

The Brighton and Hove Money Trail Project

Introduction

The Brighton and Hove Social Value Framework¹ defines social value as being “about securing maximum impact on local priorities from all public investment”. The Money Trail project specifically relates to principles defined in that Framework as “Buying local – supporting the Brighton and Hove economy by choosing suppliers close to the point of service delivery” and “Implementing sustainable policies – reusing, reducing waste and carbon footprint”.

The project starts with a simple premise: For every pound invested by Brighton and Hove City Council (BHCC) or any other funder, in third sector organisations how many times is it reinvested within the local area so that it continues to benefit that area? It links directly to Taking Account 4 which is an economic and social audit of the third sector in the city conducted every 5 years. The audit evidences the scale, scope and impact of the sector in the city and evaluates its social and economic contribution.

It is impossible to evidence all of the ways that organisations help to make savings because these benefits are often hard to define or to attribute to a single cause. But we can show how local organisations help to grow investment by doing things like buying from local suppliers and employing local staff. This project seeks to provide evidence of the economic benefit of this commitment.

The Brighton and Hove Money Trail Project Results

The combined economic multiplier for the project partners is 2.21. This means that for every £1 invested in the participating organisations, a further £1.21 of value is generated through reinvestment in the City. The combined budgets of all partners added up to £3,368,031.22. Therefore the value brought by the partner's local re-investment equates to **£7,443,349.00**.

The indicator results for each partner ranged from 1.77 to 2.53. **All but one partner scored an economic multiplier higher than 2.**

By following the money even further we found that while both local and non-local suppliers do reinvest a portion of their income in Brighton and Hove, **local suppliers will invest far more than non-local suppliers.**

The multiplier for the money spent on local suppliers by all partners rises to **2.71** or an additional £1.71 for each £1 spent. For non local suppliers the multiplier is **1.18** or an additional £0.18 for each £1 invested in them.

Context

When set alongside findings from Taking Account 4 a vivid picture emerges of a sector that contributes significantly to the social economy of the city. Evidence from Taking Account 4 illustrates the degree to which investment in local third sector organisations facilitates the creation of inclusive opportunity; enables early intervention and prevention of crises; promotion of positive social and societal change; and encourages activity to reduce energy consumption and waste, and to minimise harmful impact on the environment.

¹ <https://www.brighton-hove.gov.uk/content/life-events-and-communities/community-and-voluntary-sector-support/social-value>

Background

The [New Economics Foundation \(NEF\)](https://www.nefconsulting.com/our-services/evaluation-impact-assessment/local-multiplier-3/)² devised methodology called Local Multiplier 3³ (LM3) around the following premise:

Blue fingerprints: who touches local money?

Suppose you painted a pound coin blue and watched where it went. Every time it changed hands within a community, it meant income for a local person. If the blue paint were to come off onto people's fingertips, how many people would have blue fingers before the money finally left the community? The more times it changes hands, the better for that community. In fact, money that is re-spent in a local area is the same as attracting new money into that area. Either way, it is new money into the hands of the person who receives it. What you want to know is: what happened to that blue pound coin and the fingers it touched? And that's what our tool does – it follows the trail of the blue pound coin so you know where your money is going in your local economy. (The Money Trail, New Economics Foundation and the Countryside Agency 2002)⁴

Methodology

NEF explain that the notion of a 'multiplier' has been used since the 1930's to study all sorts of economic problems. It reflects the degree to which the value of an investment is increased each time it is reinvested within a defined local area. It has mainly been used to look at the economy at the national or regional level (or 'macroeconomic' level). NEF adapted this to make it relevant at the local and organisational level ('microeconomic'). It is called Local Multiplier 3 because it measures the first three rounds of spending.

LM3 Online⁵ has developed a licenced software tool that applies this methodology and calculates an economic multiplier for participating organisations. Following purchase of a licence, a workshop delivered by LM3 Online was held for partners to provide an overview of the methodology and a demonstration of the software. The process involved five key stages:

1. Project name: We chose to call it the Brighton and Hove Money Trail Project: Our project calculated a single multiplier to reflect the impact of the partnership as a whole. However, the software also calculated a unique multiplier for each partner based on their spending.
2. Definition of 'local': We selected the Brighton and Hove City Council boundary.
3. Core budget: Partners used turnover accounted for in their most recent audited accounts.
4. Project costs: Costs related to expenditure detailed in the accounts and were split into the following categories:
 - Direct employment costs, split between staff based locally and those that are not.
 - Suppliers of goods and services with a contact name, email address and post code.
 - Other direct costs. This included services where there is unlikely to be a direct relationship, such as electricity, insurance and pension providers. Global data exists for these kinds of services and it is possible to apply a proxy.
5. Running the software: Suppliers were sent a unique login and provided with instructions to use the software in order to estimate the percentage of the monies spent by partners on their services which they re-spend in the local area.

² New Economics Foundation <https://neweconomics.org/>

³ <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/local-multiplier-3/>

⁴ The Money Trail: Measuring your impact on the local economy using LM3. New Economics Foundation and the Countryside Agency <http://nefconsulting.com/wp-content/uploads/2017/05/TheMoneyTrail.pdf>

⁵ <https://www.lm3online.com/>

Methodological challenges and learning

The definition of local presented a specific challenge and formed a key part of the debate at the introductory workshop. For partners that work with food and food producers the definition was particularly pertinent because most local producers are outside of the city boundary by necessity. While there was an accepted logic to using the city boundary, it doesn't necessarily show the full picture if the item you need to buy can't be purchased from within the city. Important to note was the extent to which partners choose to purchase as close to the city as possible.

At the project implementation stage, a significant challenge lay in getting suppliers to understand the project and to take part. Partners made personal approaches to suppliers in advance of the project launch to explain its purpose, the process and to encourage them to take part. The most likely to participate were those with a direct relationship with the partner organisations who had also been forewarned.

The size and complexity of a supplier organisation was also a factor in gathering responses. Small, local suppliers were more likely to know exactly where and how money spent on their services would then be re-spent. They were also the most likely to understand the principle and purpose behind the methodology because of their own close connections with the local area. In larger organisations the challenge was finding the right person with the oversight and authority to provide the information.

A significant challenge, particularly for the smaller partners to this project, was that their greatest expenses were likely to be with BHCC on rent, business rates and buildings insurance. While BHCC was able to confirm that this would most likely all be re-spent in the local area, because of the size and complexity of the organisation, it was unable to provide the estimated percentage for the Authority's spend in the local area. A proxy estimate of 66% local spend, based on information gathered from other Local Authority areas, was used. Given confirmation that all income from such sources is used for local services and capital projects, this is likely to be a low estimate.

A confidence rating of 40% of the value of expenditure on suppliers was applied to ensure partners each achieved enough responses to make the findings valid. All but two of the partners achieved responses that equated to more than 40% of their supplier expenditure value. The remaining two both achieved ratings between 38% and 39% which were deemed close enough.

Economic Impact

[Taking Account 4](#) reports that the total income for responding third sector organisations in 2018 was £75 million, and that the estimated income of the sector as a whole in Brighton and Hove is £97 million⁶. In Taking Account 3, undertaken in 2013, a proxy local economic multiplier of 1.75 was used to estimate the value of the contribution that local organisations make. When applied to 2018 income data this indicator suggests that the third sector contributes **£170 million** per year to the economy of the city.

While our cohort of 9 organisations involved in the project, ranging from small, medium and large, is not large enough to draw conclusions for the whole sector, it does suggest that a multiplier of 1.75 is a low estimate. At the least, the calculation of 2.21 might be considered within a range, with 1.75 as low and 2.21 a high estimate. At 2.21 the total estimated contribution of the sector rises to **£214,370,000**.

Project Partners

The project was funded via the BHCC Collaboration Fund and has been supported by LM3 Online. It is formed of nine local organisations engaged in partnerships that have previously received BHCC Communities Fund grants. Project Partners are:

- Community Works
- Brighton and Hove Food Partnership

⁶ Taking Account 4 (Community Works and the University of Brighton 2019) www.takingaccount.org.uk

- The Real Junk Food Project
- Fareshare Sussex
- Grow
- The Trust for Developing Communities
- Hollingdean Development Trust
- Community Base
- St Georges Hall, Moulsecoomb

The partners reflect the range of small, medium and large organisations as defined by income in the [NCVO UK Civil Society Almanac](#)⁷. Income bracket:

- 4 Small = £10k - £100k
- 4 Medium = £100k - £1m
- 1 Large = £1m - £10m

The smallest and largest organisations in the partnership reported an income of £13,734 and £1,519,451 respectively.

Conclusion

It has long been recognised that there is a value in local investment, as illustrated by its inclusion as a principle in the Brighton and Hove Social Value Framework. The findings from this project suggest that local third sector organisations and indeed, local suppliers and tradespeople, are acutely aware of the benefits of 'buying local'.

There are clear environmental benefits in minimising the impact of harmful CO₂ emissions through reducing travel and transportation costs, but also wider economic benefits through investing in local staff, a local supply chain and in supporting the development of local trade and infrastructure.

While we can't claim that our indicator of 2.21 can be applied to the third sector as a whole, we can illustrate the degree to which local sector organisations attempt to invest in the local economy and mitigate harmful impact on the environment. The project also demonstrates the benefit of a focus on buying local both to the local economy but also a local ecosystem of mutual support and self help.

A clear outcome for the partners from this project will be **ongoing commitment** to more formalised approaches to principles around **buying local alongside ethical purchasing**. We hope that other local organisations might use the findings from this project to **begin or to increase their own monitoring and consideration of local spend**.

We hope that the lessons learnt from this project might also inform future **discussion, debate and learning across all sectors** around social value, particularly in the context of commissioning and contracting of services and supplies.

Recommendations

1. To share the results and conclusions from this research with sector colleagues as well as partners from other sectors.
2. To raise awareness of the need across all sectors to consider the potential beneficial impact of local spending alongside any other assessment of quality and value.
3. To raise awareness of the project learning and seek inclusion in cross sector social value training.
4. To include a review of the Money Trail Project in the planned event to be held in Autumn 2019 to share learning from Taking Account 4 and agree next steps.

⁷ NCVO UK Civil Society Almanac 2018 <https://data.ncvo.org.uk/>

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Project Partners

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Yuki Kimura, Community Works Volunteer



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Appendices

Appendix 1: Extract from LM3 Online Results for all partners

Areas downloaded on 08-Jul-2019									
Region	Area	Value	%Local Suppliers	Local Suppliers	Non Local Suppliers	Avg LM3	Avg Local LM3	Avg Non Local LM3	Total Value
BH Food Partnership	BH Food Partnership	589,876	46	30	65	2.34	2.72	1.41	1,380,309.84
Community Base	Community Base	280,482.86	30	8	27	2.17	2.63	1.28	608,647.81
Community Works	Community Works	1,519,451	59	17	29	2.05	2.73	1.15	3,114,874.55
Fareshare	Fareshare	270,359	18	7	38	2.13	2.69	1.14	575,864.67
Grow	Grow	25,526	29	4	14	2.26	2.67	1.24	57,688.76
Hollingdean Community Centre	Hollingdean Community Centre	29,693.73	29	6	21	2.35	2.73	1.05	69,780.27
Real Junk Food Project	Real Junk Food Project	58,604.76	36	4	11	2.53	2.68	1.03	148,270.04
St Georges Hall	St Georges Hall	13,734.87	45	5	11	1.77	2.77	1.23	24,310.72
Trust for Developing Communities	Trust for Developing Communities	580,303	56	5	9	2.51	2.68	1.04	1,456,560.53
		3,368,031.22							

Appendix 2: Calculation of weighted average LM3

Appendix 3: Partner map illustrating supplier distribution

