



Council purchasing power can give local business a boost

As the chancellor makes £4bn additional funding available for small and medium enterprises, the Association for Public Service Excellence (APSE) is calling upon councils to use their spending power to boost businesses locally.

APSE – which has recently published research showing that for every £1 a council spends in purchasing goods and services £1.64 can be generated in the local economy - was responding to Alistair Darling's pledge of extra funds for small and medium sized firms.

Chief Executive of APSE, Paul O'Brien, said: *'Effective use of local government procurement powers alongside the availability of additional funding for small to medium sized enterprises can help provide a way forward in stabilising local economies in these turbulent times.'*

'Our analysis of the 'local economic footprint' shows that, if spent wisely, for every £1 spent by the local council in purchasing it can generate £1.64 in the local economy, which means a positive cycle can be developed that promotes businesses.'

The report, **Creating resilient local economies: exploring the economic footprint of public services**, produced in partnership with the Centre for Local Economic Strategies (CLES), showed how strong local employment and supply chains at Swindon Borough Council created a virtuous circle in the local economy.

Key findings include:

- 34.4% of the service's expenditure upon suppliers goes to local companies and organisations.
- Local suppliers re-spend 30.8 pence in every pound in the local economy.

Neil McInroy, Chief Executive of CLES, commented: *'A method for working out the power and ripple of public service spend could be a key component in assessing local economies and creating local economic resilience.'*

APSE and CLES are urging other councils to adopt the 'local economic footprint' model.

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NOTES FOR EDITORS

- 1) Councils in England alone spent £141bn in 2005-6. Local government expenditure is around 10% of all domestic expenditure. Councils employ 1.7m people nationally.
- 2) While local authority procurement must take place within the framework set by the EU, there is flexibility within legal requirements to support the development of local economies.
- 3) Public services account for 18.7% of jobs in Swindon. 96% of Swindon's commercial services staff live in the borough. These employees re-spend 52.5 pence in every pound in the local economy. 34.4% of the service area expenditure upon suppliers goes to local companies and organisations. Local suppliers re-spend 30.8 pence in every pound in the local economy. Commercial services invested £12m in local suppliers over that period.
- 4) Using a variant of the 'multiplier' model developed by New Economics Foundation to calculate showed that all these factors meant that every £1 invested in the street scene service area, and extra 64 pence is generated in the local economy.
- 5) Staff in Swindon Commercial Services' streetscene team were asked to keep spending diaries, which revealed that not only did the majority of them live locally; they also spent the bulk of their cash locally. The streetscene service employs a high number of staff from the most deprived parts of the borough.
- 6) The report **Creating resilient local economies: exploring the economic footprint of public services** is the third in a research programme, commissioned by APSE and conducted in partnership with the Centre for Local Economic Strategies (CLES) and the Institute of Local Government Studies (INLOGOV). Together APSE, CLES and INLOGOV have produced a body of evidence to demonstrate the benefits of public employment. The first report in the series was Towards a Future for Public Employment. The second examined Governance, Neighbourhoods and Service delivery. Copies of all these reports are available.
- 7) APSE works with over 300 local authorities throughout the UK who deliver front-line services. Visit www.apse.org.uk
- 8) CLES is an independent think tank and network of subscribing organisations involve in regeneration, local economic development and local governance. For further information on CLES visit: www.cles.org.uk
- 9) The extra funds for small and medium sized enterprises will be available through High Street banks for the next three to four years from the European Investment Bank - the lending arm of the European Union.