



# Understanding your local economy

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## Objectives

- Looked at ways to assess your economic impact, proportionate to your organisation
- Looked at one Economic Impact Assessment tools that may be relevant to your work
- Discovered where to find more in depth knowledge and useful information for your EIA journey – start with this objective



## So why do you think it is important?

Spend a couple of minutes discussing why we need to try and assess our economic impact.

- What can we do with the information?
- Who is it for?
- How will it help us?



## What creates economic value?

Discuss on your table what sort of activities are creating economic benefits and how.



## So what is Economic Impact

There is an argument which says that ‘**economic impact**’ is actually a social impact as it affects people. It does this through the local economy being stimulated and supported; and more directly benefiting people who are less well off in society thus addressing some of the economic (and thus social) imbalances... However, the current convention is to consider **Third sector/VCS**/social enterprises having social, environmental and economic impacts. *Prove, Improve, Account – The New Guide to Social Accounting and Audit*

**Economic impact analysis** (EIA) examines the effect of a policy, program, project, activity or event on the economy of a given area. The area can range from a neighbourhood to the entire globe. Economic impact is usually measured in terms of changes in [economic growth](#) (output or value added) and associated changes in jobs (employment) and income (wages).

[Http://en.wikipedia.org/wiki/Economic\\_impact\\_analysis](http://en.wikipedia.org/wiki/Economic_impact_analysis)



# How do we impact on the economy?

In the community and voluntary sector:

- through the use of volunteers enabling more affordable services
- (as we don't need to make large returns for private investors) we can offer more competitive pricing creating better financial value for our customers

What other ways can you think of for your sector?



Lots of tools which might help you such as...

LM3 - <http://www.lm3online.com/>

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 one of these.....



## Local Multiplier 3 - LM3

“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>





## So what is it?

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.



## So what is it?

The local CVS received £250,000 in 2012

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

$$\text{then, } \frac{\underline{\pounds 250,000 + \pounds 180,000 + \pounds 103,000} = \pounds 533,000}{\pounds 250,000} = 2.13$$



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## Resources!

<http://www.neweconomics.org/publications/entry/a-guide-to-social-return-on-investment>

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

<http://www.thesroinetwork.org/>

<http://www.impactmeasurement.net/impact-manager>

<http://www.jargonbusters.org.uk/alphabetical-summary-of-terms/>

Jargon buster

<http://www.socialauditnetwork.org.uk/>

<http://www.thinknpc.org/>

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

[http://www.wikivois.org/index.php?title=Special:RunQuery/Browse\\_Indicators](http://www.wikivois.org/index.php?title=Special:RunQuery/Browse_Indicators)



## Local Intelligence

Derby - <http://observatory.derbyshire.gov.uk/IAS/>

Leicester - <http://www.lsr-online.org/links.html>

Lincoln - <http://www.research-lincs.org.uk/Home.aspx>

Northamptonshire -

<http://www.northamptonshireobservatory.org.uk>

<http://www.northamptonshireanalysis.co.uk>

Nottinghamshire -

<http://www.nottinghamshireinsight.org.uk/>

Nottingham Trent University have been working with EMC/LEPs



## Top Tips

- Ensure you have all the background knowledge and understand the programme objectives and requirements
- Your local LEP websites, VCS LEP board members and LEP advisory groups will have a host of information about the 2014-20 programme and the LEP priorities of how they want to spend their EU allocation
- The opt in options for LEPs eg. BIG Lottery Fund match funding option, might have more information on their website
- Identifying existing consortia and supporting the development of consortia models will be key in this programme
- Case studies are useful to see what the programme can fund and types of eligible activity (see insight magazine)



# Top ERDF Tips

- Devote time applying proportionate to ERDF ie 2 hours on an application from scratch will get you nowhere quick!
- Identify risks before applying – match, cash flow (defrayal), state aid, procurement, eligible costs not based on Full Cost Recovery!
- Identify ‘support’ resources – treat like managing each claim to inspection standards – robust organisation systems and procedures
- Ensure you link to local ‘economic’ priorities
- SMART objectives .....



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# Contact

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