



Making places better



Understanding local economic multipliers

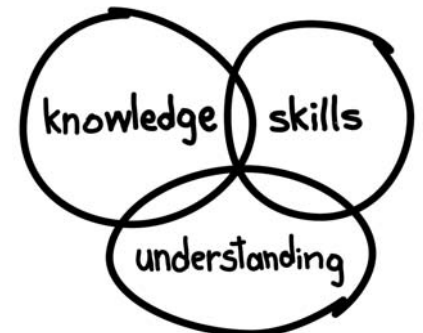
Matthew Jackson, Head of Research, CLEES



Understanding Local Multipliers

13th July 2011

Matthew Jackson, Head of Research





What we set out to do

Fuelled by 2 key frustrations:

- Under recognised role of the public sector in the local economy
- Lack of understanding of the catalytic and multiplier effects of public spend within commercial and social economies

What we set out to do

- Gather evidence on how and where public sector resources are being spent
- Develop a replicable method and model of measuring the economic impact of public sector spend on the local economy
- Assist with local economic understanding and assessment
- Enable strategic directors and managers to make better economic decisions around services delivery



LM3 – what is it?

- A multiplier model for understanding local economic impact of public spend
- Initially devised by NEF to understand contract and procurement spend
- CLE and APSE tailored LM3 to think about totality of public spending



LM3 – What does it involve?

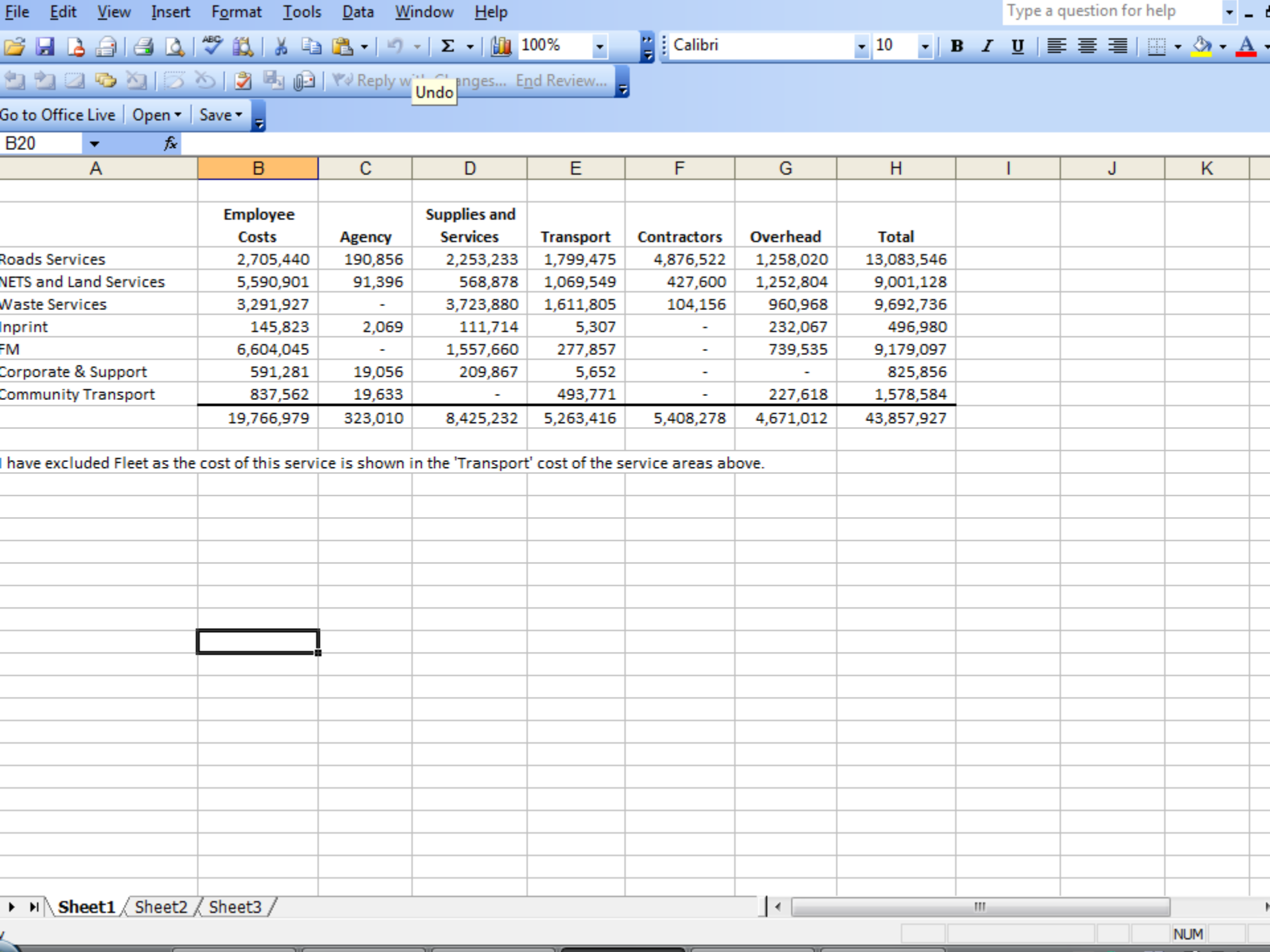
The LM3 model

- Round 1 – total spend
- Round 2 – spend upon (local) suppliers
- Round 2 – spend upon (local) direct employees
- Round 3 – re-spend of local suppliers upon their own local suppliers and their own local employees
- Round 3 – re-spend of direct employees upon good and services in the local economy
- $LM3 = \frac{\text{Round 1} + \text{Round 2} + \text{Round 3}}{\text{Round 1}}$



LM3 – What do you need to start?

- **Buy-in from the service area/organisation – key to robust data**
- **Postcode data for the authority (all postcodes)**
- **Commitment to data for a specific time period**
- **Service area and business plan documentation**
- **Strategic documentation**
- **Round 1**
 - Figures for the total spend of organisation for financial year
 - Figures for total spend of each service area for financial year
- **Round 2**
 - Figures for each invoice issued to organisation by suppliers
 - Must include name of organisation, postcode and value of invoice
 - Figures for the gross and net spend of the organisation upon employees
 - A list of direct employee postcodes



	Employee Costs	Agency	Supplies and Services	Transport	Contractors	Overhead	Total			
Roads Services	2,705,440	190,856	2,253,233	1,799,475	4,876,522	1,258,020	13,083,546			
NETS and Land Services	5,590,901	91,396	568,878	1,069,549	427,600	1,252,804	9,001,128			
Waste Services	3,291,927	-	3,723,880	1,611,805	104,156	960,968	9,692,736			
Inprint	145,823	2,069	111,714	5,307	-	232,067	496,980			
FM	6,604,045	-	1,557,660	277,857	-	739,535	9,179,097			
Corporate & Support	591,281	19,056	209,867	5,652	-	-	825,856			
Community Transport	837,562	19,633	-	493,771	-	227,618	1,578,584			
	19,766,979	323,010	8,425,232	5,263,416	5,408,278	4,671,012	43,857,927			

I have excluded Fleet as the cost of this service is shown in the 'Transport' cost of the service areas above.

100% Arial 10 B I U

Go to Office Live | Open | Save

13254 12/05/2008

	A	B	C	D	E	F	G	H
13247		720.00	H & S PLAYGROUND CONSTRUCTION	EH49 6NS		WLC	PD	369792
13248		700.00	H & S PLAYGROUND CONSTRUCTION	EH49 6NS		WLC	PD	371046
13249		270.00	H & S PLAYGROUND CONSTRUCTION	EH49 6NS		WLC	PD	372904
13250		3.50	JOHN KERR	EH49 6QT		WLC	PD	358618
13251		850.00	JOHN KERR	EH49 6QT		WLC	PD	358619
13252		0.03	ARCO LIMITED	EH49 7QY		WLC	PD	349242
13253		450.00	ARCO LIMITED	EH49 7QY		WLC	PD	352231
13254		372.30	ARCO LIMITED	EH49 7QY		WLC	PD	353788
13255		253.30	ARCO LIMITED	EH49 7QY		WLC	PD	353662
13256		5.62	ARCO LIMITED	EH49 7QY		WLC	PD	354348
13257		123.60	ARCO LIMITED	EH49 7QY		WLC	PD	356909
13258		337.50	ARCO LIMITED	EH49 7QY		WLC	PD	357822
13259		253.30	ARCO LIMITED	EH49 7QY		WLC	PD	358505
13260		(5.16)	ARCO LIMITED	EH49 7QY		WLC	PD	360306
13261		(6.88)	ARCO LIMITED	EH49 7QY		WLC	PD	360307
13262		337.50	ARCO LIMITED	EH49 7QY		WLC	PD	363637
13263		337.50	ARCO LIMITED	EH49 7QY		WLC	PD	369820
13264		(23.40)	ARCO LIMITED	EH49 7QY		WLC	PD	370364
13265		33.21	ARCO LIMITED	EH49 7QY		WLC	PD	371076
13266		0.02	ARCO LIMITED	EH49 7QY		WLC	PD	381326
13267		0.02	ARCO LIMITED	EH49 7QY		WLC	PD	372550
13268		0.02	ARCO LIMITED	EH49 7QY		WLC	PD	378985
13269		337.50	ARCO LIMITED	EH49 7QY		WLC	PD	373020
13270		35.77	ARCO LIMITED	EH49 7QY		WLC	PD	375537
13271		13.68	ARCO LIMITED	EH49 7QY		WLC	PD	376312
13272		(23.96)	ARCO LIMITED	EH49 7QY		WLC	PD	377009
13273		194.53	ARCO LIMITED	EH49 7QY		WLC	PD	377010
13274		200.00	CLC PRESENTATION SYSTEMS	EH49 7SF		WLC	PD	363879
13275		36.28	TURF IRRIGATION SERVICES SCOTLAND LTD.	EH49 7SF		WLC	PD	367579
13276		10,981.38						

File Edit View Insert Format Tools Data Window Help

100% Arial 10 B I U

Go to Office Live | Open | Save

E18 fx

A	B	C	D	E	F	G	H	I	J	K
Nominal	Description	YTDActual	AB+CG+CA							
201	AGENCY WORKERS	88,895.78								
10101	CHIEF OFFR - BASIC PAY	-								
10124	CHIEF OFFR - STANDBY ALLOW	-								
10151	CHIEF OFFR - ERS NAT INS	-								
10162	CHIEF OFFR - ERS SUPRANN LA	-								
20201	LOCAL GOV - BASIC PAY	4,109,915.17								
20202	LOCAL GOV - OVERTIME GNRL	190,521.73								
20203	LOCAL GOV - CONTR OVERTIME	9,754.98								
20205	LOCAL GOV - BONUS	-								
20207	LOCAL GOV - ENHANCEMENTS	534.07								
20209	LOCAL GOV - MATERNITY PAY	967.96								
20221	LOCAL GOV - SHIFT ALLOW	297,909.52								
20224	LOCAL GOV - STANDBY ALLOW	14,284.12								
20225	LOCAL GOV - CALL OUT ALLOW	162.27								
20232	LOCAL GOV - OTH NON TAX ALLOW	15,045.14								
20233	LOCAL GOV - OTH TAX ALLOW	39,296.15								
20251	LOCAL GOV - ERS NAT INS	354,052.68								
20262	LOCAL GOV - ERS SUPRANN LA	581,593.34								
32601	CRAFT - BASIC PAY	88,319.73								
32602	CRAFT - OVERTIME GNRL	71.37								
32605	CRAFT - BONUS	-								
32627	CRAFT - TOOL ALLOWANCE	528.32								
32633	CRAFT - OTHER ALLOW TAXABLE	313.25								
32651	CRAFT - ERS NAT INS	5,982.38								
32662	CRAFT - ERS SUP ANN	14,745.09								
		5,812,893.05								

Summary FM WASTE HQ INPRINT ROADS NETS FLEET

NUM

100% Arial 10 B I U

Go to Office Live | Open | Save

C17 Cook 1

A	B	C	D	E	F	G	H
Staff Member	Staff Member	Position	Func Area	Serv Unit	Postcode	PC 1	PC 2
24845	Hill J M	Head Of Service	Mgmt Team Operational	Management & Support	EH10 4BR	EH10	4BR
18830	Duffy A	Strategy Support Officer	Recycling & Waste Mgt	Cleansing	EH10 5HZ	EH10	5HZ
16761	Ward H	Strategy Support Officer	Recycling & Waste Mgt	Cleansing	EH11 1SQ	EH11	1SQ
9231101	Grieve G	NETS Operative (E)	NETs & Land Services	Grounds Maintenance	EH13 9HH	EH13	9HH
3002054	MacNamara S M	Estimator / Scheduler	Business Services	Inprint	EH14 5TL	EH14	5TL
9101048	Clements J W	Waste Operative (D)	Recycling & Waste Mgt	Cleansing	EH14 2PE	EH14	2PE
3015926	Leishman A E	Roads Operative (E)	Roads Services	Roads Operations	EH14 5HB	EH14	5HB
9106132	Meaney G	Waste Operative (D)	Recycling & Waste Mgt	Cleansing	EH16 4QL	EH16	4QL
208	Downey G	Cemeteries Officer	NETs & Land Services	Policy & Development	EH16 6YN	EH16	6YN
9102047	Russell T	Waste Operative (D)	Recycling & Waste Mgt	Cleansing	EH19 2HJ	EH19	2HJ
932	Phillips M	Technical Assistant	Business Services	Facilities & Q.A.	EH22 4DE	EH22	4DE
9236089	Young C J	Horticultural Apprentice	NETs & Land Services	Grounds Maintenance	EH25 9SP	EH25	9SP
18953	Ogg A	Cleaner	Cleaning	FM & Cleaning	EH27 8AN	EH27	8AN
4861	Laidlaw B G	FM Assistant	Facilities Management	Facilities Management	EH27 8AQ	EH27	8AQ
14341	Willis M	Cleaner	Cleaning	FM & Cleaning	EH27 8AQ	EH27	8AQ
16175	Wyllie A	Cook 1	Catering	FM & Catering	EH27 8AS	EH27	8AS
17542	Jarvis D M	School Crossing Patrol Guide	Roads Services	Roads Operations	EH27 8AS	EH27	8AS
13972	Blue L B A	Cleaner	Cleaning	FM & Cleaning	EH27 8AY	EH27	8AY
9102110	Stewart G	Street Cleansing Op- Irg mec D	NETs & Land Services	Street Cleaning	EH27 8AY	EH27	8AY
14535	MacKail J	Cook 1	Catering	FM & Catering	EH27 8BE	EH27	8BE
3002617	Hutton M C	Senior Cleaner	Cleaning	FM & Cleaning	EH27 8BN	EH27	8BN
17889	Tait E	Cook 1	Catering	FM & Catering	EH27 8BS	EH27	8BS
25570	Pringle D	Manager - Roads Services	Roads Services	Management & Support	EH27 8DS	EH27	8DS
18969	McMorrine L	Cleaner	Cleaning	FM & Cleaning	EH28 8LQ	EH28	8LQ
11808	Foss J J	Roads Operative (E)	Roads Services	Roads Operations	EH28 8ST	EH28	8ST
3015924	Keith M J	Roads Operative (E)	Roads Services	Roads Operations	EH28 8SU	EH28	8SU
3001227	King C A	Supervisor	Roads Services	Roads Operations	EH29 9DF	EH29	9DF
3010131	Erskine D	Roads Operative (E)	Roads Services	Roads Operations	EH29 9DQ	EH29	9DQ
18832	Paterson J	Waste Manager	Recycling & Waste Mgt	Cleansing	EH29 9HE	EH29	9HE
9289	Isaksson T	Graphic Designer	Business Services	Inprint	EH3 5DW	EH3	5DW
9104030	Warden D	Waste Operative (E)	Recycling & Waste Mgt	Cleansing	EH30 9JX	EH30	9JX



LM3 – What do you need to do?

- Set up spreadsheets and formulas for analysis
- Get to know the department, service area and locality
- Think about which service area to hone in upon for round 3
- Design surveys for round 3
 - Survey of employees
 - Survey of selection of suppliers
- Sort out logistics for your surveying



Results from West Lothian

- Round 1 - NETs - £10,801,353.60
- Round 2 - NETs – spent £834,227.83 on local suppliers (34%)
- Round 2 - NETs – spent £4,963,553.59 on local employees (85%)
- Round 3 - Suppliers to NETs – re-spent £147,745.32 in local economy (18p in every pound)
- Local employees of NETs – re-spent £1,607,366.22 in local economy
- Non-local employees of NETs – re-spent £76,908.00 in local economy



LM3 in West Lothian

LM3 – NETs and Land Services = 1.71

- 54p in every pound spent directly on local employees and local suppliers
- Further 17p generated for local economy by supplier and employee re-spending

LM3 – West Lothian Operational Services = 1.59

- 39p in every pound spent directly on local employees and local suppliers
- Further 20p generated for local economy supplier and employee re-spending

A	B	C	D	E	F	G	H	I	J
TOTAL SPEND	spend on local supplie	spend on local emplo	respend of local suppl	respend of local empl	LM3				
10,801,353.60	834,227.83	4,963,553.59	147,745.32	1,684,274.22	1.71				
		5,797,781.42		1,832,019.54					
62,506,113.50	3,194,839.38	21,394,477.86	565,819.72	11,913,395.29	1.59				
		24,589,317.24		12,479,215.01					





Applying LM3 to your locality

Discussion

- ◉ Working out the LM3 for Kennethville
- ◉ What would you use LM3 for?