



**CLEES Summit 2009**

**Procurement policy: a driver for future growth**

**Local Multiplier 3**

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# 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
- CLES and APSE tailored LM3 to think about totality of public spending
- Swindon Commercial Services – pilot project
- North Liverpool and South Sefton – understanding local economic impact of social enterprise
- West Lothian Operational Services



# 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
  - $LM3 = \frac{\text{Round 1} + \text{Round 2} + \text{Round 3}}{\text{Round 1}}$



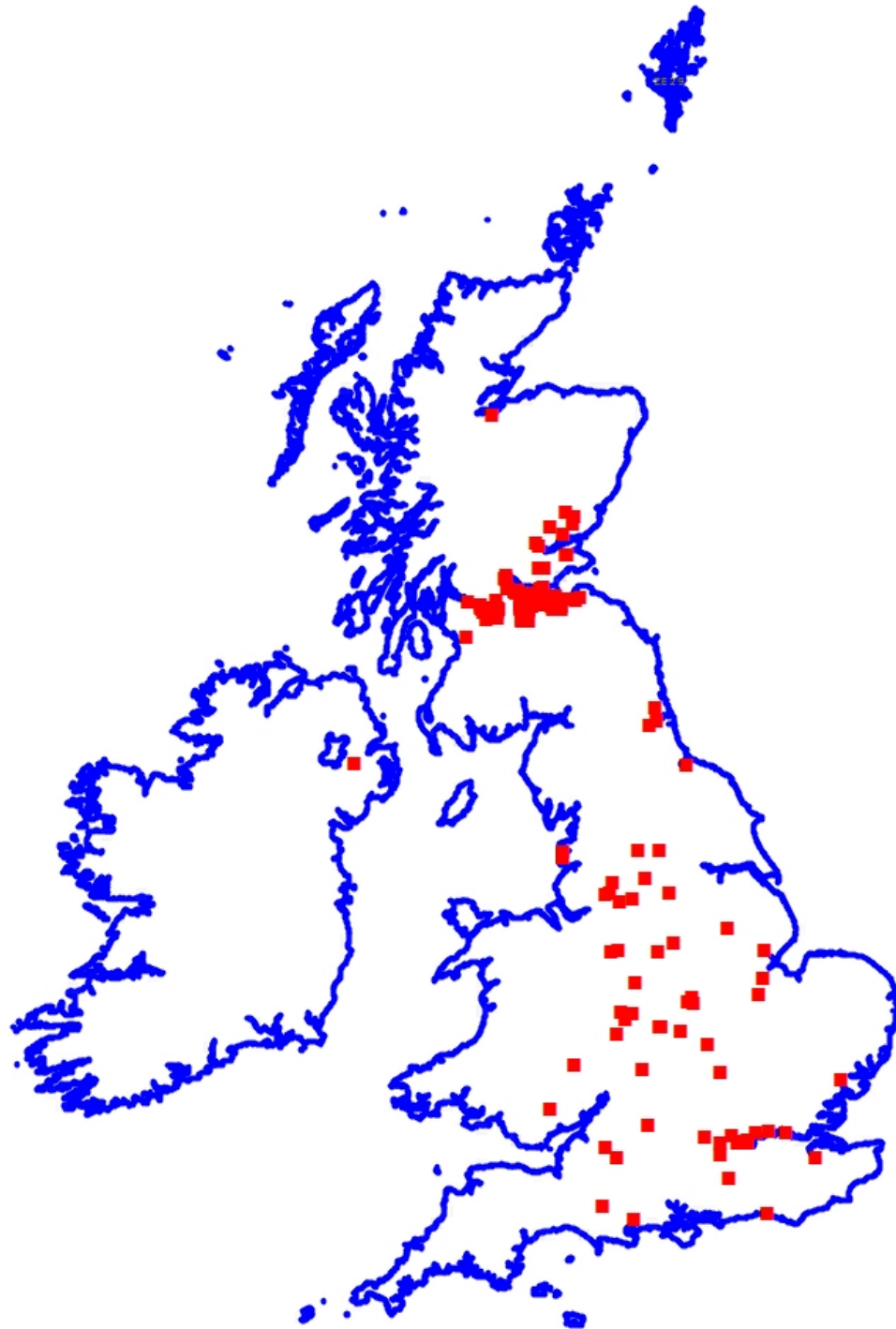
# Round 1 – total spend

- Want to find out total spend of organisation
- Analyse by department as whole
  - WLOS - £62,506,113.50 (full year)
- Analyse by individual service area
  - e.g. NETs - £10,801,353.60 (full year)



## Round 2 – spend upon suppliers

- Want to find out proportion of spending upon local suppliers
- Analyse supplier invoices against local authority postcodes
- Do analysis for actual invoices
  - WLOS – spent £24,245,095.19 on suppliers (10 months)
  - WLOS – spent £2,662,366.15 on local suppliers (10 months)
  - NETs – spent £2,007,523.78 on suppliers (10 months)
  - NETs – spent £695,189.86 on local suppliers (10 months)
- Estimate for full financial year
  - WLOS – spent £3,194,839.38 on local suppliers (full year)
  - NETs – spent £834,227.83 on local suppliers (full year)





## Round 2 – spend upon employees

- Want to find out proportion of spending upon local employees
- Analyse employee postcodes against local authority postcodes
- Do analysis for actual spending to date
  - WLOS – spent £19,724,844.80 on employees (10 months)
  - WLOS – spent £17,828,731.55 on local employees (10 months)
  - NETs – spent £4,767,623.78 on employees (10 months)
  - NETs – spent £4,136,294.60 on local employees (10 months)
- Estimate for full financial year
  - WLOS – spent £21,394,477.86 on local employees (full year)
  - NETs – spent £4,963,553.59 on local employees (full year)



## Round 3 – re-spend by suppliers

- Want to find out the spend of suppliers upon their own local suppliers and local employees
- Do analysis for actual re-spending to date
  - Suppliers to NETs – re-spent £123,121.10 in local economy (10 months)
- Estimate for full financial year
  - Suppliers to NETs – re-spent £147,745.32 in local economy (full year)
- Use proxy of 0.18 to estimate other service areas
  - Suppliers to WLOS – re-spent £565,819.72 in local economy (full year)



## Round 3 – re-spend by employees

- Want to find out the spend of employees upon goods and services in local economy
  - Local employees of NETs – re-spent £2,777,032.76 in total
  - Local employees of NETs – re-spent £1,607,366.22 in local economy
  - Non-local employees of NETs – re-spent £339,601.60 in total
  - Non-local employees of NETs – re-spent £76,908.00 in local economy
- Use average spending to estimate re-spend of employees of other service areas
  - Employees of WLOS – re-spent £21,476,310.02 in total
  - Employees of WLOS – re-spent £11,913,395.29 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



# Why is this important?

- Enables understanding of where public money is spent
- It gets practitioners thinking about procurement practice
- It demonstrates the contribution your authority makes to the sustainability of local services and businesses
- It highlights how you contribute to economic and social regeneration
- It enables understanding of your economy as required through Economic Assessment Duty