in SROI terms is not material, although in practice, the support of the estate and its owner has been critical to the success of Solstice.

Thus the social added value created by Solstice is likely to be higher than that calculated in this study.

¹¹ Other studies in this SROI series will use Scottish figures for the increased earnings potential associated with achievement of qualifications, published by the Scottish Executive.

8. Mental health measurement tools

Estimating the value of mental health improvements meant devising a new method for capturing the information and financialising it. This work for Solstice was also being undertaken for Forth Sector's social firm 'Six Mary's Place Guest House'.¹²

The study investigated a number of questionnaire methods. Some validated questionnaires which are regularly used in mental health studies could not be used, as they required qualifications to use¹³ or were expensive to purchase. Other questionnaires had been used, but had not been validated. A half way house solution was adopted.

In 1992, a study into Irish Social Firms developed a questionnaire to assess the mental health improvement of participants working in social firms.¹⁴ Their questionnaire was developed with input from mental health practitioners and did relate to the evidence base for mental health improvement. They reported a range of reductions in the use of mental health and other services by participants, although they did not proceed to financialise these reported savings.

The questionnaire used by the Irish researchers formed the basis of the questionnaire used with participants at Solstice, supplemented by additional questions on skills, aspiration, any negative aspects of working at Solstice and attribution of mental health improvement to working there. This questionnaire was supplemented by before and after spider diagrams, to help participants think of themselves in relation to a range of different services.

The questionnaire and the spider diagrams allowed participants to record the frequency of use and length of use of a variety of mental health and other support services, before and after joining Solstice. The questionnaire also recorded patterns of hospitalisation for reasons associated with mental health.

As well as giving qualitative information, the questionnaire results also gave hard information on the change in the consumption of services attributed to working at Solstice, as well as information about people's diagnosis, time since diagnosis and length of unemployment.

The 4 participants who had been involved with Solstice for some time had probably experienced most of their mental health gains in the past. When they were interviewed, they were asked to remember what services they needed at the time, but they are unlikely to remember these accurately. All however reported that their mental health status was being maintained through the support at Solstice. Whether the fact that they had been at Solstice so long would lead them to over- or under-estimate their mental health gains, is an open question.

¹² See Series Report 1, July 2007

¹³ Such as the General Health Questionnaire

¹⁴ McKeown K., O'Brien T. & Fitzgerald G. (1992), Vocational Rehabilitation and Mental Health: the European Project on Mental Health in Ireland 1989 - 1991, Azimuth: Evaluation report Summary 1

9. Social inclusion measurement tool

The aims of Solstice as described above show that helping participants to become less isolated and more included in society is a primary aim of Solstice. The stakeholders which are most focussed on social inclusion gains are the participants at Solstice, and the staff and Board of the organisation.

It therefore became necessary to develop a way of directly measuring and then financialising social inclusion, which has not been attempted before.

The research into social inclusion measurement is in its early stages, and there are a number of key factors that makes a person feel socially included. The Social Exclusion Unit defined the main issues and a vision of how the social inclusion of people with mental health issues could be achieved:

- *Mental health problems can lead to a vicious cycle of social exclusion, including unemployment, debt, homelessness and worsening health. With the right support this cycle can be broken.*
- *Underlying causes of social exclusion include stigma and discrimination, unclear responsibilities and a lack of co-ordination between agencies, a narrow focus on medical symptoms, and limited support to return to work.*
- *Breaking the cycle requires a focus on early intervention, and fulfilling people's aspirations and potential through work and social participation.*¹⁵

The SROI work with Solstice had already focussed on measuring mental health improvement, and so the approach was taken that, to avoid double counting added value, measuring social inclusion should focus on social participation: evaluating people's networks, relationships and use of leisure time.

The only way that these changes could be financialised was to focus on changes in individual behaviour, which was attributed to the effect of working at Solstice.

As the spider diagram approach had been found to be easy to use with participants, these were amended to explore how participants' use of their time had changed from before being involved with Solstice. A number of options were available for the 'positive' use of time (seeing family, meeting friends, volunteering, leisure time with others) as well as some options that might be seen as negative e.g. solitary leisure time, sleeping, watching TV. Participants were asked to estimate how much time each week was spent in doing these different activities before and after joining Solstice.

This allowed the researcher to calculate the increase in positive use of time, and a decrease in negative use of time, attributed to working at Solstice, as an indicator of how socially included Solstice participants were now.

¹⁵ 'Mental Health and Social Exclusion', 2004, Social Exclusion Unit, Office of the Deputy Prime Minister

10. Information collection

The initial workshop with participants was conducted by a researcher, with a group of 9 people. Open ended questions were asked, and participants asked to describe how working at Solstice was benefiting them, and any other impacts they thought were occurring, including negative ones. This identified the key impacts reported by participants, and that participants attributed the improvements in mental health to the benefits of working at Solstice.

The individual interviews with participants for mental health and social inclusion gain were conducted by a member of the Solstice team, who was the seconded NHS nurse. In an ideal world, interviews would be conducted by a completely independent researcher, but budget constraints prevented this.

The interviewer was briefed by the researcher. They went through the questionnaire with participants, and transcribed their answers. Participants could either complete the spider diagrams themselves, or give responses which were transcribed by the interviewer.

A number of visits were made to Solstice and to GHA, to collect financial information, participant information and to keep track of progress. As it was in the start up phase for the nursery, events moved quickly, and information changed during the period.

11. Financial indicators

The impact map shows that the main financial indicators or proxies used in the study were:

1. Participant earnings
2. Increased earnings of participants moving into jobs
3. Reduction in consumption of mental health/support services
4. Reduction in welfare benefit spend
5. Increased tax take
6. Savings to the NHS from Solstice paying the salary of the seconded nurse
7. Social inclusion gains
8. GHA savings on complaints
9. Avoided costs of day care.

The data sources used for each were:

1. Solstice accounts
2. During the period under review, 3 individuals moved into employment with Solstice therefore their earnings were known. The start date was April 2006, and actual earnings increases in the period under study were calculated for 9 months, with the full year costs calculated in projecting ahead for 2007 and 2008.

One of the people who moved into employment was included in the calculations, but was considered to represent 100% deadweight. They moved into a Nursery Supervisor's post. As the SROI analysis is estimating the additional value created by Solstice's role as a social firm, it was agreed that this post would have been necessary if Solstice had been a private nursery, therefore there is no social added value in this appointment, even though the person recruited had been unemployed and claiming Job Seekers' Allowance.

Earnings of the other 4 participants who moved into jobs outwith Solstice were not known. In this situation, it was assumed that individuals were earning 60% of the Scottish average weekly wage, which in 2006 was £13,634 per annum. Aberdeen's labour market wages are generally higher than average, so this was seen as being a relatively conservative assumption, particularly given the high salary required to motivate long-term IB recipients to move into employment.¹⁶ Individuals left Solstice for employment during August and September 2006, and thus savings for 2006 were calculated for 13 and 17 weeks, but the full year costs were included in projecting ahead for 2007 and 2008.

A fifth individual left Solstice to go to college full-time and was therefore not earning. It was decided not to calculate a value for this individual outcome, but it should be noted that increased qualifications are associated

¹⁶ Estimated by various sources as between £15,000 and £18,000 pa

with increases in future earnings, and thus a value could be calculated to reflect this outcome.¹⁷

All earnings increases were calculated net of previous benefit payments, reflecting the increased disposable income, and net of tax and National Insurance. Individuals were assumed not to be entitled to claim Working Tax Credit, and thus the figures do not include these as income, but two of those who moved on were assumed to be entitled to continue to claim Housing Benefit.¹⁸

- Information on unit costs of different interventions in the NHS came from the NHS Cost Book for 2006 or in the case of medication, from the ISD website.¹⁹ The figures for Grampian were used from the cost book where available.

Participants identified changes in the frequency and length of time that they used mental health services, before and after working at Solstice. The interventions against which they reported changes, and their associated unit costs, were:

Intervention	Unit cost	Reference in NHS Cost Book
Medication (anti-psychotics)	£0.45 per dose	From ISD website
Medication (anti-depressants)	£0.42 per dose	From ISD website
Hospitalisation	£2,441 per week	RO25 I 20
CBT	£45.58 per consultation	Summary Health Board Specific C 13
Group psychotherapy	£84.09 per consultation	RO25 O 20
Individual psychotherapy	£61.78 per consultation	R340 O 18
Counselling	£61.78 per consultation	R340 O 18

- The participants' benefit status was known, and rates for 2006 were used to calculate benefits savings.
- The tax take was calculated using NIC and PAYE tables for the salaries of those who were employed, and again, without the one person who would have been employed anyway in a private nursery. The employees were not claiming Housing Benefit or Working Tax Credit which would have otherwise been netted off against the tax take.²⁰

¹⁷ See <http://www.scottishexecutive.gov.uk/Publications/2005/12/01155233/52352> for Lifelong Learning Statistics in Scotland 2005 which contains information on increased earnings and qualifications

¹⁸ This included one of the participants employed in Solstice, and one of those who moved on. In the case of the former, this was known, and in the latter, it was an assumption based on anecdotal evidence of earnings

¹⁹ Scottish Health Service costs are available online at www.isdscotland.org/isd/360.html

²⁰ People with mental health issues are unlikely to see themselves as 'disabled' despite their protected status under the DDA and less likely to claim WTC on the grounds of disability

6. Responsibility for paying the salary and ENIC of the seconded nurse from Grampian NHS was taken over by Solstice in July 2005. This has now been converted into an attachment. The actual savings to the NHS are known, as Solstice are invoiced on a monthly basis. Costs cover salary, on-costs and a contribution to overheads.
7. Use of the spider diagrams gave the net change in time spent in activities that are recognised as being socially inclusive. This analysis, for the 12 participants interviewed, showed an increase per average participant of 6.875 hours positive activity each day, which is a very significant change.

Part of this was time spent working at Solstice, however individuals reported a range of changes e.g. more time spent with family and friends, less time spent alone, time spent on new volunteering activity.

The financial value was chosen on the basis of 'willingness to pay', which is an approach used extensively in economic valuation theory. The assumption made was that participation in Solstice had created opportunities for individuals, and allowed them more choice of how they used their time. Their time can be given a financial value. One could choose a number of values of a person's time, but the one chosen here was the hourly disposable income received through the benefits system. Based on 2006 rates for Incapacity Benefit and an average daytime activity figure of 16 hours²¹, this gives an hourly income of £0.70, which was applied to the reported number of hours of positive activity reported.²²

8. GHA complaints levels were based on information provided by GHA and the Solstice supervisor. During 2004 to 2006, the supervisor was taking any calls relating to the estate maintenance contract, and knew the level of complaints from before, when the work was undertaken by a private contractor. GHA does not have a detailed record of specific complaints in relation to the contract, so the estimates have been taken from the supervisor.

The figures supplied were:

Contract Year	Contractor	Complaints per annum
2003 season	Private contractor	230
2004 season	Solstice	10
2005 season	Solstice	30
2006 season	Solstice	30

GHA provided a unit cost per hour for staff, and cost savings were based on 1 hour to take the call, investigate it and rectify it. Unit costs per hour were:

²¹ People with mental health problems tend to have problems sleeping, but it was assumed that individuals had no choice but to sleep for the average of 8 hours per day

²² Based on income from Incapacity Benefit in 2006 of £78.50 per week

Financial Year	Unit cost per complaint in £
2003/2004	30.35
2004/2005	31.29
2005/2006	34.80
2006/2007	35.84

Savings on complaints were therefore calculated on the difference between the 2003/04 complaints figure and the current year.

9. The financial value of the avoided costs of daycare were difficult to ascertain in the local context. The premise however is that if participants were not involved at Solstice, and gaining the benefits that they were, then they were likely to have been catered for elsewhere in the system, in other day care services. This is particularly true of people with long-standing mental health issues.

The only local information found was a Service Level Agreement figure for the provision of daycare to this group in the city of Aberdeen, although this was for a very small number of places.²³ The unit cost was £4,000 per annum.

A different figure however was used. The University of Kent's PSSR Unit publishes annual information on the unit costs of a range of services in health and social care.²⁴ They report a cost per session for day care of between £25 (Local Authority) and £30 (NHS), with the average figure of £25, which is the unit cost identified for the net cost of sheltered workschemes, and this was the sessional figure used.

In all the above, values were calculated for the 12 participants in 2006 (year one of the analysis) but the values were increased pro rata to 20 participants in 2007 and 30 participants in 2008, as projected in the Solstice business plan. As noted above, numbers are generally increasing in line with these predictions.

²³ From Aberdeen City Council Purchasing Statement 2004-05

²⁴ Curtis L and Netten C, 2006, 'Unit Costs of Health and Social Care, University of Kent

12. Deductions from social added value due to deadweight and drop off

Deadweight for employment and tax benefits was assumed to be 19% over the group of the seven individuals who moved into employment during the period. This was a combination of 100% deadweight for the Nursery Supervisor and 5% for the other six.²⁵

Drop off for employment was assumed to be 0 for those employed by Solstice²⁶. For the other four who moved into employment outwith Solstice, a 50% drop off has been assumed. This figure may be high, as nationally for people with mental health problems, agencies providing moving on support for this group appear to sustain between 59% and 100% of people in employment.²⁷ This gave a combined drop off figure of 29%.

Deadweight for mental health gain (i.e. the number who would have experienced improvements in mental health without intervention) was rather more difficult to establish. Only one of the participants was not taking some form of medication, and it is likely therefore that mental health improvement gains associated with medication had been experienced before the study period. For most people with a serious mental illness, recovery rates are improved by medication, although this is a contentious issue in the mental health field.²⁸

The prognosis for serious mental health conditions suggest 25% of individuals recover within 5 years, however the average length of time since diagnosis of individuals was over 10 years, and they are therefore likely to fall into the category of individuals who need recurring support for a fluctuating mental health problem.²⁹ Recovery rates are known to be lower for people who are long-term unemployed, and the Solstice participants appear not to have recovered sufficiently well enough in the past to work.

For these reasons, the deadweight is estimated to be much lower, and a figure of 10% was used.

Drop off for mental health gains (i.e. how many people will not sustain their mental health gains) were again more difficult to establish. A survey of mental health outcomes literature suggests that predicting mental health relapses from the characteristics of individuals and their diagnoses is uncertain, and that there is little information on the course of mental illness in individuals in the general population.³⁰ In general, one third of individuals with a major mental illness such

²⁵ 5% is the Department of Work and Pensions' figure for flow off Incapacity benefit of people who have been on IB for more than 2 years

²⁶ Which has proved to be the case so far in 2007 - the supervisor who moved on in May 2007 moved into other employment, so value has been sustained

²⁷ See the Restart SROI report in this series for this information, collected from six agencies

²⁸ The Mental Health Foundation website contains detailed information on the evidence base

²⁹ See the Mental Health Foundation for discussion of this issue

³⁰ 'Better Or Worse: A Longitudinal Study Of The Mental Health Of Adults In Great Britain', 2003, Office of National Statistics

as schizophrenia would not expect another episode of mental ill health.³¹ About half of people with common mental health problems are no longer affected after 18 months, but poorer people, the long-term sick and unemployed people are more likely to be still affected 18 months later, than the general population.³²

During the year in question, very few participants were found to have dropped out due to a recurrence of mental ill health, and in view of the uncertainty of national statistical evidence, it is considered reasonable to assume a small drop off of 10%. When participant numbers increase, this may no longer be a reasonable assumption to make.

Both the deadweight and drop off assumptions for mental health gain are explored further in the sensitivity analysis.

Participants earn an income from working at Solstice under Permitted Work rules within the benefits regulations. Given the length of unemployment, the fact that there are no opportunities to work under such a regime elsewhere in the area and no one reported having used Permitted Work in the past, it is reasonable to assume that there is no deadweight or drop off associated with the increased income to participants.

Deadweight and drop off for social inclusion and avoided day care costs are very much an estimate, as the research literature has not addressed these specific questions.

For social inclusion gains, a figure of 10% for deadweight was used, in line with the deadweight for mental health gain. Drop off was assumed to be 0, as the main aims of Solstice are to promote social inclusion through team working and mutual support, therefore the staff work to ensure that these gains are consolidated and maintained in the participant group.

For avoided costs of day care, deadweight was assumed to be 20%, i.e. that 20% of participants would have received day care elsewhere if they had not been at Solstice. This was based on the Solstice staff's estimate of the percentage of ex-Unicorn service users who would be in day care elsewhere. A drop off figure of 10% was used.

With GHA savings on complaints, it was assumed that there was no deadweight or drop off to take into account, as these were included in the calculation method itself.

All the participants attributed their mental health improvements to working at Solstice, both during the initial workshop and in the interviews. Most individuals retain some form of external support however, and it may not be prudent to take these statements at face value. The researcher took the view that the gains in mental health were as a result of working at Solstice, but that the sensitivity analysis should take account of possible attribution issues.

³¹ For information see the Mental Health Foundation's website at www.mentalhealth.org.uk

³² Better or Worse op cit

Displacement was not considered an issue, as no negative consequences for other agencies could be identified during the mapping phase, and because Solstice is the only social firm agency in Aberdeen and Aberdeenshire offering this type of service.

The summary of assumptions made for deadweight and drop off are:

Item	Deadweight	Drop off
Mental health gains	10%	10%
NHS savings due to paid secondment	N/A	N/A
Welfare spend reductions	19%	29%
New tax take	19%	29%
Increased personal income of participants	N/A	N/A
Increased personal income of employees	19%	29%
Social inclusion gains	10%	N/A
GHA savings on complaints	N/A	N/A
Avoided daycare costs	20%	10%

13. Results

The SROI analysis predicts the end value created by investment in 2006 and calculates the returns over, in this case, 3 years. In the USA, SROI returns are calculated to infinity, which seems unreasonable. In Europe, SROI has generally been calculated over 5 years.

In the Equal pilot, in order not to overclaim value, and to offer conservative estimates of social added value, the research team decided to calculate value over 3 years. The sensitivity analysis shows the results if SROI had been calculated over 5 years.

Values for the 12 months are discounted to Net Present Values, as would be the case when calculating the financial return on investment in a commercial setting.

The agreed convention for SROI is to use a discount rate of 3.5%, which is the HM Treasury social time preference discount rate. 'Social time preference' is the value society attaches to present as opposed to future consumption.

The real value of the impact created by Solstice will be less in future years, and is therefore discounted to allow for risk factors, and for the fact that investment in Solstice does not allow for investment elsewhere and the investor may forgo interest on their capital by investing. The impact of Solstice is judged by the end value of benefits less adjustments for deadweight and drop off as discussed above.

The results below show the social added value created for the 12 months to December 2006:

Item	Calculated value	Less deadweight	Less drop off	Net benefits
Mental health gains	£143,094	£128,785	£115,907	£115,907
NHS savings due to paid secondment	£14,295	N/A	N/A	£14,295
Welfare spend reductions	£22,109	£17,908	£12,715	£12,715
New tax take	£15,272	£12,371	£8,783	£8,783
Increased personal income of participants	£14,040	N/A	N/A	£14,040
Increased personal income of employees	£14,671	£11,883	£8,437	£8,437
Social inclusion gains	£21,106	£18,995	N/A	£18,995
GHA savings on complaints	£7,117	N/A	N/A	£7,117
Avoided daycare costs	£15,600	£12,480	£11,232	£11,232
Totals				£211,521

The results are then projected over the next 3 years. Normally, the Net Present Value of the net benefits would be applied over a three year period, however, in

the case of Solstice, participant numbers are not fixed and already have increased as a result of the investments made in Solstice for 2006. In line with the USA spreadsheet model, values were therefore increased in 2007 and 2008 pro rata to the number of participants, i.e. 20 in 2007 and 30 in 2008.

This gives net benefits and Net Present Values for the benefits over three years of:

	Year 1 2006	Year 2 2007	Year 3 2008	Year 3 end value
Total net benefits	£211,521	£382,586	£535,035	£1,129,142
NPV's of benefits	£204,368	£357,148	£482,571	£1,044,087

Thus over 3 years, Solstice will deliver over £1 million in social value.

The investment to create this value is £94,581 in the year under study, or £284,382 over 3 years. In calculating the investment, the researcher used figures from the Solstice published annual accounts for 2004/05 and 2005/06 financial years and management accounts for 2006/07, adjusted to reflect the calendar year under study.

In 2006, investment in Solstice was made up of:

Revenue Grant income - Futurebuilders	£35,942
Revenue Grant income - Communities Scotland Wider Role Funding	£15,060
Revenue Grant income - Rural Partnership Challenge Fund	£21,621
Revenue Grant income - Esmee Fairbairn Fund (from August 2006)	£7,441
Revenue Grant income - Healthy Living Fund	£5,231
Total Revenue Grant income	£85,295 ³³
Workstep employment subsidy	£2,250
Financial value of GHA staff input netted off against management charge	£7,036
Total	£94,581

The investment figure for GHA requires some further explanation. GHA provided figures for the value of staff input provided to Solstice. This has been made up in the past of the Development Manager's time ³⁴, accountant time for payroll and accounting and the time of the estate manager. It has been assumed that this latter time input should be taken off, as this time to supervise the maintenance contract during 2006 would have been required anyway to supervise any contractor. Figures also had to be adjusted for the calendar year of the project. From Solstice financial records, GHA had invoiced £12,201 for the 2006 calendar year for management charges, and these have been netted off against the GHA staff time input, which for 2006 year less the estate manager was £19,237.

The investment figures are therefore:

³³ There is a small discrepancy between the grant income figures expected for the year and income figures in Solstice's annual accounts and management accounts, hence the audited figures have been taken, as it is assumed that the difference will be sitting in Solstice reserves figure as grant yet to be spent. Grants have been split by calendar year.

³⁴ Now the New Initiatives Manager

	Year 1 2006	Year 2 2007	Year 3 2008	Year 3 end value
Total investment	£94,581	£94,792	£95,009	£284,382
NPV's of investment	£91,383	£88,489	£85,685	£265,557

The social added value of the project - the value created less the cost of creating that value - is £778,530.

The SROI index is calculated by dividing the added value by the value of the investment.

This provides a ratio of 1 : 2.93. That is to say, for every £1 invested in Solstice, £2.93 is returned in social added value, to stakeholders and wider society.

In terms of payback, another common method for appraising investments, Solstice will repay its investment in 2006 in just under 6 months. In accounting and commercial investment terms, this would be considered a highly attractive investment.

SROI for the period of the start up business plan 2004 to 2009

Grampian Housing Association and Solstice were interested to explore the social value created by the full investment that had been made in Solstice since GHA had been involved with them, including the investment in the nursery prior to 2006, and therefore covering the whole of the five year business plan period.

This required taking the whole capital investment into account, as well as the revenue grant funding that had been provided to Solstice, even although a private investor would have required to make a similar, or possibly even higher, capital investment in the nursery.³⁵ For the purposes of this analysis however, it has been assumed that all the capital required by Solstice is additional.

This new analysis also allows for investment in 2007 to 2009 to reflect what is anticipated, rather than being based on the results for 2006 alone.

The investment in Solstice over this period is:

	2004/05	2005/06	2006/07	2007/08	2008/09	Total
Total capital and revenue funding	£98,735	£114,255	£93,865	£26,788	£8,929	£342,572
Employment subsidy	0	0	£2,250	£938 ³⁶	0	£3,188
GHA time input	£27,332	£15,166	£7,036	£1,000	£1,000	£51,533 ³⁷
Total	£126,067	£129,421	£103,151	£28,726	£9,929	£397,293
NPV	£121,804	£120,816	£93,036	£25,033	£8,360	£369,049

³⁵ Because of the connections in the community, Solstice had a great deal of practical assistance and sponsorship from local businesses, the Banchory-Devenick Estate and others when laying out and servicing the nursery that would not have been offered to a private business.

³⁶ Pro rata for the 1 person who left in May 2007

³⁷ Calculated on same basis as above

The benefits would be the same as those calculated for 2006, with figures for the two previous years calculated on a pro rata basis to the number of actual participants:

	2004/05	2005/06	2006/07	2007/08	2008/09	Total
Average number of participants	8	10	12	20	30	
Mental health gains	£73,456	£94,174	£115,907	£198,007	£304,436	£785,979
NHS savings due to paid secondment	0	£3,467	£14,295	£14,724	£15,166	£47,651
Welfare spend reductions	0	0	£12,715	£35,293	£36,351	£84,359
New tax take	0	0	£8,783	£25,650	£27,450	£62,883
Increased personal income of participants	£9,360	£11,700	£14,040	£23,400	£35,100	£93,600
Increased personal income of employees	0	0	£8,437	£25,545	£26,311	£60,293
Social inclusion gains	£12,038	£15,433	£18,995	£32,450	£49,892	£128,808
GHA savings on complaints	£6,832	£6,785	£7,117	£7,330	£7,550	£35,613
Avoided daycare costs	£7,118	£9,126	£11,232	£19,188	£32,780	£79,444
Total	£108,804	£140,685	£211,521	£382,586	£535,035	£1,378,631
NPV	£105,125	£131,331	£190,780	£333,402	£450,485	£1,211,123

The social added value of the project over its first five years - the value created less the cost of creating that value - is estimated at £842,074.

This analysis shows that the payback time for the total investment has been 28 months if social added value is taken into account, and therefore Solstice had already 'paid' for itself by the end of 2006.

The Social Return on Investment index for the development of Solstice in its whole start up period including capital investment will become positive³⁸ by the end of 2008.

13.1. Analysis by stakeholder

It is possible to examine the returns to different stakeholders resulting from Solstice, by reference to the main aims and outcomes expected by stakeholders, and comparing this to their investment.

For Grampian Housing Association, their main aims in supporting Solstice were to help move people towards employment and improve their estate maintenance service. If one analyses the benefits associated with these then their individual SROI from Solstice is 1 : 1.38, if reduction in complaints and 50% of the increased income of employees are taken as the benefits that accrue to them.³⁹

If all employment benefits were to be counted, then the SROI index would increase to 1 : 11.88. This however is not realistic, as other stakeholders, including the

³⁸ i.e. greater than 1

³⁹ Assuming the other 50% accrues to participants who move on into employment.

government whose contribution is negligible, share in the wider employment and welfare benefits.

With the scale of the mental health savings notionally being created for the NHS, their SROI index is much higher. The investment in 2006 in Solstice was a one-off grant of £6,975, and this results in an SROI index for the NHS locally of 1 : 28.24.

14. Sensitivity analysis

The results are based on a number of assumptions, some of which are based on imperfect research evidence.

The purpose of a sensitivity analysis is to vary these assumptions, and to investigate how radically that changes the value created by the investment, and hence the return.

The researcher chose the following main assumptions to vary, as those with least level of robustness:

1. Increasing the deadweight for mental health improvement to 30% and increasing the drop off for mental health improvement to 30%
2. Ignoring the avoided daycare savings and social inclusion gains
3. Increasing the calculation period to 5 years
4. Assuming impacts are shared with other agencies.

The results were:

	Main assumption	New assumption	Resulting SROI
Main assumptions			2.93
Mental health gain	Deadweight of 10% Drop off of 10%	Deadweight of 30% Drop off of 30%	1.51
Avoided daycare costs ignored			2.69
Avoided daycare costs and social inclusion gains ignored			2.40
Period	3 years	5 years	3.62
Attribution	None	50% of value is attributed to Solstice	0.96

Of all the assumptions, the deadweight one might be least robust, but is unlikely based on available incidence and episode onset evidence to be more than 25%.

The sensitivity analysis shows that if the already conservative assumptions made in the main analysis are reduced even further, the SROI index does not fall below 1.00, except if attribution to Solstice of the value created drops below 52%. In view of participants' reports and the developmental history of Solstice as an organisation, this is highly unlikely.

Solstice is therefore unlikely to return less than £1.50 for every £1 invested, even with very conservative assumptions.

Over half the value being created by Solstice comes from the mental health gains being reported by participants.

During the study, the Department of Work and Pensions published research which suggested another sensitivity analysis for Solstice. David Freud suggested that as every person on Incapacity Benefit is likely to stay on it for an average of 8 years, when someone moves off Incapacity benefit, 8 years worth of savings should be taken into account in that year, not just one.⁴⁰

He calculated that one person moving off IB would save Government £62,000 (at NPV's). Applying this figure to the Solstice figures results in an SROI index of 1 : 4.67.

⁴⁰ D. Freud, 2007, 'Reducing dependency, increasing opportunity: options for the future of welfare to work', DWP, available at www.dwp.gov.uk

15. Recommendations

Solstice's hypothesis is that by providing opportunities to engage in meaningful activity, in a supportive working environment, participants can make significant progress towards recovery, improve their mental health, become more socially included and reduce their dependence on services. The results of the SROI study would appear to support this.

These results suggest that the primary value created by Solstice is in supporting recovery from mental ill health, and that the emphasis should be on maintaining the mentally healthy and supportive working environment.

The first report in this SROI series undertook an analysis of the value created by Six Mary's Place Guest House in Edinburgh, another mental health social firm.

The mental health gains per participant there were much higher than those calculated at Solstice.⁴¹ The reasons for this are not wholly clear. Some of the difference is accounted for by higher unit costs of NHS services in Lothian compared to Grampian. £13,642 of the value calculated for mental health gain per annum for Six Mary's Place relates to reductions in other support services such as GP consultations, social worker time, drop in centres etc., which were not reported at Solstice. It is possible that the interviewer at Solstice did not enquire in depth into the use made of these kinds of services.

There was a difference reported in the reduction of the number of hospital days required by participants, which may be down to the group of participants who had been at Solstice for some time, and who therefore may have had difficulty remembering exact periods of hospitalisation.

These differences require further investigation.

Recommendations to Solstice for future work arising from this study include:

- Incorporate mental health and social inclusion gain measurement into the standard recruitment and review process for participants, most likely after the probationary period mid-way point, to improve recording and allow for SROI calculations in future
- Secure the help of a nursing student, or some other external person, to repeat the mental health interviews with newer recruits to Solstice, and re-calculate mental health gains
- Investigate the retention and attendance rates of full-time staff working with competitors in the horticultural market and benchmark Solstice retention and attendance against this
- Use information provided by the researcher to financialise the value of qualifications and training achieved through Solstice in future
- Undertake a survey with referral agents and other support bodies, to explore attribution further.

⁴¹ Value per participant of £9,659 at Solstice as opposed to £21,200 at Six Mary's Place

Disclaimer

The information herein has been provided for general information only and measures have been taken to ensure that the information is accurate and up to date. However, none of the organisations or members of the aforementioned organisations is liable for any use that may be made of the information here or nor can they be held responsible for any errors resulting from the use of this information.

The analysis is essentially a modelling exercise and should not be used for formal accounting purposes.

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