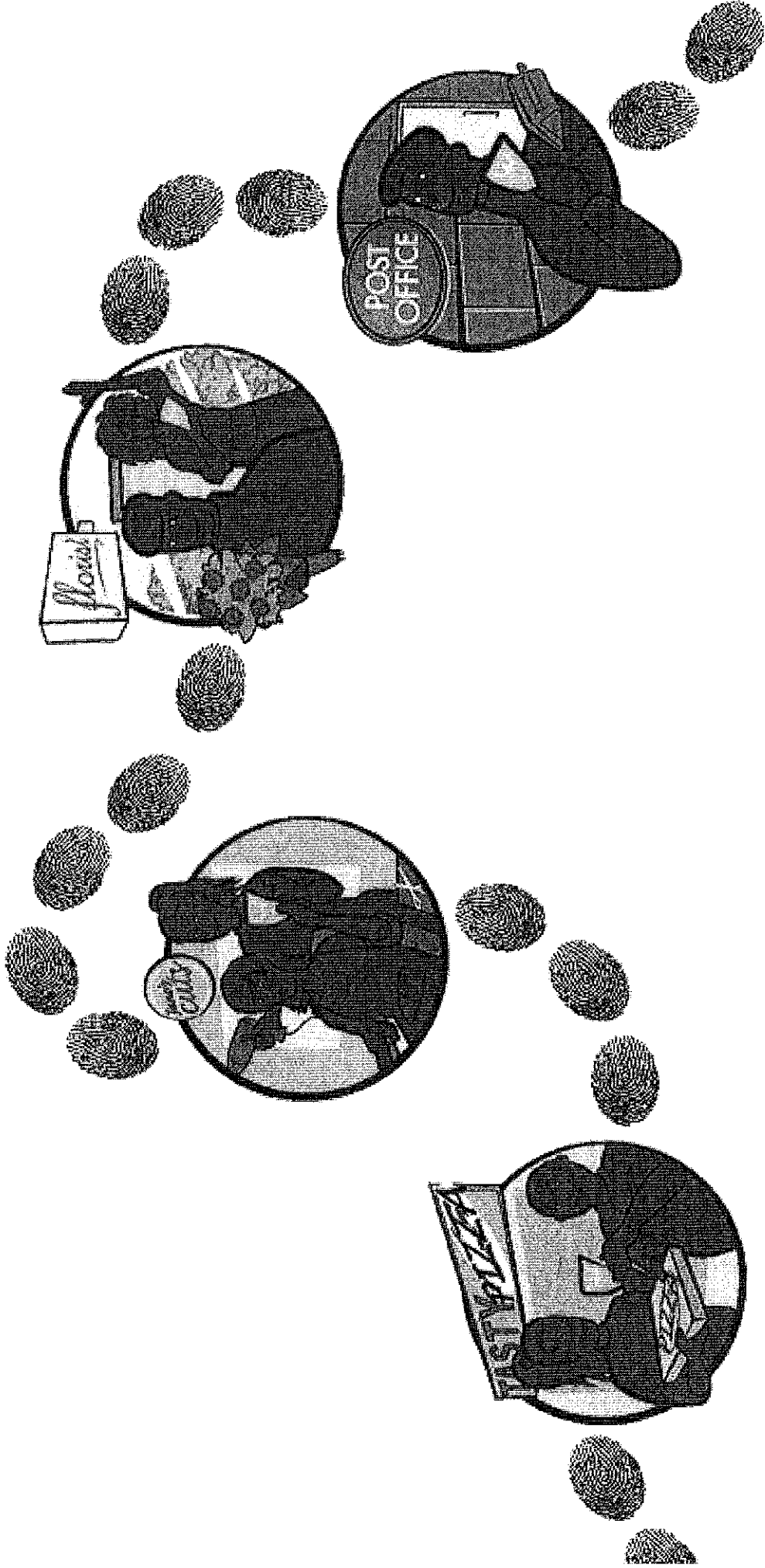


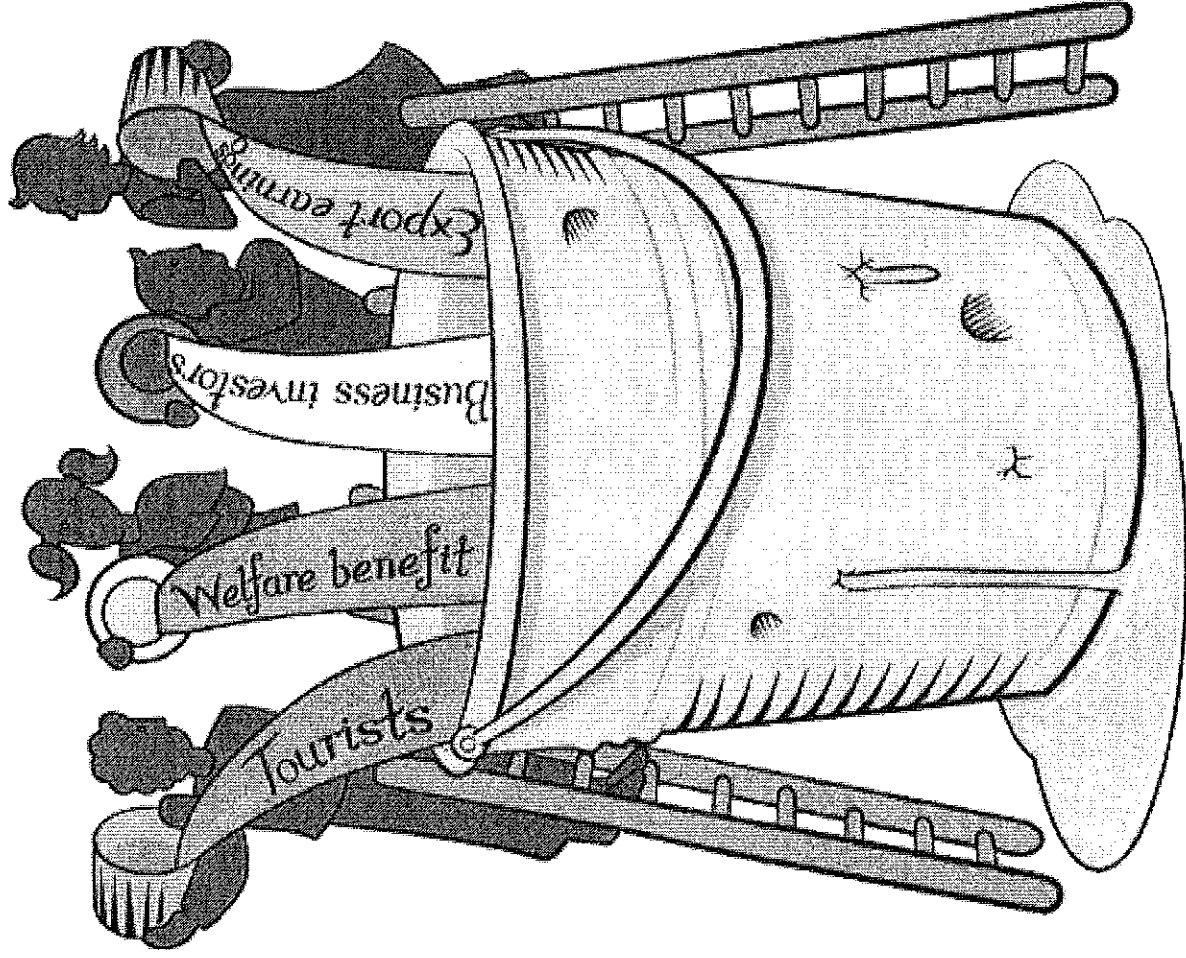
# The Money Trail:

measuring local money flows with LM3



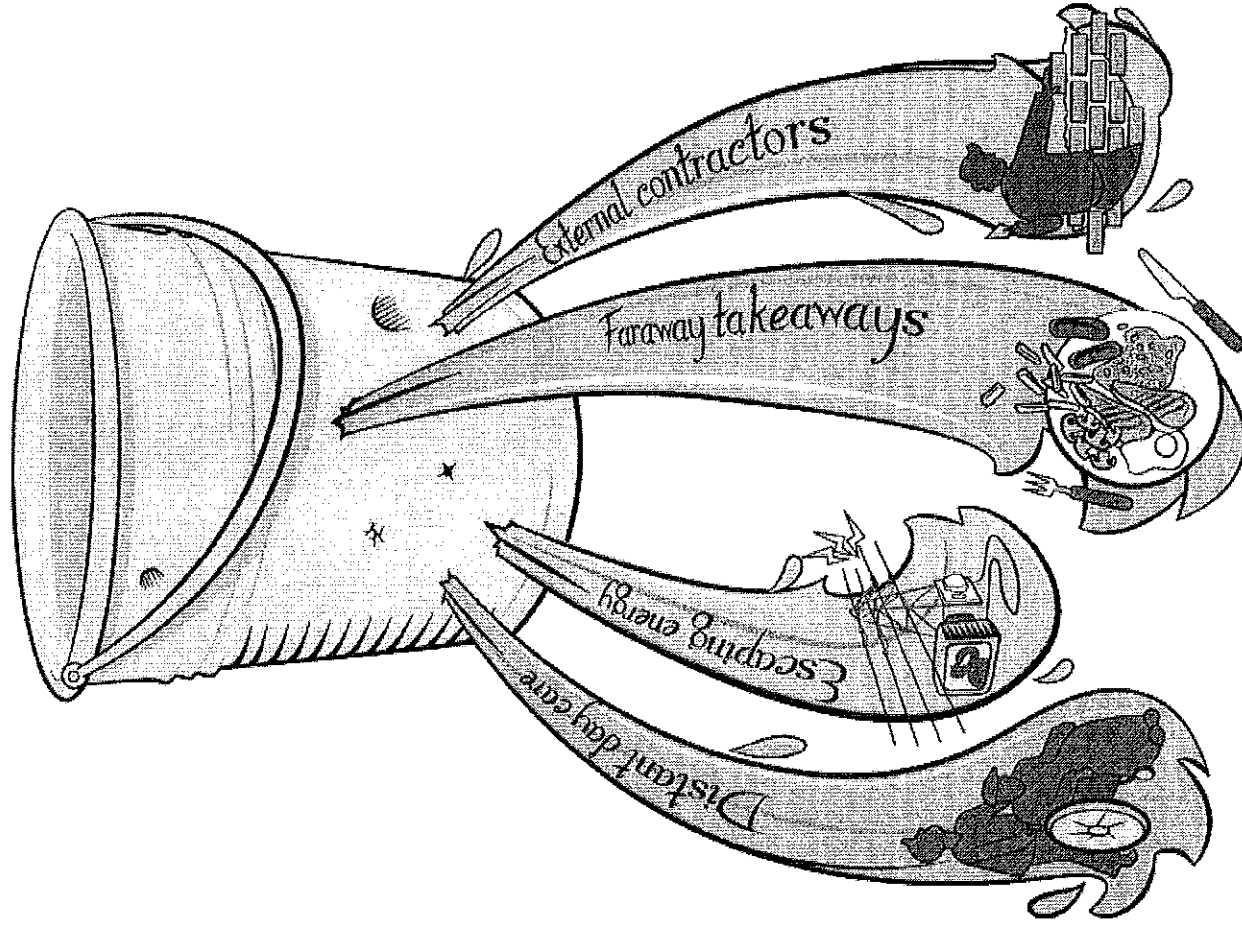
## Your economy is like a bucket

- Money comes into your economy via:
- Tourists
  - Welfare benefits
  - Business investors
  - Export earnings



And there are **leaks** in your bucket

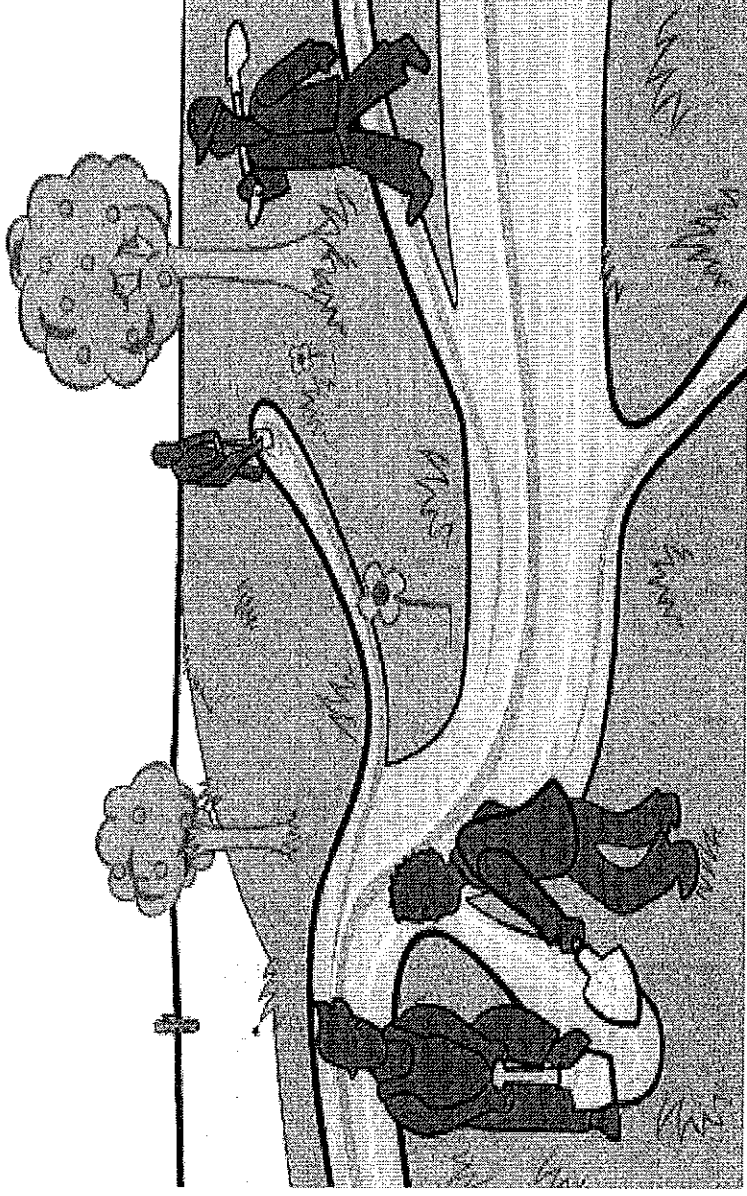
- Money leaks out of  
your economy via:
- Taxes
  - Energy
  - External contractors



Making money work for your local economy is like irrigating land.

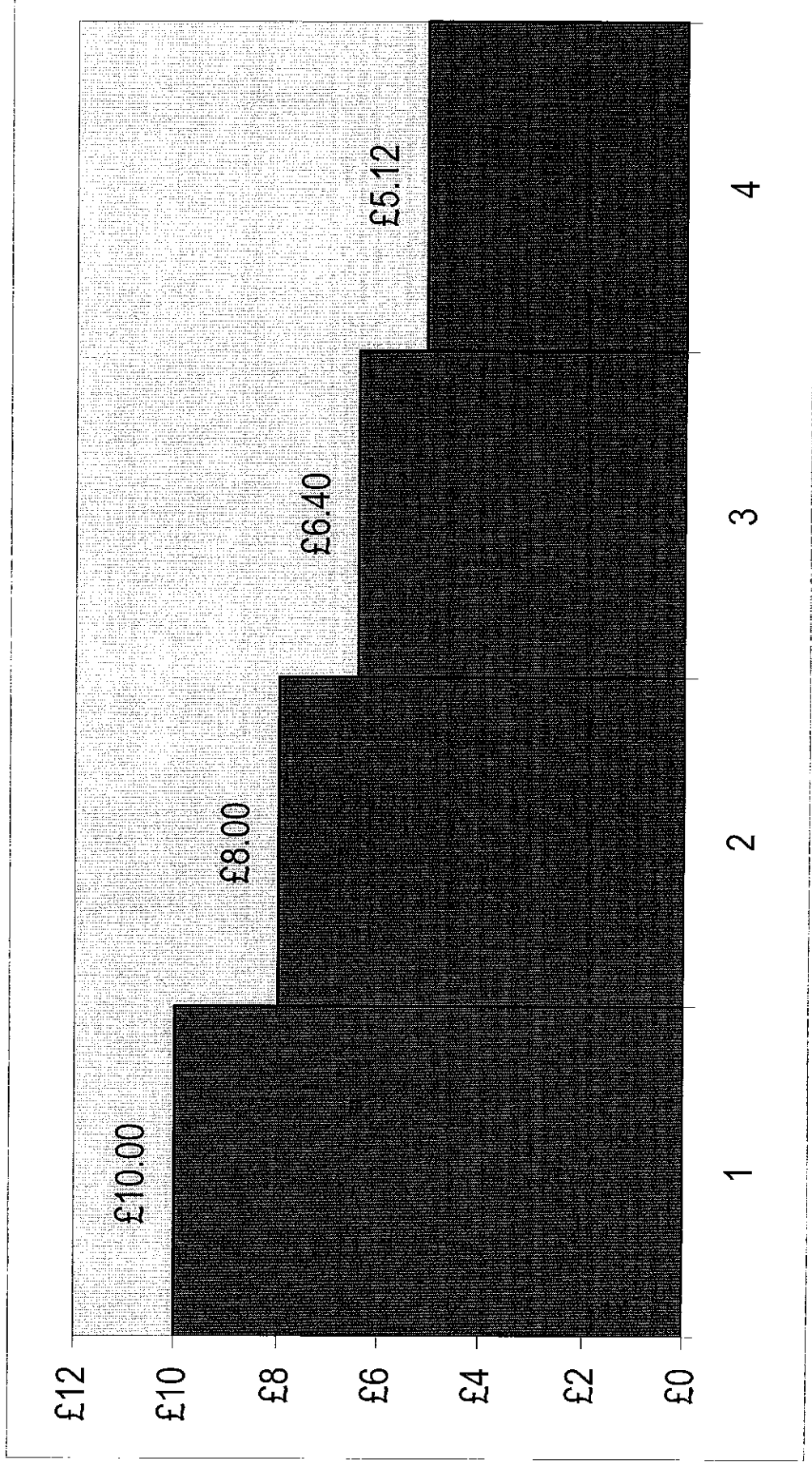
If money coming in goes right out, then the economy doesn't benefit.

To keep money circulating in the local economy, you must create linkages that enable people to spend locally.



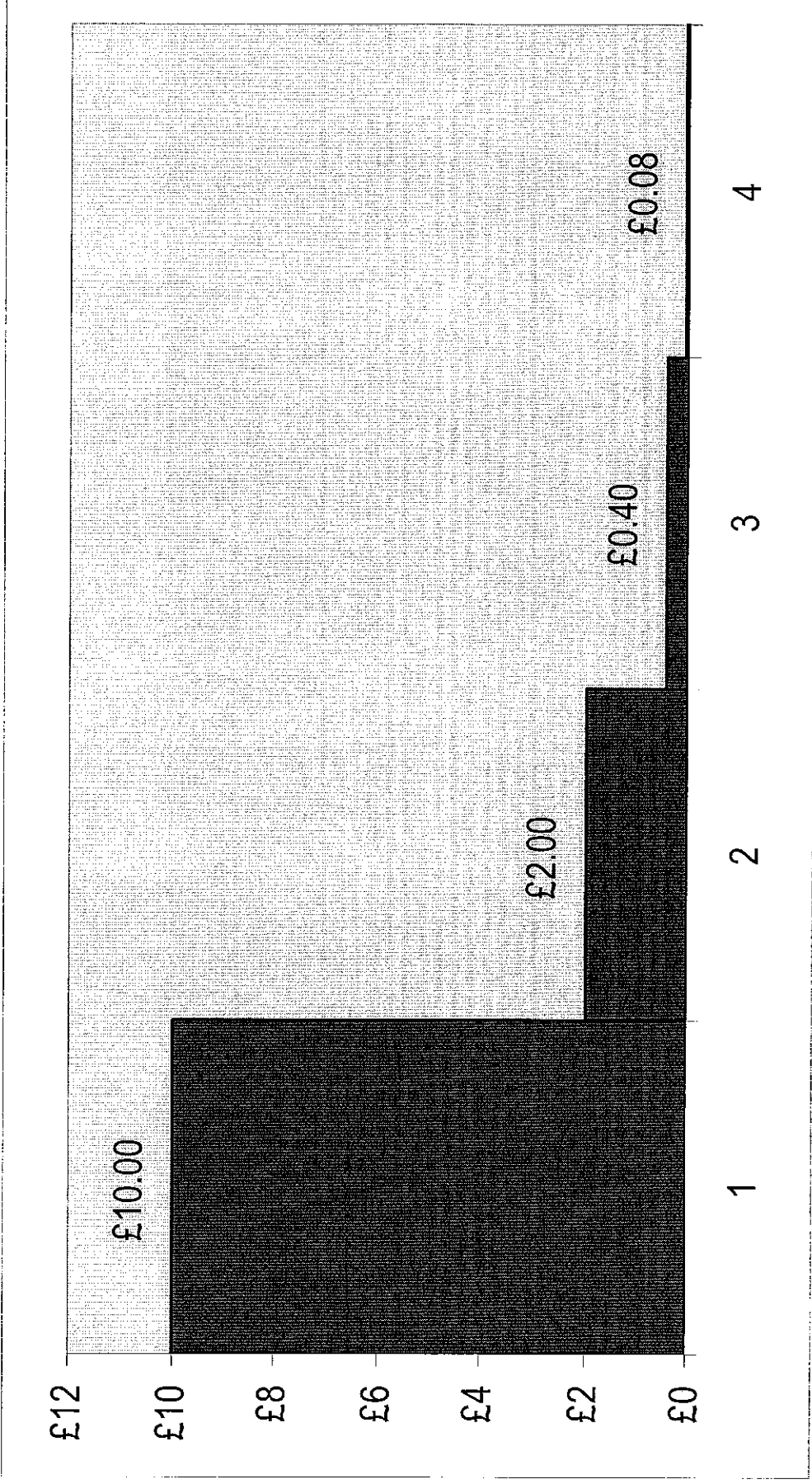
Now imagine we painted a pound coin blue and followed its **trail**...

...If **80%** of money stays local



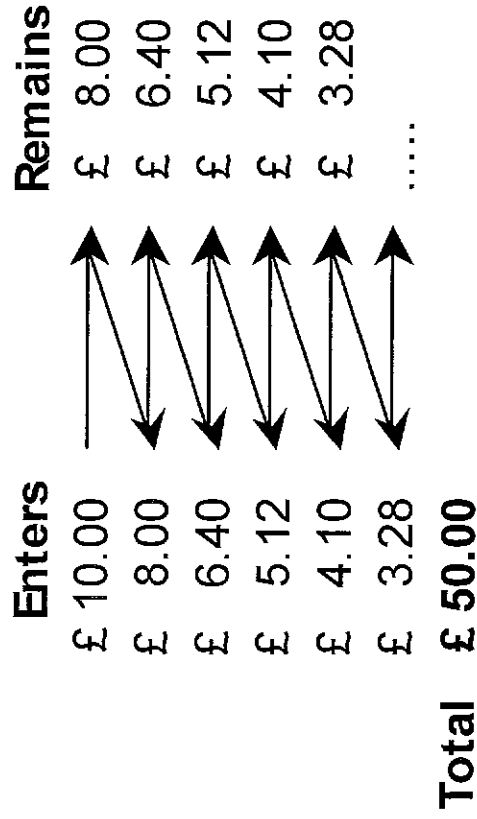
Now imagine we painted a pound coin blue and followed its **trail**...

...If **20%** of money stays local

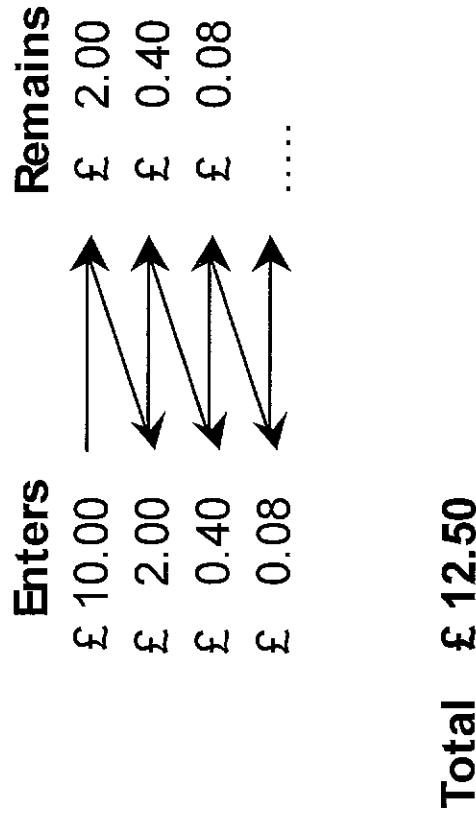


- So imagine we are starting with £10. If 80% stays local, we end up with **£50** staying in the local economy. Just £12.50 if 20% stays local.

**80% of money stays locally**



**20% of money stays locally**



## **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.

# Money flows for a social enterprise

## Money staying in Appleby

Round 1: £50,000



Round 2: £30,000  
Spending by ECO

ECO spent £27,500 on staff and contractors and £2,500 on suppliers of goods and services.



Round 3: £13,375  
Spending by ECO's staff and suppliers

People spent money on food, entertainment, and rent. Businesses spent money on similar items as ECO.



## Money leaking out of Appleby

£20,000

Like most businesses, ECO spent money outside the area on employer's NI and pensions for staff, fuel and utilities, and taxes. ECO also spent money on non-local staff and suppliers.

£16,625

Like all employees, ECO's staff spent money outside the area on income tax and home costs. People also spent money on non-local goods and entertainment, such as regional malls and cinemas.



## 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**?

## What to do next

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