Lots of tools which might help you such as…

- LM3
- Cost Benefit Analysis (CBA)
- Social Return on Investment
- Social Accounting and Audit (CD31)
- Gross Value Added (GVA)
- Shellard Formula – used by the Bike Shed Theatre

Let's take a look at a few of these…..

East Midlands
Getting voices heard, shaping change

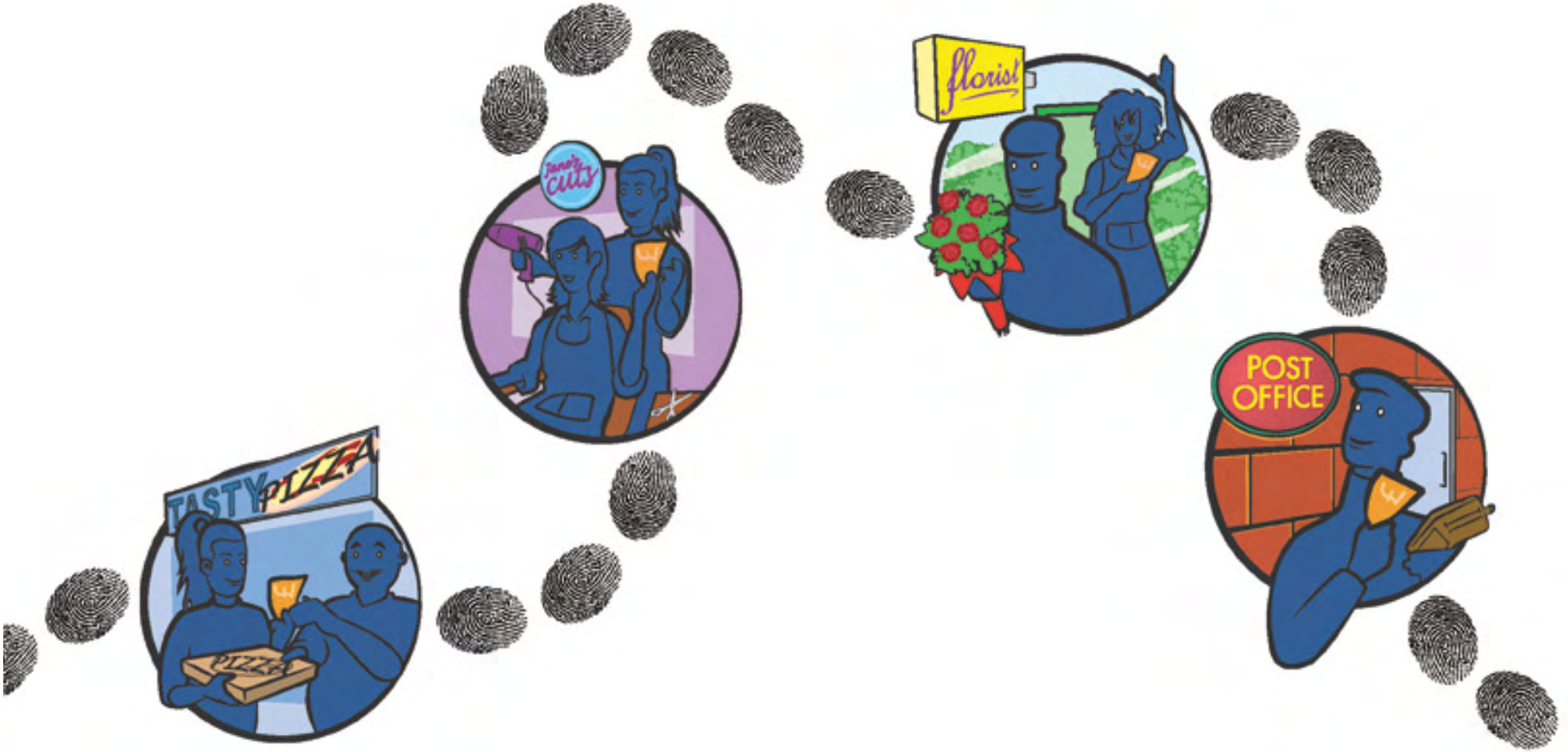
REACH&IMPACT
awareness • engagement • access

EUROPEAN UNION
Investing in Your Future
European Regional
Development Fund 2007-13

LOTTERY FUNDED

# The Money Trail:

## measuring local money flows with LM3



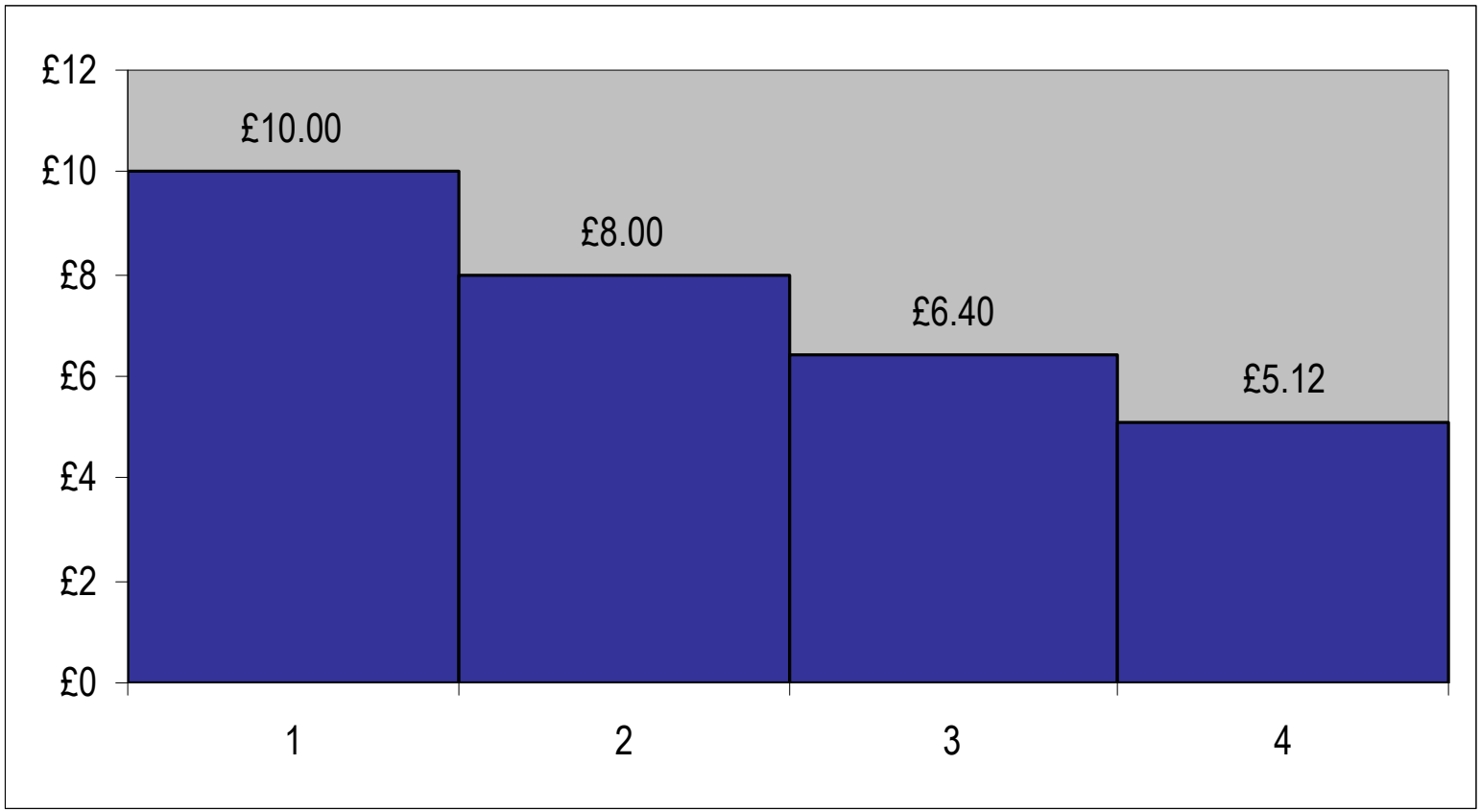
# Objectives of this Session

By the end of this session you will have:-

- Looked at ways to assess your economic impact, proportionate to your organisation through LM3
- Considered how LM3 may be relevant to your work
- Considered the key components of LM3 tools

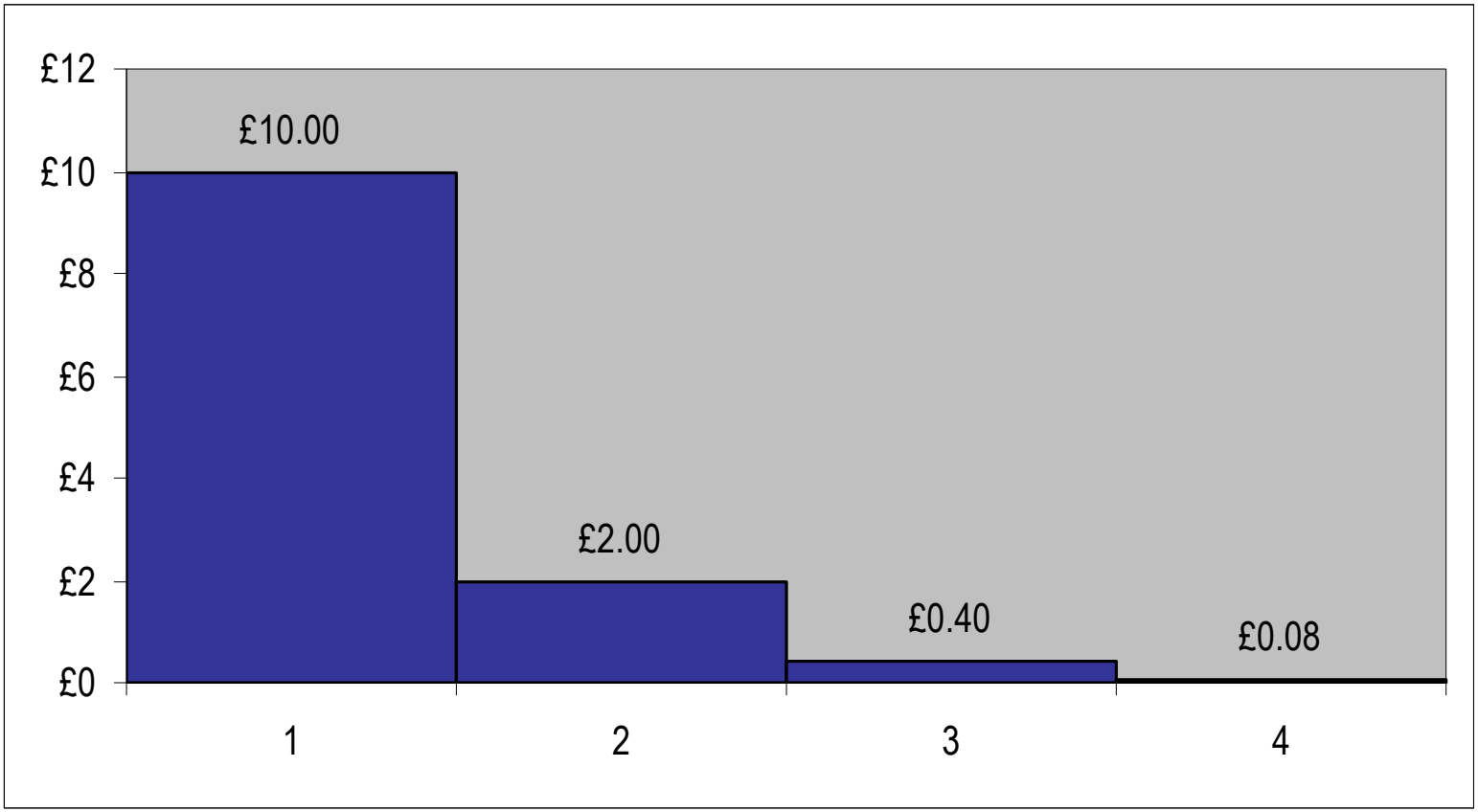
# Now imagine we painted a pound coin blue and followed its trail…

…If **80%** of money stays local

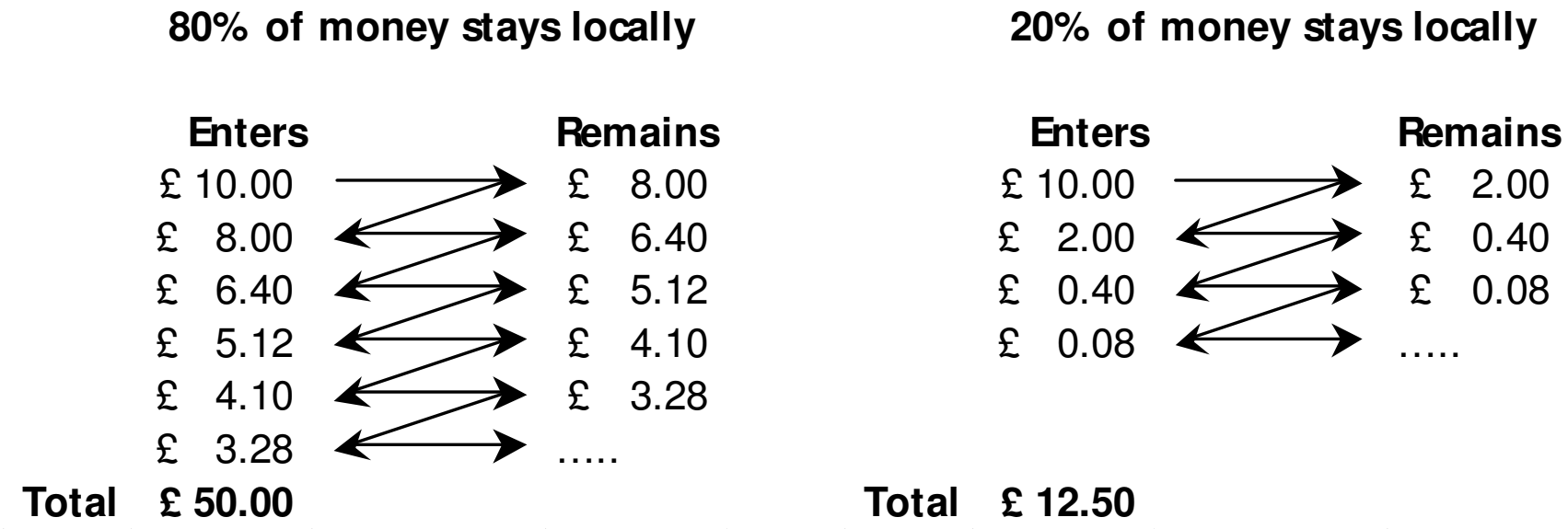


# Now imagine we painted a pound coin blue and followed its trail…

…If **20%** of money stays local



# So imagine we are starting with £10. If 80% stays local, we end up with £50 staying in the local economy. Just £12.50 if 20% stays local.



# LM3 = Local Multiplier 3

- **Adapted from the Keynesian multiplier**
- **Applied to the local economy**
- **We measure three rounds**

**LM3** enables you to **measure** the impact of your business on the local economy.

# LM3 = Local Multiplier 3

"used as an exemplar of how to demonstrate sustainable procurement and regeneration".
"LM3 not only enables people to understand local economic impacts but also highlights opportunities to strengthen the local economy".
"LM3 measuring tool acts as an incentive to *improve* performance, not just a single standalone analysis".

http://www.proveandimprove.org/documents/TheMoneyTrail.pdf

# LM3 = Local Multiplier 3

LM3 – is a way of calculating a relative figure or ratio looking at 3 rounds of spending

1. Total income received by an organisation
2. Total spent in the local economy by that organisation (including employees as well as suppliers of goods and services)
3. Then looks at how much of that income those suppliers have spent in the local economy

When these figures have been calculated the total amount of money from all three is divided by the original income (L1) to arrive at a multiplier.

# Small group task

Have a look at Hand-out – LM3 exercise

Read through the introduction to The Green Country CVS and discuss the three questions at the end.

Prepare to feedback your thoughts

# LM3 = Local Multiplier 3

The local CVS received £250,000 in 2013.
If they had spent £180,000 on local employees and suppliers within a 20 mile radius
And the suppliers and employees who responded to the spending survey indicated that £103,000 (57%) was spent within a 20 mile radius then,

$$\frac{\text{£250,000 + £180,000 + £103,000 = £533,000}}{\text{£250,000 = 2.13}}$$

# What to **think about**

- How many of your **staff** live in the local area?
- How could you address local **staffing** issues?
- Where are your **suppliers** located?
- How much are your suppliers spending **locally**?
- How could you improve **local sourcing** decisions?
- Are there **supply chain** gaps?
- Will changes you make **matter**?

# Online Resource/tool

Let's take a look at LM3 online…

# What to **do** next

- Would **others** be interested in your learning?
- Should you **publicise** your results?
- How can you **apply** what you've learned?