

LGA Phase 2 Analysis: Technical Note

Councils operate as anchor institutions within their localities, playing a pivotal role in shaping social, economic, and environmental outcomes, and creating inclusive growth. This analysis seeks to quantify the economic impact of this role.

Direct Impact

The impact of councils is understood in this analysis through their **expenditure** in local economies in FY 2023/24. Data on local council spending has been taken from:

- Expenditure data using data from LG Inform which comes from Ministry of Housing, Communities and Local Government **Local authority revenue expenditure and financing** in England final outturn using 19th June 2025 update.
 - As data is available across years, we take a 3-year average of data between FY2020/21-FY2023/24
- Capital data is from Ministry of Housing, Communities and Local Government Local authority capital expenditure and receipts in England final outturn using 7th July 2025 editions.
 - Given the availability of data and the volatility of capital data across years, this data is taken from FY 2023/24 only.

This analysis understands direct impact of local councils across four principal levers:

- **Council current expenditure (Service impact):** Councils control large budgets and spend heavily on essential services like adult social care, children's services, and education. This spending directly affects local jobs, businesses, and service quality. This impact measures the effect of council spending on services, less amount spent on procurement.
- **Employment spending:** Councils are major local employers, with staff across schools, social care, planning, and more. Council employees spend in local economies, generating economic growth across the wider economy.
- **Procurement spending:** Councils commission a wide range of goods and services from external providers, including infrastructure works, adult social care, waste services, digital systems, and community development initiatives. Through procurement practices, councils can embed social value, promote local supply chains, support SMEs, and drive inclusive economic outcomes.
- **Capital spending:** Councils invest in new housing, schools, roads, and public spaces. These investments shape places, unlock private development, and support long-term regeneration.

The table below outlines how each of these are calculated:

Table 1: Principal levels of Local Council spending

Metro—Dynamics

Employment Spending	This is total employee costs for each authority and is taken from the Revenue Outturn Service Expenditure Summary
Procurement spending	<p>Local council procurement is assumed to be a proportion of revenue and council spending. A report by Tussell Group and Institute for Government in 2024, finds local government procurement spending makes up 45% of revenue spending and 80% of capital expenditure.</p> <p>This analysis takes these proportions out of total revenue and total capital spending to find present revenue procurement spending and capital procurement spending which total together to total spending on procurement</p>
Service spending	This is total revenue spending on local councils minus spending on employment and minus procurement spending.
Capital spending	This is total capital spending on local councils minus procurement spending.

Indirect Impact

The indirect economic impact of Local Council spending refers to the economic effects that result from the initial or direct spending of a local council, creating a ripple effect through the supply chain. This secondary activity includes purchases made by businesses that benefit from the initial spending, or local council employees spending of wages in the economy.

As we have impact data in terms of output (spending), we use output multipliers to understand indirect impact. Type 1 multipliers are taken from Scottish Government Supply Use tables to measure indirect effect. We use Scottish multipliers as they provide a consistent, well-established methodology, offering a robust framework for quantifying the economic effects of local council expenditure. Whilst these multipliers were created for the Scottish economy, UK Input Output tables updated only every four years compared to annually for Scottish multipliers. Therefore, Scottish government multipliers provide a more reliable and up-to-date understanding of indirect effect of output in the economy. The use of Scottish Input-Output tables is consistent with ONS accounts and consistent with UK blue book 2022 based Supply and Use Tables and Regional Economic Activity.

This approach is distinct from the place-based evaluations recommended in the What Works Centre toolkit for Local Multipliers, which use employment multipliers to quantify benefits. As we do not have data on the numbers employed, it is more accurate to use input-output multipliers to assess the impact.

The Type 1 multipliers we use across the principal levers of local council impact are:

- For service spending and employment spending, we use type 1 multipliers related to SIC code for public administration and defence.

Metro—Dynamics

- For capital expenditure, we use type 1 multipliers related to SIC code for construction.
- For procurement spending, we use type 1 multipliers related to SIC code for public administration and defence for revenue procurement spending and type 1 multipliers related to SIC code for construction for capital expenditure.

As local council procurement is not all spent locally, we then apply a local retention rate to the economic impact of procurement spending. A [Tussell Group report](#) in 2022 found that in 2021 46% of spending by local government is with local suppliers. We use this assessment to understand the destination of benefit.

Wider social impact

Local councils also have a wider social value impact through their spending across service lines, as it generates induced benefits by stimulating local economies. When councils spend on services such as healthcare, education, or infrastructure, it creates a ripple effect where businesses in the local supply chain experience increased demand, leading to job creation, higher wages, and more economic activity in the area. When councils invest in services like healthcare, education, and infrastructure, it not only boosts demand within the local supply chain, leading to job creation and higher wages, but also fosters improved community wellbeing and health. However, we cannot understand this impact through input output tables which just measures economic impact.

There is currently no existing study that looks at the social impact across all service lines of council spending. To avoid double counting of impact across recipients and avoid inconsistencies in methodology, we have quantified the wider social impact of local council spending for **only public health spending**, recognising that this is a key area of policy and a key area where local council has wider social impact.

Data on public health spending is part of service spending of local councils taken from Ministry of Housing, Communities and Local Government Local authority revenue expenditure and financing. These measures running cost spent on public health services and not employment related to this service line.

Several multipliers exist to measure wider socio-economic impact of public health spending, where the benefit is assumed to be between the range of £1.3-£14.30, as presented in the table below. These multipliers measure the direct, indirect, and induced impact of public health spending. As the indirect effect of public health is captured in the economic impact analysis above, through the service spending, **the socio-economic impact of public health spending must be treated separate to economic impact** to avoid double counting.

Table 2: Existing multipliers for wider socio-economic of Public Health spending

Multiplier	Source
Every £1 spent on the NHS generates approximately £4 in broader economic impact	NHS Confederation, The influence of NHS spending on economic growth (2023)
Multipliers for health care activities across EU countries register the values of 1.48 and 1.84., where for UK is 1.414	Gutiérrez-Hernández et al, The health care sector in the economies of the European Union: an overview using an input–output framework (2021)
Health spends across Germany Italy and Spain has a Type 1 multiplier between 1.38-1.56	Stamegna et al, The economic impact of arms spending in Germany, Italy, and Spain (2024)
<p>The median return on investment, averaged across all public health interventions, was 14.3 (from thirty-four studies). Return on investment ranged from -21.3 (influenza vaccination of healthy workers) to 221 (lead paint control).</p> <p>Local level interventions showed on average a lower return on investment than national programmes. The median return was 4.1 (range 0.9 to 19.3, from eighteen studies) for local interventions.</p>	National Institute for Health and Care Research, Public health interventions may offer society a return on investment of £14 for each £1 spent (2017)

We have taken a conservative measure, following NHS Confederation and National Institute for Health and Care Research reports, and have assumed for every £1 spent on public health has a return on investment of **£4**. This is based on an average of different public health spending, and is used based on data availability. If data was available on spending across different public health interventions, [Public Health England guidance](#) on estimating the return on investment (ROI) and cost-effectiveness of public health programmes could be used.