



Subject:	Local Multiplier Model (LM3) – update on outcomes of 2014-2015 review
Date:	22 January 2016
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Is this report restricted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

1.0	Purpose of Report
1.1	<p>The purpose of this report is to:</p> <ul style="list-style-type: none">– Update members on the re-baseline of the local multiplier model (LM3) used to measure the economic impact of the Council's expenditure– Agree the recommendations of the study identifying approaches for increasing the council's economic impact, aligned to the Belfast Agenda.
2.0	Recommendation
2.1	<p>It is recommended that Members:</p> <ul style="list-style-type: none">– Note the findings from the 2015 Economic Impact Study report– Give approval for the 2015 LM3 figure to be the Council's baseline position for future comparison– Agree to the development of a social value procurement framework– Agree that this work should be looked at in the context of a strategic and integrated

	<p>approach to addressing issues of poverty and inequality within the economic growth context of the Belfast Agenda, to maximise our combined contributions to social outcomes.</p>
3.0	<p>Key issues</p>
3.1	<p>In order to review and further enhance the volume of expenditure by the Council in the local area, the Centre for Local Economic Strategies (CLES) was commissioned in 2013 to undertake a study of the Council's spending. The purpose of this work was to measure the economic impact of the Council's investment and to identify ways to maximise the economic, social and environmental benefit derived from the spending.</p>
3.2	<p>The CLES study measured the economic impact of the Council's expenditure using an economic multiplier model called LM3. This involved analysing employee, supplier and grant expenditure and also incorporated a survey amongst each of these groups to understand how they further impacted the local economy through their own spending decisions. Through this research, an expenditure baseline was created identifying where the Council's spend is going and how this expenditure is being spent within a number of geographical boundaries.</p>
3.3	<p>At the Strategic Policy and Resources Committee meeting in April 2015, members agreed that the Council should use LM3 as its preferred methodology to measure the economic impact of expenditure. Since 2013, an annual LM3 calculation has been undertaken to track the economic impact of Council expenditure. In September 2015, CLES were commissioned to re-baseline the LM3, to take into account the changes to the Council arising from Local Government Reform (LGR), principally the boundary changes and staffing increases.</p>
3.4	<p>The initial CLES study in 2013 created a baseline to measure the Council's economic impact across four geographic levels: Belfast boundary, Post-LGR Belfast, Greater Belfast and Northern Ireland using the LM3 model. These initial results were presented in November 2013, using 12/13 financial data and identified that for every £1 of council expenditure:</p> <ul style="list-style-type: none"> – 76 pence was spent or re-spent in the Belfast economy – £1.02 was spent or re-spent in the Greater Belfast Area – £1.35 was spent or re-spent in the regional economy

3.5	<p>The 2015 re-baseline of the LM3, using 14/15 financial data, has identified that for every £1 of council expenditure:</p> <ul style="list-style-type: none"> – 70 pence is spent or re-spent in the Belfast economy – 96 pence is spent or re-spent in the Greater Belfast economy – £1.34 is spent or re-spent in the regional economy.
3.6	<p>The above analysis highlights a small reduction in local economic impact from the initial baseline. There are a number of reasons for this and they include:</p> <ul style="list-style-type: none"> – The proportion of spend with Belfast-based revenue and capital suppliers has decreased. The level of decrease is more significant amongst capital spend and this reflects market conditions where the majority of construction companies are located outside of the council boundary; – The re-spend of suppliers back into the Belfast economy has also decreased; however this in part is due to a lower level of engagement through the survey from Belfast suppliers – When analysing employee spend, the number of resident employees has increased, however their overall re-spend within the city has decreased. One of reasons behind this could be the fact that a higher proportion of employees are home owners than was the case in 2013, and spend on mortgages is automatically identified as non-Belfast spend (given that many of the banks are national chains).
3.7	<p>Whilst the above findings indicate a decrease in the impact of the Council's expenditure in the local and regional economy, comparisons with the original baseline are problematic as this was developed on a pre-LGR position (in terms of geography and staffing numbers). Therefore it is proposed that the 2015 study will be the Council's baseline position on which future annual reviews will be based. Comparisons with other council areas suggest that, whilst a decrease has occurred, spending with local suppliers by Belfast City Council exceeds the benchmarks of other councils for local purchasing within Northern Ireland and the rest of the UK.</p>
3.8	<p>Over the past two years, a range of activities has been undertaken to increase the local impact of expenditure. The 2015 study reviewed these activities and acknowledged the positive work undertaken to develop progressive approaches to procurement, increase the accessibility of procurement opportunities and build the capacity of local suppliers. However the study also identified a number of gaps in the following areas:</p> <ul style="list-style-type: none"> – Embedding social value into procurement and linking procurement to the Council's

	<p>strategic priorities within the Belfast Agenda</p> <ul style="list-style-type: none"> – Need to build a better understanding of the potential offer by companies from the Belfast and Greater Belfast area in relation to goods and service provision, in order to reduce leakage from the market – Influencing the activities of other anchor institutions aligned to the priorities of the Belfast Agenda e.g. boosting local employment, fostering business growth.
3.9	<p>In order to improve the baseline in the coming year, it is proposed that the following activities are undertaken:</p> <ul style="list-style-type: none"> – Strengthening engagement with Belfast based organisations and market testing: particularly in areas where there is significant expenditure leaking outside of the Belfast and regional economy. Specific areas of focus include expenditure on ICT and facilities management. – Influencing existing suppliers: this could be achieved on two levels, the first through the development of a Social Value Procurement Framework which will embed city priorities into the council's procurement decisions. Secondly it is recognised there are a number of key suppliers currently in contract with Council, where the potential exists to engage with these suppliers to look at how they can contribute towards the city's priorities – Influencing anchor institutions: The Council is engaged with a range of anchor institutions on the Belfast Agenda and in other areas. There are opportunities to work with them to encourage them to understand the existing impact of spend, look at how it could be enhanced and contribute towards the outcomes of the Belfast Agenda.
3.10	<p>A key area for development is the proposal to look at procurement as a tool for creating social value, rather than just a purchasing transaction. This could be done by developing a Social Value Procurement Framework, set in the context of the emerging outcomes within the Belfast Agenda. Through this approach, the priorities of the Agenda could be embedded into the Council's procurement decisions, thereby providing a much greater capacity to stimulate and influence the activities of the supply chain. The broader strategic context for this work is set out in a separate report on the development of a strategic and integrated approach to addressing issues of poverty and inequality within the economic growth context of the Belfast Agenda, to maximise our combined contributions to social outcomes.</p>
4.0	<p>Resource Implications</p>

4.1	This work will be led by teams from the Corporate Procurement Service and the Economic Development Unit. Any financial implications of programme activity have been set aside within the Economic Development Unit estimates for the coming year, subject to council approval.
5.0	Equality and Good Relations Implications
5.1	No specific equality or good relations implications.
6.0	Appendices- Documents Attached
6.1	There are no appendices.