



# Small Supports & Local Value

How Investment in Small Supports Positively Impacts the Local Economy

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## Introduction

Small Supports are the alternative to growing and replicating the large existing providers where people can remain trapped, their aspirations, relationships and health damaged. Small Supports are exactly that: Small. They are local, and as such prevent people being placed away from their families, friends and communities in large, secure, and often isolated and isolating services.

There is growing evidence to show Small Supports offer a high quality, local alternative to large out of area providers. The evidence also shows that Small Supports deliver better outcomes for people. We also believe that it is a better use of public funds, in that an investment in Small Supports will directly and indirectly enrich the areas in which they are established.

This Report looks at how money flows into and out of a Small Support organisation, and seeks to establish the effects of that money in the local community and the local value accrued.

## The Value of Care

In their 2021 analysis, *The Value of Adult Social Care in England*<sup>i</sup>, Skills for Care estimated the Gross Value Added (GVA) of Adult Social Care as £25.6 billion. When the indirect and induced 'multiplier effects' of Social Care activity – that is, the demand and supply of goods and services and the effect of suppliers and staff spending this income – are added to the GVA, it was calculated that Adult Social Care generates in the region of £50.3 billion of economic activity. As the report states, the sector is a larger contributor to the economy than electricity and power, water and waste management and twice as big as agriculture. It is an exceeding large employer in all areas of the country, accounting for 5% of all jobs.

The report also points out that as a labour intensive sector, one where spending directly on staff and their wages is a necessarily high proportion of all expenditure, in addition to the fact that Social Care unlike many other industries is not confined to any one area of the country, spending in Adult Social Care can have a disproportionately positive impact on regions and communities where Social Care is a larger share of the local economy, such as the North East of England.

## The Value of Local

**'The problem is not necessarily that too little money flows into a neighbourhood. Rather it is what consumers, public services and businesses do with that money. Too often it is spent on services with no local presence, and so immediately leaves the area.'**

**The Government's National Strategy for Neighbourhood Renewal<sup>ii</sup>**

What if the money invested and spent in Social Care stayed local, that more of it went to local staff and suppliers? The immense value of social care would not escape so quickly from the local economy without changing hands within the community and enriching it.

**"Imagine your economy as a bucket. The money that comes into your area will flow straight out again if there are many holes in the bucket. A full bucket means that local people have enough money to be able to buy what they need for a good quality of life. But if your bucket is leaky then to fill the bucket you will need to pour the money in at a faster rate than it is pouring out. So, there are two strategies to fill a bucket – you can pour in the money faster, or you can slow down its leakage by plugging some of the leaks."**

**Plugging The Leaks (NEF), 2001<sup>iii</sup>.**

The approach of ensuring that money invested in local care stays local is especially important in poorer areas or areas where Social Care makes up a larger proportion of the economy. The Work of the New Economic Foundation invites us to think of a pound coin dipped in paint. Each time that pound coin changes hands, and leaves its mark on those who touch it, meaning that every stained hand represents both expenditure and income for the local economy. The more times our painted pound changes hands, the better for that community. The fact is that money re-spent in a local area is the same bringing in new money. To paint-palmed recipient it is new money.

This re-spent money enriches and employs our communities, it supports local business and local trade, but to keep it local you have to have somewhere to spend it local. Our work in this report sets out to examine how Small Supports, being by their very nature *hyperlocal*, that is focusing on those matters concerning a specific small community within a geographical area, might represent the very vehicle that adds this local economic value and holds on to the money locally, plugging the leaks and adding local value along with excellent care and support.

## Approach

This report considers the economic outcome and effectiveness of a Small Support organisation within the context of its local boundary. We look to track the initial investment made in the Small Support as it moves through the economy, seeing what stays local and what leaves. To use the analogy above of the painted pound coin, we track it through a process called the Local Multiplier Effect 3 (LM3)<sup>iv</sup>.

The LM3 is a tool that adapts the macroeconomic theory of John Maynard-Keynes and Wassily Leontief<sup>v</sup>. On the basis of this theory, the LM3 is an indicator that tracks how effective an initial investment is with respect to the length of time it remains within a defined economic area, and the amount of additional work that it leverages.

The size of multiplier effect ratio, which itself represents how much money is held within the local area, can be shown to correlate positively with increases in the local well-being and social value outcomes as communities themselves thrive with greater investment.

The LM3 method track the movement of spending within a defined economic area and returns an indicator that represents the ratio of an initial financial investment to the total work that investment contributes. Using LM3 we track our painted pound coins as they change hands three times:

- **ROUND 1:** What the initial investment is made with the Small Support; and in turn,
- **ROUND 2:** How the Small Support spends its money with local and non-local staff and/or suppliers; and
- **ROUND 3:** How those staff and suppliers spend this money within and without of the locally defined area.

The Local Multiplier Effect is an indicator of the amount of work done by any initial investment across each round of spend as if at each round this was new money entering the system. Simply put, the LM3 ratio may be thought of as a measure of what contribution an initial investment made in the Small Support has on the resilience and well-being of that local economy.

The table below shows three simple examples where different percentages of re-spending and investment happen within the local economy and illustrates how an initial £10 investment can accrue different overall values. In example 1, a £10.00 where, on average 80% is spent and re-spent locally accrues a gross value of £36.90 to the economy over 6 rounds of spending. Where 50% is spent and re-spent locally, this value drops to £19.69, and where 20% is spent and re-spent locally, this value drops to just £12.50 over the course of 6 rounds of spending.

ROUND	80% of Initial Money Remains Local		50% of Initial Money Remains Local		20% of Initial Money Remains Local	
	Invested	Re-spent	Invested	Re-spent	Invested	Re-spent
1	£10.00	£8.00	£10.00	£5.00	£10.00	£2.00
2	£8.00	£6.40	£5.00	£2.50	£2.00	£0.40
3	£6.40	£5.12	£2.50	£1.25	£0.40	£0.08
4	£5.12	£4.10	£1.25	£0.63	£0.08	£0.02
5	£4.10	£3.28	£0.63	£0.31	£0.02	£0.00
6	£3.28	£2.62	£0.31	£0.16	£0.00	
<b>TOTAL VALUE</b>	<b>£36.90</b>		<b>£19.69</b>		<b>£12.50</b>	

*Figure 1: To show a comparison of different accrued values of investment to the local economy where different percentages remain to be re-spent.*

## Methodology

Two surveys were designed based upon previous work in this area and the templates from The Money Trail: The New Economics Foundation. The first was a Business Spending Survey which sought to collect data on Round 1 and Round 2 of the LM3 process, and if required for Round 3 spend by local businesses. The second was a Personal Spending Survey which sought to understand the personal spending habits of the staff.

In consultation with the Small Supports Organisation, we defined our understanding of what local meant in the context of this work and this definition was incorporated into the survey designs.

### The Business Spending Survey

To collect the data required for Round 1 and Round 2 the following questions were asked, with a standard supplementary question asking for the proportion / percentage of the expenditure value which was spent within the defined local area.

- How much in total do you spend on Staff costs (excluding National Insurance, Pensions and Training)?
- How much in total do you spend on National Insurance, Pensions and Training for Staff?
- How much in total do you spend on Directors Fees and Bonuses?
- How much in total do you spend on Goods and Services for your business?
- How much in total do you spend on any subcontractors?
- How much in total do you spend Rent or Mortgage?
- How much in total do you spend Fuel and Utilities?
- How much in total do you spend on Repairs and Maintenance of the property or other business assets?
- How much in total do you spend on new investments or business development?
- How much in total do you spend on Insurance?
- How much in total do you spend on taxes (e.g., VAT, Corporation Tax, business rates)?
- How much in total do you spend on loans or other repayments (excluding mortgage)?
- Are there any other costs that are incurred regularly? If so, please state them and the total amount below.
- Thinking about all the areas listed above, please list the Local businesses, shops, clubs or organisations that you feel you spend the largest proportion of your money with.

The analysis of this data showed that a total of 92% of the Small Supports net expenditure was on staff (inclusive of training, pension and National Insurance) and only 5% spent on other businesses, goods, services and subcontracts, with the remaining going on other business overheads. This led us to the conclusion that the focus on Round 3 expenditure would be on staff alone, and we would not survey the local businesses.

### The Personal Spending Survey

As we have stated earlier, the fact that care and support is labour intensive in economic terms; that is, it requires people to create its product, and the findings from the Business Survey above, we knew the staff personal spending survey would be a significant element of the data collection.

The questions we asked here were, with a standard supplementary question asking for the proportion / percentage of the expenditure value, which was spent within the defined local area, were:

- What proportion of your total income do you spend on Food and Groceries?
- Which shop or shops do you visit the most for your groceries?
- What proportion of your total income do you spend on going out? Please include things like cinema trips, concerts, sports events tickets, takeaway food and going to the pub.
- What proportion of your total income do you spend on health and fitness? Please include Gym Memberships, Health or Life Insurance, Prescriptions and Medicines, Care and Support etc.
- What proportion of your total income do you spend on dependents in your home or family? Please include childcare, school fees, school dinner money, children's clubs, subs or membership fees, vet bills etc.
- What proportion of your total income do you spend on yourself and your hobbies and interests? Please include money spent on clothes, shoes, haircuts and cosmetic treatments, membership of sports clubs etc
- Thinking about your total income from all sources, what percentage of this is spent on rent or mortgage?
- What proportion of your total income do you spend on Utilities for your home? Financial obligations such as loans and credit, Subscriptions for entertainment or communications, such as mobile phone contracts, cable TV services, Internet, TV streaming services, magazines, music streaming services etc.
- What proportion of your total income do you spend on Transportation?
- Please include car repayments, service, petrol and parking costs, tax and insurance. Public transport costs, travel season tickets etc.
- How much of the money you spend on Transportation (above) is spent on local public transport, such as bus, tram or train?
- Are there any areas of spending not included in the questions above?

### Calculating and using the LM3 Score

Once the work of collecting, collating and calculating the survey figures is complete, the equation for calculating the LM3 score is straightforward. To work out LM3 we take the sum of each round and divide it by the Round 1 value.

***(Round 1 + Round 2 + Round 3)***

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***Round 1***

This determines the ratio of how the additional money generated in the local economy relates to the income at the start of the process.

Using the equation above the range of output would be LM3 = 1.00, in which none of the initial investment stayed within the local economy and would state that for every £10.00 invested, just £10.00 is accrued in local economic value, a return of nothing on the initial investment, up to LM3 = 3.00 in which all of the initial investment is spent entirely locally at each further round, a highly unlikely scenario.

### LM3 Score: What does good look like?

In practice LM3 scores of either 1.00 or 3.00 are not likely and we must find our answer somewhere in-between. An LM3 Score above 1.50 would indicate that that the investment is returning more than half of its value again into the local economy.

## Findings

The data analysis showed the following:

$$\frac{\textit{(Round 1 + Round 2 + Round 3)}}{\textit{Round 1}} = 1.69$$

**This states that for every £10.00 invested in care and support through Small Supports generates an additional £6.90 pence of value to the local economy.**

## Discussion and Conclusions

It is worth noting that even if the initial investment in an organisation is entirely spent locally on staff, goods and services, at the third round the initial organisation has no control over this. With the rise of the local supermarket chain, chain pubs and online shopping, our communities have fewer and fewer options to spend their money locally by default, and while this effects the LM3 score, it also reminds us that without more initial investment decisions being local we stand little or no chance in distributing wealth and value into local economies, let alone keeping it there.

LM3 cannot and should not be seen as a judgement on the initiating organisation, it is at best a way of understanding how the money is spent and allowing us a comparison with other forms of spending or behaviours.

We can ask ourselves how we might seek to improve the score, given that even a 1% change in the amount of Care and Support money spent locally can make a huge difference to our communities.

We can ask ourselves if the models of larger supports, where proportions of the initial investments go to profits or hedge funds are truly the sorts of models that maximise the investment in our local communities. We can ask whether commissioning decisions based on price alone, without consideration of added local re-spending are truly value for money.

We could ask ourselves if Small Supports, along with other hyperlocal spending of the money for Care and Support such as Direct Payments can and should be reframed as vehicles for re-distributing wealth locally.

We might ask whether people at the heart of Care and Support, those with Care Needs and their families should be celebrated and treated like the important economic actors that they are, and supported to make decisions which will ultimately benefit their entire community rather than seen as just recipients of public monies.

Finally, we should remember that Social Care is a huge employer and an area of our economy that is larger than agriculture or power companies in terms of its contribution to the national economy. Whatever vehicles we can use to ensure that this expenditure filters down to the quality of care and to the communities in which people live, rather than being syphoned off to profits and hedge funds can enrich the lives of those for whom that investment was intended.

Small Supports appears to be a very capable approach to quality care and economic value for all involved.



## References

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- <sup>i</sup> **The value of adult social care in England** – October 2021: (Derbyshire, Halsall & Parkin, 2021): [The value of adult social care in England \(skillsforcare.org.uk\)](https://skillsforcare.org.uk)
- <sup>ii</sup> **National Strategy for Neighbourhood Renewal:** a framework for consultation, Social Exclusion Unit, April 2000
- <sup>iii</sup> **Plugging The Leaks:** The New Economics Foundation  
<https://neweconomics.org/2002/11/plugging-the-leaks>
- <sup>iv</sup> **The Money Trail:** The New Economics Foundation  
<https://neweconomics.org/2002/12/the-money-trail>
- <sup>v</sup> **See**  
[https://en.wikipedia.org/wiki/John\\_Maynard\\_Keynes](https://en.wikipedia.org/wiki/John_Maynard_Keynes) and  
[https://en.wikipedia.org/wiki/Wassily\\_Leontief](https://en.wikipedia.org/wiki/Wassily_Leontief)