

Counting Cumbria



The Local Government Association is the national voice for more than 450 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.



Leadership Centre for Local Government
Warwick House
25 Buckingham Palace Road
SW1W 0PP
Tel 020 7630 2180
www.localleadership.gov.uk





Contents

Preface	4
Summary	6
1. Introduction	8
2. The big picture	12
3. Cumbrian spenders	14
4. Non-Cumbrian spenders	18
5. Community strategy spending	26
6. Where next?	30
Appendix 1: Methodology	34
Appendix 2: Acknowledgements	46



Preface

Vast amounts of your and my money flow into, around and through any given place in England: from local to national via taxation; from national to local via benefits and pensions, to and through local agencies in numerous funding streams. We can see fairly readily who spends how much and what that expenditure is intended to do. Much less visible is the impact.

How much money in total is going into a place? How effective is this spending in achieving what we want on the ground? Could we get more from the public pound if its spending was differently organised and directed? These are questions which the taxpaying public and the recipients of services rightly have a strong interest in, more so in hard times. They are difficult to answer but they are central to the work of public, voluntary and private sector organisations collaborating to make their place better. *Counting Cumbria* set out to begin to answer these difficult questions.

The project was based in Cumbria because in 2007 the partnership organisations there declared a shared determination to improve more rapidly the lives of people living in the county. With the Leadership Centre for Local Government they created *Calling Cumbria*, which brought together hundreds of people from all walks of life in a new kind of conversation about what they could do better together. From that experience flowed a multitude of opportunities and a break, hopefully permanent, from stilted ways of connecting with one another.

Calling Cumbria and *Counting Cumbria* are therefore being published together as, so to speak, two sides of the brain: one dealing with ideas and relationships, the other with data and logic. Between them they open up areas for exploration which will inspire many and varied discussions to support improvement in Cumbria. The headline that £7 billion a year of public money is spent on behalf of half a million Cumbrians is in itself enough to start a dialogue running.

The Local Government Association and the Improvement and Development Agency joined with the Leadership Centre in commissioning this work. The learning can and indeed must be applied in every part of England. The Sustainable Communities Act of 2007 enshrines the principle that local people know best what will improve the wellbeing of their area. It requires the provision of local spending reports so that people can see where the money goes and propose changes. *Counting Cumbria* is a step towards such reports and towards doing things better. While the methodology may be for experts the results are for all of us.

Stephen Taylor
Chief Executive
Leadership Centre for Local Government
December 2008

Summary

This project asked how much public money went into Cumbria, which organisations it passed through and what it was aimed at doing in the financial year 2006-7. The report considers in turn the total public spending picture, spending by Cumbrian bodies, spending by non-Cumbrian bodies and spending to support the community strategy. It therefore covers multiple levels of government: district, county, regional, national, EU.

The figures have been classified under the UN's 'COFOG' structure, used by the UK government. The results are built on cost allocations and other assumptions described in the methodological appendix. Some of these are debatable: indeed one aim of the project is to generate that debate, so by definition PwC does not offer an assurance that the figures are completely accurate or fully comprehensive.

Some might say that 2006-7 is now of interest only to historians, particularly since it was pre-recession. But spending flows and ratios are unlikely to have changed dramatically since then; if they have, that itself is of interest. Also, the methodology applied to that financial year can now readily be applied to subsequent years.

Just under half a million people live in Cumbria. Median income in 2007 was £25,800. Total public expenditure in Cumbria in 2006-7 was £7.1bn, which is £14,200 per head. Of that little over a quarter, £1.9bn, was controlled by or directed through Cumbrian bodies. Of national government's £5.2bn, non-departmental public bodies spent £2.3bn: more than Cumbrian bodies. The largest areas of aggregate expenditure were social protection £1.5bn, health £880m, economic affairs £700m (excluding £1.8bn by the Nuclear Decommissioning Agency) environmental protection £690m, public order and safety £600m and education £540m.

The largest areas of expenditure by Cumbrian bodies were health £670m and education £410m. There was £700m in transfers between Cumbria bodies. European direct expenditure (through ERDF Objectives 2 and 3) was about £10m.

The largest expenditures under the community strategy themes were on health and wellbeing £2.1bn; and children and young people £1.2bn. These are followed by environment and heritage £690m, safer and stronger communities £620m, economic affairs £400m (again excluding the NDA) and planning, transport and housing £400m.

Taxation raised in Cumbria was about £3.1bn, of which £2.9bn was by national means and £200m local.

The data provokes questions such as:

- What outcomes were achieved for the money?
- Could the money be spent in a way that achieved better results?
- How much say do Cumbrians have over the public money spent in their county?
- Are the needs of particular groups – eg young people – well-recognised in the way the money is spent?
- Where many organisations serve a particular purpose, are their separate administrative overheads justified?
- How strong is the link between expenditure in an area and the capacity to initiate meaningful change?

A methodology appendix describes the sources of the data, the assumptions made and what might be done to take the methodology forward.

1. Introduction

This report was commissioned jointly in April 2008 by the Leadership Centre for Local Government, the Improvement and Development Agency and the Local Government Association, and directed by a steering group drawn from those organisations and the Cumbria Strategic Partnership. It ran alongside *Calling Cumbria*, a Local Leadership programme intended to accelerate public, private and voluntary sector collaboration across the county and hence improve the lives of people living there. It maps the flows and destination of public expenditure in Cumbria in the financial year 2006-7 with three aims:

- To support *Calling Cumbria* by identifying areas where resources might be used in the county to better effect
- To create a tool for use in other Local Leadership programmes
- To help develop a methodology for quantifying public expenditure by geography and purpose, for use by government departments and other public agencies

The questions the project asks are:

- How much public money goes into Cumbria?
- Which organisations does it pass through?
- To what end, ie how and on whom it is spent and for what purpose?

The project covers the multiple levels of government which spend money in Cumbria. Most of the material has been taken from public sources. Substantial assumptions have been made and the analysis has relied on a number of proxies eg per capita allocations of spend. These are described in the methodology appendix. The result is therefore not final or definitive, but limited by the available data and by the assumptions. Nonetheless it appears to be well ahead of any other available collective data about the county.





The UN 'COFOG' (Classification of the Functions of Government) structure, which is used by the UK government in its breakdown of government spending, has been used to provide a common framework for the types of expenditure. COFOG classifies spending into ten high level areas and multiple sub-areas. Using this classification it is possible to see where bodies are operating in similar or related spheres. The ten areas are:

1. General public services (including operation of democracy and general government bodies)
2. Defence
3. Public order and safety (including police services, law courts, prisons and the fire services)
4. Economic affairs (including commercial and labour affairs, business support, sectoral support, energy, transport and communications)
5. Environmental protection (including waste, water management, pollution abatement and biodiversity and landscape protection)
6. Housing and community amenities (including housing provision, community facilities and local infrastructure)
7. Health (including medical products and equipment, outpatient services, hospital activities and public health)
8. Recreation/culture/religion (including recreation and sport and cultural activities)
9. Education (including pre-primary education, primary education, secondary education, further education, higher education and training)
10. Social protection (including support for the disabled, elderly, families, the poor and the unemployed).

Further information on the UN COFOG classifications is available at (<http://unstats.un.org/UNSD/cr/registry/regcst.asp?Cl=4>).

The report considers in turn the overall picture, spending by Cumbrian organisations, spending in Cumbria by non-Cumbrian organisations and spending in relation to the community strategy. Comments and questions about the findings are included in each section. The final section proposes the next steps.



2. The big picture

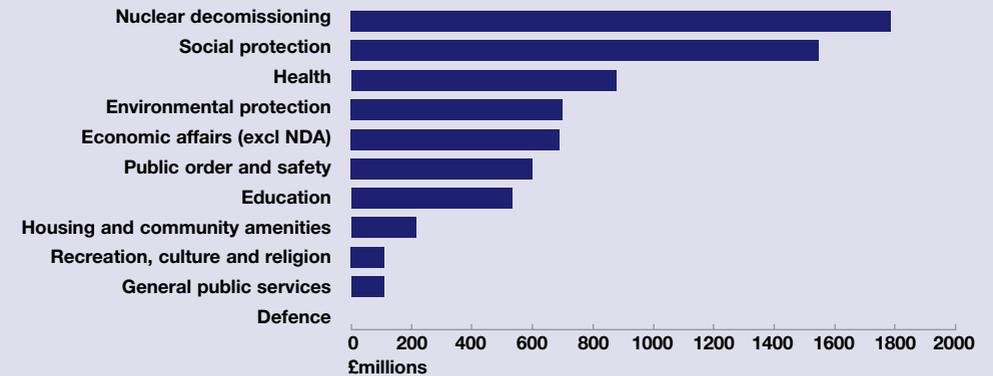
The analysis estimates that total public expenditure in Cumbria in 2006-7 was £7.1bn, of which £1.9bn was controlled by or directed through local bodies and £5.2bn by central government, including £2.3bn from non-departmental public bodies (NDPBs). Taxation raised in Cumbria was about £3.1bn, of which £2.9bn was raised through national sources and £200m locally. The estimated aggregated public expenditure in Cumbria by national and local bodies was:

£millions	National	NDPBs ¹	Local	Total	%
General public services	10	1	87	97	1
Defence	4	0	0	4	0
Public order and safety	468	24	135	603	8
Economic affairs	2,377	1,914	79	2,456	35
Environmental protection	606	98	85	691	10
Housing and community amenities	72	36	124	196	3
Health	205	11	672	877	12
Recreation, culture and religion	54	4	45	99	1
Education	125	178	413	538	8
Social protection	1,317	8	228	1,545	22
TOTAL	5,238	2,274	1,868	7,106	100

The largest areas of aggregate expenditure were economic affairs £2.5bn, social protection £1.5bn, health £880m, environmental protection £690m, public order and safety £600m and education £540m. The aggregate data is shown graphically on the chart.

¹NDPBs are included in the National figure

Aggregate public expenditure 2006/2007



Observations

- Nuclear decommissioning, a national benefit with a large local impact, accounts for a quarter of total public expenditure in Cumbria
- Three quarters of public expenditure in the county is by non-Cumbrian bodies
- One third is by NDPBs
- Health and education account for three fifths of expenditure by Cumbrian public sector organisations

Questions

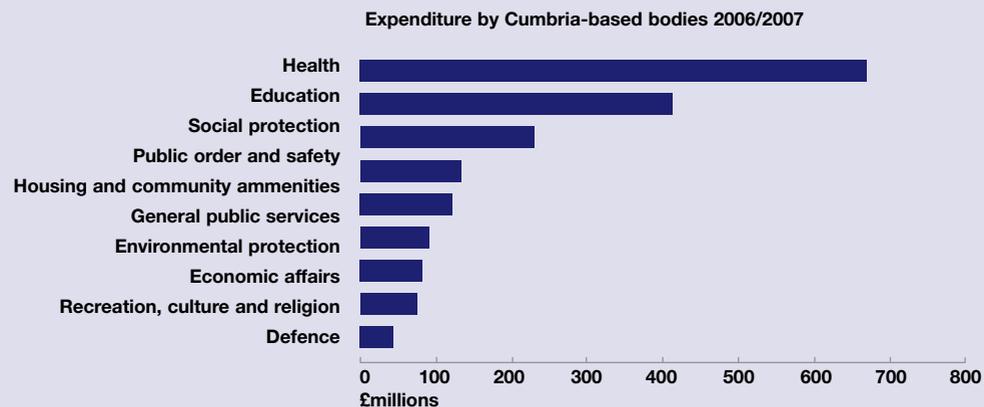
- Would Cumbrian citizens choose to spend the money this way?
- How clearly is the Cumbrian voice heard in shaping expenditure by non-Cumbrian bodies?
- Does the county make the best of the opportunities provided by nuclear decommissioning?
- How well do the various organisations connect in making their spending decisions?
- Where are the best opportunities for spending the overall total more effectively?
- Which spending streams should be linked by common management and objectives?

3. Cumbrian spenders

The estimated expenditure by Cumbria-based bodies by expenditure category for 2006/2007 was:

	£millions	
1. General public services	87	5%
2. Defence	0	0%
3. Public order and safety	135	7%
4. Economic affairs	79	4%
5. Environmental protection	85	5%
6. Housing and community amenities	124	7%
7. Health	672	36%
8. Recreation, culture and religion	45	2%
9. Education	413	22%
10. Social protection	228	12%
	1,868	100%

The largest areas for local expenditure were health £672m and education £413m, as would be expected given that these are largely devolved for delivery to local and sub-regional bodies. The data is showing graphically on the chart:



Expenditure by Cumbrian organisations (£m):

Cumbria County Council	775	42%
Allerdale DC	54	3%
Barrow-in-Furness BC	35	2%
Carlisle CC	65	3%
Copeland DC	40	2%
Eden DC	22	1%
South Lakeland DC	58	3%
Cumbria Police Authority	112	6%
North West Regional Development Agency	35	2%
Parish Councils	4	0%
North West Ambulance Service NHS Trust	15	1%
North Cumbria Acute Hospitals NHS Trust	180	10%
Cumbria PCT ¹	274	15%
University Hospitals of Morecambe Bay NHS Trust ²	211	11%
Transfer adjustment ³	-14	
	1,868	

A factor to consider when looking at these aggregate expenditure figures is the differing population and circumstances of the areas that the district councils cover. The populations are:

- **Allerdale** **94,300**
- **Barrow** **71,800**
- **Carlisle** **103,300**
- **Copeland** **70,300**
- **Eden** **51,700**
- **South Lakeland** **104,800**

1 Cumbria Primary Care Trust controls the NHS budget in Cumbria and is responsible for making sure that all NHS services in Cumbria are provided. The trust commissions services from other health providers and directly manages Cumbria's nine community hospitals. In 2006/2007, Cumbria PCT commissioned NHS services from a range of providers, including GPs, dentists, the North Cumbria Acute Hospitals NHS Trust, University Hospitals of Morecambe Bay NHS Trust and the North West Ambulance Service NHS Trust. The Cumbria Partnership PCT which provides mental health and learning disability services was established only in late 2007.

2 The Morecambe Bay NHS Trust covers hospitals in both Cumbria (Barrow-in-Furness, Kendal and Ulverston) as well as hospitals in Morecambe and Lancaster

3 The transfer adjustment is a balancing figure equal to the difference between the aggregate inward and outward transfers between Cumbrian organisations. This is generated by mismatches in aligning exactly the financial reports from different organisations. The adjustment represents just 2% of the total transfer transactions.

South Lakeland and Carlisle each have double the population of Eden. While an important factor, a simple population adjustment of expenditure would not allow for differences in the services provided by, for example, a rural district such as Eden and a more urban district such as Barrow. There are also costs of operating a council structure and service delivery independent of population.

Comments

- The County Council £775m and the health organisations £680m account together for almost $\frac{4}{5}$ of the total
- The district and parish councils together, £278m, account for 15% of the total
- The RDA spend in Cumbria is only 2% of the local total

Questions

- How much discretion do the various bodies have in determining their expenditure?
- How do all these organisation work together to minimise duplication and maximise impact?
- How does political direction relate to expenditure?
- Which expenditure streams would local bodies like greater control over?
- What national expenditure would productively be transferred to local control?
- How far does nationally led expenditure address county, district and parish priorities?
- Which expenditure streams would benefit from greater cooperation?



4. Non-cumbrian spenders

Government departments

The estimated flows of expenditure from government departments into Cumbria have been calculated from the Public Expenditure Statistical Analyses (PESA) and supporting public information. Only expenditure which the government reports as identifiable for regional impacts has been included. Nationally, this identified expenditure accounts for £450bn of the £550bn total central government expenditure in 2006-7. The main areas of exclusion are defence, foreign relations and tax administration.

The estimates opposite of the Cumbria component of central government expenditure in the North West were produced using the approach explained in the methodology appendix. They have not been adjusted to account for transfers from national bodies to Cumbria-based bodies.

	£millions
1. General public services	58
of which: public and common services	56
of which: international services	2
2. Defence	1
3. Public order and safety	527
4. Economic affairs	2,466
of which: enterprise and economic development	114
of which: science and technology	1,924
of which: employment policies	18
of which: agriculture, fisheries and forestry	112
of which: transport	297
5. Environment protection	494
6. Housing and community amenities	89
7. Health	845
8. Recreation, culture and religion	53
9. Education (includes training)	516
of which: education	497
of which: training	19
10. Social protection	1,381
TOTAL	6,430

Of the over £6.4bn of central government expenditure directed to Cumbria, the largest shares are accounted for by economic affairs £2.5bn, social protection £1.4bn and health £850m. The expenditure on economic affairs is dominated by expenditure of almost £2bn by the Nuclear Decommissioning Agency. The largest components of social protection (based on the national expenditure patterns) are old age pensions 55%, disability payments 23% and support to children and families 18%. After social protection and health, the next largest expenditure areas are public order and safety £530m, education £520m and environmental protection £490m.

The figures overleaf were produced by allocating the expenditure by classification data to particular departments, as described in the methodology appendix. These have been netted off against identified transfers to Cumbria bodies to estimate expenditure which goes directly to the public.

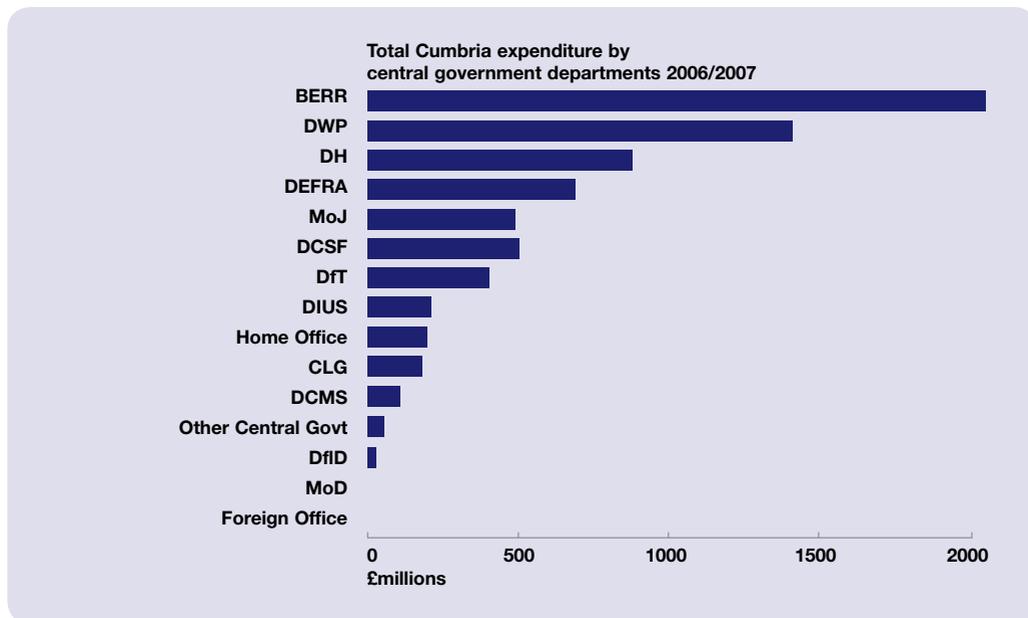


	Direct to public	£millions Cumbria bodies	Total
Department for Business, Enterprise and Regulatory Reform	2,005	32	2,037
Department for Children, Schools and Families	47	328	374
Department for Communities and Local Government	72	38	110
Department for Culture, Media and Sport	54	0	54
Department for Environment, Food and Rural Affairs	606	1	607
Department for Innovation, Universities and Skills	156	0	156
Department for International Development	7	0	7
Department for Transport	295	4	298
Department for Work and Pensions	1,317	84	1,401
Department of Health	205	649	854
Foreign Office	2	0	2
Home Office	94	29	123
Ministry of Defence	4	0	4
Ministry of Justice	375	0	375
Other Central Government	0	27	27
Total:	5,239	1,191	6,430

The key message from this table is that the bulk of transfers to Cumbrian bodies are from the Department of Health 54% and the Department for Children, Schools and Families 28%, reflecting the large degree to which health and education delivery are delegated to sub-national bodies. In other areas, we would expect to find in future years a significant shift in the Department for Innovation, Universities and Skills budget from national to regional bodies with the establishment of the University of Cumbria in August 2007.



The chart shows the estimated total expenditure (direct to public and transfers to local bodies) for 2006-7 by central government departments.



Non-departmental public bodies

Financial information was obtained for 104 non-departmental public bodies (NDBPs) spending money in Cumbria. Information for a further twelve was not available. The NDBP bodies included in the analysis are listed in the appendix with their expected public expenditure impact and assigned COFOG classification.

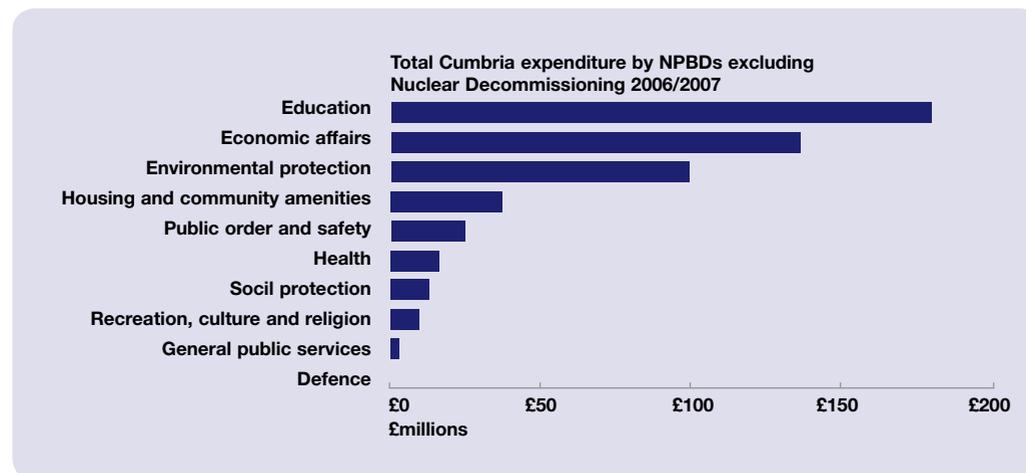
NDPBs have been excluded if they are advisory, tribunal, Foreign Office or DfID sponsored or do not have direct Cumbria connections (eg British Museum, Regional Development Agencies other than NWDA). NDBP data has been treated as identifiable – and therefore included – in the PESA estimates of departmental expenditure as advised by HM Treasury. However, the expenditure for the Nuclear Decommissioning Agency has been added into the estimated BERR expenditure for Cumbria.

NDPBs spent £2.3bn in Cumbria in 2006/07. However, this is heavily skewed by expenditure by the Nuclear Decommissioning Agency which accounts for £1.8bn¹. The proportions of expenditure with and without the NDA are therefore shown in the table below (£m).

¹ NDA expenditure in 2006/2007 was £2.7bn of which 67% is allocated to Cumbria based on the NDA's estimated lifetime expenditure per site

UN COFOG	Estimated spend £millions	Share	Share excl NDA	Number of bodies
1. General public services	1	0%	0%	5
2. Defence	0	0%	0%	0
3. Public order and safety	24	1%	5%	13
4. Economic affairs	1,914	84%	27%	34
5. Environmental protection	98	4%	20%	5
6. Housing and community amenities	36	2%	7%	12
7. Health	11	1%	2%	11
8. Recreation, culture and religion	4	0%	1%	6
9. Education	178	8%	36%	9
10. Social protection	8	0%	2%	9
TOTAL	2,275	100%	100%	104

The largest areas of expenditure (excluding NDA) are education £178m, economic affairs £114m and environmental protection £98m. The largest number of bodies are in economic affairs 34, public order and safety 13, housing and community amenities 12 and health 11.



European Union

No area in Cumbria was eligible for Objective 1 funding (which promotes the development and structural change of regions whose development is slowed or lagging behind). However, much of the county was covered by Objective 2 funding which supports the economic and social conversion of industrial, rural, urban and fisheries areas (usually smaller than a local authority in size) facing structural difficulties.

Cumbria represents 9.6% of the North West population covered by Objective 2 status. Given that the North West's ERDF Objective 2 funding was an average of €120m per year through 2000-2006, it is estimated that Cumbria received €12m per annum in EU Objective 2 funding excluding national matching funds.

The ERDF Objective 3 funding provided support for the long-term unemployed and those facing particular barriers to finding fulfilling employment. Based on average annual Objective 3 expenditure in the North West of €40m and Cumbria accounting for 4.6% of the North West's unemployment, it is estimated that Objective 3 provided Cumbria with an extra €2m per annum.

For 2007-2013, Cumbria will be eligible to share with the rest of the North West (excluding Merseyside which gets a separate allocation as a former Objective 1 area) £43m per annum in European ERDF funding and £31m in European Social Fund funding. There is also an estimated £57m per annum from the EU's Rural Development Programme for England (RDPE) for the North West of which Cumbria is likely to receive a significant share (estimate of 45% for two of the components according to the current North West RDPE implementation plan).

Comments

- A handful of departments account for the bulk of national expenditure in Cumbria. Some departments provide most of their expenditure to the public whereas others go through local bodies
- Nuclear decommissioning accounts for almost a third of expenditure originating from national sources
- NDPBs together account for almost a third of total public expenditure in Cumbria, though this is hugely skewed by nuclear decommissioning
- Excluding nuclear decommissioning, NDPB spend in Cumbria is equal to nearly two thirds of the county council's expenditure and a quarter of all expenditure by Cumbrian bodies
- In relation to other expenditure, direct European expenditure in Cumbria is very small

Questions

- How visible is national spend in the county?
- How much influence do local and regional bodies have over the national spending streams? What mechanisms exist to allow Cumbria to comment on the performance of national bodies in the county?
- Which government departments do Cumbria bodies have the best and most regular engagement with? How does this map onto the expenditure levels?
- How do relationships with the county differ between direct-to-public departments and those that link with local bodies?
- How does nuclear decommissioning impact Cumbria's economy?
- How can Cumbria engage with a wide range of NDPBs in a more effective way?
- How much influence does Cumbria have on European funding and who is involved in accessing it? How far is it aligned with other spending in the county?



5. Community strategy spending

A wide range of partner organisations in Cumbria have collaborated to develop a community strategy which is expressed as a series of twenty year outcomes collated into five themes. Some of this will be delivered in the short term (three years) through the Cumbria Local Area Agreement (LAA), but partners will also need to ensure that Cumbria can demonstrate improvements against all 196 of the new National Indicator Set.

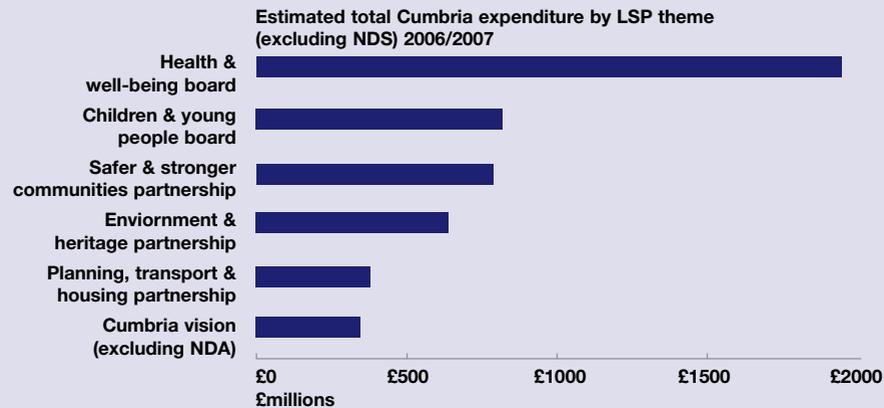
Management of this is coordinated by the Cumbria Strategic Partnership (CSP) through seven thematic partnerships which bring public sector organisations and their partners together to provide leadership, agree action plans and drive delivery. The thematic partnerships are:

1. Cumbria Children & Young People Strategic Trust
2. Cumbria Health & Well-Being Board
3. Cumbria Vision
4. Cumbria Environment & Heritage Partnership
5. Cumbria Planning, Transport & Housing Partnership
6. Cumbria Strategic Waste Partnership
7. Cumbria Safer & Stronger Communities Partnership

The data associated with six of the thematic partnerships has been analysed. The Strategic Waste Partnership was excluded because expenditure could be spread across environment protection, housing and community amenities and economic affairs in proportions not practicable to estimate. The table opposite estimates the expenditure by non-Cumbrian and Cumbrian bodies in relation to the other six. Allocations made between expenditure classifications are explained in the methodology appendix.

	Areas	£millions			Total
		Central Gov	NDPBs	Cumbrian bodies	
Children & Young People Board	Education	125	178	413	538
	Social protection (20%)	263	2	46	309
	Total	388	180	459	847
Health & Well-Being Board	Social protection (80%)	1,054	6	182	1,236
	Health	205	11	672	877
	Total	1,259	17	854	2,113
Cumbria Vision	Economic affairs	2,377	1,914	79	2,456
	Economic affairs less NDA (55%) – exc transport	328	74	43	372
Environment & Heritage Partnership	Environmental protection	606	98	85	691
Planning, Transport and Housing Partnership	Housing and community amenities (50%)	36	18	62	98
	Economic Affairs less NDA (45%) – inc transport	269	60	36	304
	Total	305	78	98	402
Safer & Stronger Communities Partnership	Public order and safety	468	24	135	603
	Housing and community amenities (50%)	36	18	62	98
	Recreation, culture and religion	54	4	45	99
	Total	558	46	242	800
TOTAL		5,224	2,273	1,781	7,005
TOTAL(excl NDA)		3,444	493	1,781	5,225

The partnership with the highest level of public expenditure associated with it is Cumbria Vision, but only if the Nuclear Decommissioning Agency's £1.8bn is included as part of economic affairs expenditure. Excluding the NDA, Health and Well-Being £2.1bn and Children and Young People £1.2bn are the two largest. These are followed by Safer and Stronger Communities £800m, Environment and Heritage £690m and Planning, Transport and Housing £402m. The only areas of expenditure not included in this analysis are General Public Services £97m and Defence £4m.



The expenditure associated with each thematic partnership is shown in the chart.

Observations

- The Health and Well-Being theme represents 40% of total non-NDA spend
- The two highest expenditure themes account for 56% of total non-NDA spend

Questions

- How well does public spending overall support the community strategy?
- Do Cumbria's spending patterns by theme reflect the county's priorities?
- How strong is the link between expenditure in an area and the capacity to initiate meaningful change?
- How well do the thematic partnerships work together to address cross cutting priorities, and thus minimise duplications and maximise impact?
- How far do the figures above vary from the resource that each partnership feels able to direct?



6. Where next?

Any debate about public resources needs to address two central issues. First, there is no easy way to pull together all the information about public expenditure in an area. It requires investment of resource and expertise to align the available financial reports in a sensible way. Second, the data available lacks detail due to assumptions used in its collection (especially for the central government data) and the bundling of expenditure into broad categories (especially for individual bodies' financial accounts). The methodology appendix considers how to develop further data of the kind in this report.

The data for local spending has been taken from the published 2006-07 financial statements where available. The approach was explicitly a desk exercise and did not include direct contact with public sector spending bodies in Cumbria. It follows that there are likely to be errors because of lack of local insight: hence the importance of finance and other professionals in Cumbria now engaging with the material.

This section proposes next steps in Cumbria. Some areas for further exploration have been picked out in the sections. Others are highlighted here:

Where to look

The best opportunities for Cumbria to improve the way public money is used in the county lie, of course, in those spending streams where there is most of it and where constructive local influence can most readily be brought to bear. Effort on small sums which are hard to redirect will not be productive. Influence includes dialogue, data and shared experience.

Tighter targeting

The needs of a small number of people account for a large part of public expenditure. The expenditure is both direct, eg social work, and indirect, eg policing. How can the data in this report be used to highlight spending streams arising from these concentrated populations? If the starting place was how best to meet the overall needs of, for example, households with many inter-related problems, how far would it be possible to do a better job for them and reduce cost at the same time?

Social support

There is a large flow of funds for example £1.4bn from DWP for pensions and family support outside the influence of Cumbrian bodies but which impacts heavily on key groups they are interested in.

What would Cumbrian bodies choose to do if they had significant influence over even a small part of these funds, say 5% (£70m)? What processes would be needed to give them that greater say?

Economic development

There are a large number of bodies – national and local – involved with economic development. But, apart from the NDA, their expenditure accounts for only 4% of the total. They vary significantly in size and focus. Some provide county or regional services (e.g. NWDA) whereas others are concerned with smaller areas. Some focus on specific themes, such as business support, whereas others address a range of issues.

Any part of the county is both collaborator and competitor with another. Often a number of interventions in a place are needed to make a difference. This raises the question of whether, by fuller integration of their plans, activities, budgets and/or structures, the bodies concerned could be collectively more effective. Anecdotal evidence from the *Calling Cumbria* inquiries indicates considerable scope.



Administrative costs

The county council, health services and police have, by virtue of scale, the largest administrative costs in the county. It is right to ask both whether they are optimised internally and how far there is collaboration between organisations to reduce them further.

The administrative costs of district councils are small beer by comparison. However, simply because the data is available and reliable, the project looked at their general public services and corporate and democratic core expenditures as reported in their financial accounts. The results are shown in Appendix 1. Analysis of other organisations' administrative costs would be of greater potential financial interest but require more work to identify which costs are overheads and which relate directly to service delivery.

Diving down

There are a number of areas where useful detail could be brought out with a reasonable level of further work. As well as administrative costs, especially where multiple bodies operate in a single policy area, they include costs related to particular groups, eg young people, disabled people, old people, or to particular issues, eg obesity, worklessness, alcohol.

Time series

This project has focussed on a single financial year, 2006-7. Now that a basic approach has been established it would be helpful to repeat the exercise for subsequent years to understand how, where and why the flows and ratios change and what impact that has.

Benchmarks

The results for Cumbria cannot be compared with those for other places: there is no comparable data. So the way in which Cumbria is like and unlike other places is an unknown. A similar exercise in other areas would throw up further opportunities for improvement in Cumbria.



Appendix 1: Methodology

Sources

The data to produce this high-level analysis is readily available. However, the greatest difficulty is aligning the data sources to produce a comprehensive analysis that balances across organisations. Utilising more specific information is likely to be significantly more resource and time intensive as it will require gathering, analysing and aligning increasingly heterogeneous data sources where available. In other cases, it is not possible to gather more specific data without establishing a new data generating project.

PwC's methodology is based on producing a coordinated and reasonably comprehensive overview of public expenditure in Cumbria using readily available information. During the course of the project other examples of similar work were reviewed. There are interesting projects, for example in Blackburn, which have looked at very small spatial levels but require considerable primary research.

Advances could be made in this kind of analysis in some straightforward ways. For instance, the allocation of transport expenditure would benefit from a ready reckoner that could be developed from DfT data.

PwC reviewed the available financial reports on central, regional and local government bodies which would be relevant for Cumbria.

This list of reports reviewed was:

- Cumbria County Council Annual Accounts 2006/07
- Allerdale District Council Annual Accounts 2006/07
- Barrow Borough Council Annual Accounts 2006/07
- Copeland District Council Annual Accounts 2006/07
- Carlisle City Council Annual Accounts 2006/07
- Eden District Council Annual Accounts 2006/07
- South Lakeland District Council Annual Accounts 2006/07
- North West Regional Development Agency Annual Accounts 2006/07
- Cumbria Constabulary Annual Accounts 2006/07
- University Hospitals of Morecambe Bay NHS Trust Summary Financial Statements 2006/07
- North Cumbria Acute Hospitals NHS Trust Annual Accounts 2006/07
- Cumbria PCT Annual Accounts 2006/07

- North West Ambulance Service Annual Accounts 2006/07
- HM Government Blue Book
- HMRC Local Accounts
- HM Treasury Public Expenditure Statistical Analysis ("PESA") 2007
- Annual Accounts for 2006/2007 for the NDPBs (except where noted)

These data sources have been supported by additional data from the ONS to provide means for allocating expenditures.

Analysis

The financial statements contain information on inter-organisational transfers of funds. For example district councils collect precepts for other bodies through council tax then pass these across to the spending bodies and commission services from other providers. No other public sources of information contain this detail, which is critical for understanding the flows of funds in Cumbria.

The form and content of financial statements of public spending bodies is governed by the applicable Statements of Recommended Practice (SORPs) or, in the case of NHS bodies, their *Manual of Accounting*. While accounting principles remain relatively consistent across the different types of public sector bodies, the grouping and presentation of expenditure does not. The UN COFOG headings achieve the consistency required by presenting generic common headings. Work included grouping information from the financial statements into the Level 1 and Level 2 COFOG classifications and aggregating these across each of the public sector spending bodies.

The project classified expenditure in the financial statements to COFOG Level 2 insofar as it was possible to do so. This process requires a degree of subjective analysis and classification and cannot be regarded as entirely accurate.



An example of this analysis and of bodies responsible for public spending under the Housing and Community Amenities heading is set out below:

	Actual use (£000)
Housing development	490
Community development	0
Water supply	0
Street lighting	0
R&D Housing and community amenities	0
Housing and community amenities other	123,192
	123,682

Who spends it

Name of organisation	Amount
Allerdale DC	22,007
Barrow-in-Furness BC	22,511
Carlisle CC	31,987
Copeland DC	17,024
Eden DC	1,085
South Lakeland DC	27,990
Parish Councils	1,078
	123,682

Further similar analyses have been undertaken across other expenditure areas and could be subject to more detailed investigation.

The data for national government departmental spending has been taken from PESA 2007 which provides data on expenditure by department and by region. The expenditure is allocated according to benefit and not to location of expenditure. It is gathered from UK government departments through an annual Treasury-led statistical exercise. They are asked to identify expenditure that benefits the population of individual regions which they apportion the expenditure between. Expenditure is attributed to a specific country or region using the 'for' basis of measuring regional expenditure, which records the regions that benefited from the spending, or whom the spending was for. According to the HM Treasury website, "for most spending the 'in' and 'for' bases would in practice offer the same result." However they recognise that there are problems with the analyses' practical allocations (eg roads benefiting more than local residents), significant definitional problems (eg does agricultural support benefit farmers or consumers) and issues around collecting accurate country and regional data in a cost

efficient way, which leads to the use of statistical proxies. In addition the coverage is partial in that only around 80% of expenditure can be identified as benefiting individual regions.

To estimate the expenditure for Cumbria, the North West's expenditure by classification was sub-divided based on a range of weighting criteria:

	Criteria
1. General public services of which: public and common services of which: international services	Population Population
2. Defence	Population
3. Public order and safety	Population (80%) Land area (20%)
4. Economic affairs of which: enterprise and economic development of which: science and technology of which: employment policies of which: agriculture, fisheries and forestry of which: transport	Economic activity (40%) Number of businesses (40%) Relative economic underperformance (20%) Economic activity Unemployment numbers (80%) Relative employment underperformance (20%) Agricultural businesses (50%) Agricultural employment (50%) Population (67%) Land area (33%)
5. Environment protection	Land area (50%) Population (50%)
6. Housing and community amenities	Population (50%) Households (50%)
7. Health	Population (85%) Older population (15%)
8. Recreation, culture and religion	Population
9. Education (includes training) of which: education of which: training	Young population (25%) Under fives (<1%) Primary age children (2%) Secondary school age (8%) Young adults (28%) Young adults (students) (37%) Working-age population
10. Social protection	Population (25%) Relative income underperformance (10%) Unemployment numbers (2%) Older population (12%) Young population (36%) Disabled population (15%)

The allocations for education and social protection are based on the national expenditures on different components of the population. (It was not possible to establish the Cumbrian share of the North West's disabled population so the overall adult population ratio has been used).

Relative economic activity, income and employment are determined by analysing the difference from the North West average at county or metropolitan area level for economic activity and income and local authority level for employment. The underperforming areas are then weighted by their distance from the regional average and relative size.

Government departments

The expenditure by classification has been allocated to specific government departments on the following bases:

1. General public services of which: public and common services	CLG (42%) All other departments (58%)
of which: international services	FCO (28%) DfID (72%)
2. Defence	MOD
3. Public order and safety	Home Office (22%) MoJ (72%) Law Officers' Departments (6%)
4. Economic affairs of which: enterprise and economic development of which: science and technology of which: employment policies	BERR DIUS BERR (50%) DWP (50%)
of which: agriculture, fisheries and forestry of which: transport	Defra DfT
5. Environment protection	Defra
6. Housing and community amenities	CLG
7. Health	DH
8. Recreation, culture and religion	DCMS
9. Education (includes training) of which: education	DCSF (75%) DIUS (25%)
of which: training	DIUS
10. Social protection	DWP

CLG has been allocated 42% of the general public services expenses based on the share of local government expenditure that would be expected to be due to Cumbria on a population basis. The remaining general public services expenditure has been allocated between the other government departments in proportion to their overall national expenditure. The DfID and FCO split for international activities is based on their ratio of aggregate expenditure. The public order and safety allocations between the Home Office, Ministry of Justice and the Law Officers' Departments are based on their overall expenditure levels. The other allocations are based solely on judgements.

NDPBs

A total of 104 executive non-departmental public bodies is included in the analysis. The list has been drawn up from the Cabinet Office publication *Public Bodies 2007* and the individual financial accounts of the NDPBs.

Executive non-departmental public bodies	COFOG	Est Value	Allocation
Nuclear Decommissioning Agency	Economic affairs	£1,800mn	from accounts
Learning and Skills Council	Education	£110mn	employment
UK Atomic Energy Authority	Economic affairs	£92mn	nuclear
Higher Education Funding Council for England	Education	£58mn	student age
Environment Agency	Environmental protection	£55mn	area
Housing Corporation	Housing and community amenities	£22,600,000	households
Natural Environment Research Council	Environmental protection	£19mn	area
Natural England	Environmental protection	£13,400,000	area
Civil Nuclear Police Authority	Public order and safety	£11mn	nuclear
Lake District National Park Authority	Environmental protection	£10,400,000	total
Training and Development Agency for Schools	Education	£6,900,000	school age
English Partnerships	Housing and community amenities	£6,250,000	households
Medical Research Council	Health	£5,400,000	population
Engineering and Physical Sciences Research Council	Economic affairs	£4,900,000	economy
Serious Organised Crime Agency	Public order and safety	£4,100,000	population
Youth Justice Board for England and Wales	Public order and safety	£4,100,000	student age
Big Lottery Fund	Housing and community amenities	£3,800,000	population

Independent Living Funds	Social protection	£3,600,000	elderly
Biotechnology and Biological Sciences Research Council	Economic affairs	£2,900,000	economy
Construction Industry Training Board	Economic affairs	£2,600,000	construction
Particle Physics and Astronomy Research Council	Economic affairs	£2,500,000	economy
Health Protection Agency	Health	£2,400,000	population
Health and Safety Executive	Health	£2,300,000	employment
English Heritage (Historic Buildings and Monuments Commission for England)	Housing and community amenities	£1,900,000	households
British Transport Police Authority	Public order and safety	£1,900,000	population
Commission for Social Care Inspection	Social protection	£1,900,000	elderly
Arts Council England	Recreation, culture and religion	£1,500,000	population
Criminal Injuries Compensation Authority	Public order and safety	£1,500,000	population
Sport England	Recreation, culture and religion	£1,400,000	population
Qualifications and Curriculum Authority	Education	£1,200,000	student age
Economic and Social Research Council	Economic affairs	£1,200,000	economy
General Social Care Council	Social protection	£1,100,000	elderly
Council for Central Laboratory of Research Councils	Economic affairs	£1,100,000	economy
Legal Services Commission	Public order and safety	£1mn	population
Horserace Betting Levy Board	Economic affairs	£1mn	income
Children and Family Court Advisory and Support Service	Social protection	£1mn	school age
Arts and Humanities Research Council	Economic affairs	£960,000	population
National College for School Leadership	Education	£900,000	school age
Healthcare Commission (Commission for Healthcare Audit and Inspection)	Health	£770,000	population
Student Loans Company	Education	£630,000	student age
Sea Fish Industry Authority	Economic affairs	£610,000	area
UK Film Council	Recreation, culture and religion	£570,000	population

Museums, Libraries and Archives Council	Recreation, culture and religion	£500,000	population
Advisory, Conciliation and Arbitration Service	General public services	£500,000	employment
Home Grown Cereals Authority	Economic affairs	£490,000	agriculture
Joint Nature Conservation Committee	Environmental protection	£470,000	area
Commission for Rural Communities	Housing and community amenities	£400,000	agriculture
Food from Britain	Economic affairs	£380,000	agriculture
UK Sport	Recreation, culture and religion	£370,000	population
The Pensions Regulator	General public services	£370,000	elderly
Capacitybuilders	Housing and community amenities	£330,000	population
British Educational Communications and Technology Agency	Education	£320,000	school age
Coal Authority	Economic affairs	£310,000	economy
Independent Police Complaints Commission	Public order and safety	£300,000	population
British Potato Council	Economic affairs	£280,000	agriculture
Horticulture Development Council	Economic affairs	£270,000	agriculture
Engineering Construction Industry Training Board	Economic affairs	£260,000	manufacturing
Disability Rights Commission	Social protection	£260,000	elderly
Commission for Patient and Public Involvement in Health	Health	£260,000	population
Milk Development Council	Economic affairs	£250,000	agriculture
Adult Learning Inspectorate	Education	£240,000	population
Meat and Livestock Commission	Economic affairs	£240,000	agriculture
Security Industry Authority	Public order and safety	£240,000	population
National Endowment for Science, Technology and the Arts	Economic affairs	£200,000	population
National Biological Standards Board	Economic affairs	£170,000	population
Competition Commission	Economic affairs	£160,000	economy
Monitor – Independent Regulator of NHS Foundation Trusts	Health	£140,000	population
Commission for Architecture and the Built Environment	Housing and community amenities	£130,000	households

Gangmasters Licensing Authority	Economic affairs	£130,000	agriculture
Gambling Commission	Economic affairs	£120,000	economy
National Lottery Commission	Economic affairs	£110,000	population
Standards Board for England	General public services	£92,000	population
Equal Opportunities Commission	Social protection	£90,000	population
Gas and Electricity Consumer Council (Energy Watch)	Economic affairs	£90,000	economy
Judicial Appointments Commission	Public order and safety	£78,000	population
Criminal Cases Review Commission	Public order and safety	£73,000	population
Public Lending Right	Housing and community amenities	£72,000	population
Parole Board	Public order and safety	£72,000	population
Investors in People UK	Economic affairs	£70,000	employment
Human Fertilisation and Embryology Authority	Health	£69,000	population
School Food Trust	Education	£67,000	school age
Design Council	Economic affairs	£60,000	economy
Churches Conservation Trust	Housing and community amenities	£58,000	population
Consumer Council for Water	Economic affairs	£57,000	population
Information Commissioner's Office	General public services	£54,000	population
National Heritage Memorial Fund	Housing and community amenities	£54,000	population
National Consumer Council x 3	Economic affairs	£50,000	economy
Passenger Focus (Rail Passengers Council)	Economic affairs	£39,000	population
Appointments Commission	Health	£33,000	population
The Pensions Advisory Service	Social protection	£31,000	elderly
Independent Housing Ombudsman Ltd	Housing and community amenities	£30,000	households
Competition Service	Economic affairs	£30,000	economy
Human Tissue Authority	Health	£28,000	population
Commission for the Compact	Social protection	£20,000	population
Commission for Racial Equality	Social protection	£20,000	ethnic
Firebuy	Public order and safety	£20,000	population

Football Licensing Authority	Recreation, culture and religion	£12,000	population
LEASE (The Leasehold Advisory Service)	Housing and community amenities	£10,000	households
Hearing Aid Council	Health	£10,000	elderly
SITPRO Ltd	Economic affairs	£8,000	economy
Alcohol Education and Research Council	Health	£6,800	population
Office for Fair Access	General public services	£4,000	population
Office of the Immigration Services Commissioner	Public order and safety	£4,000	ethnic
British Hallmarking Council	Economic affairs	£600	economy

Allocations

The means for allocating the NDPB expenditures are Cumbria's share of each of the following for England:

population	population
area	land area
employment	total employment
agriculture	agricultural employment
economy	total economic activity
ethnic	ethnic population
households	total households
income	total household income
school age	population aged 5 to 18
student age	population aged 15 to 24
construction	construction employment
manufacturing	manufacturing employment
elderly	population over 65
nuclear	nuclear facilities (UK)

For strategic partnership expenditure, the estimated aggregate social protection expenditure has been allocated 80:20 between Health & Well-Being (representing older people and adult benefits) and Children & Young People. Economic affairs (excluding the Nuclear Decommissioning Agency) has been split 55:45 between Cumbria Vision and Planning, Housing & Transport (reflecting the estimated share of transport expenditure in economic affairs). Finally, housing and community amenities expenditure has been evenly split between Planning, Housing & Transport and Stronger & Safer Communities.

District council administrative costs

As discussed, some comparative administrative costs of district councils have been analysed because the data is readily available. They provide an illustration of the improvement opportunities which might be available in other public services where comparative data is not so readily to hand.

The table below shows for the six district councils their expenditure per head, their expenditure on general public services and on the corporate and democratic core, and these costs per head and as a share of total expenditure.

	Total Expenditure	General Public Services	General Public Services	Gross C&DC	Gross C&DC	Net C&DC	Net C&DC
	per head	per head	share	per head	share	per head	share
Allerdale	£1,133	£138	12%	£45	3.9%	£27	2.4%
Barrow-in-Furness	£1,127	£131	12%	£23	2.1%	£18	1.6%
Carlisle	£1,308	£57	4%	£33	2.5%	£31	2.4%
Copeland	£1,344	£135	10%	£45	3.4%	£33	2.4%
Eden	£1,158	£103	9%	£46	3.9%	£39	3.4%
South Lakeland	£1,381	£96	7%	£27	2.0%	£27	1.9%
TOTAL	£1,253	£107	9%	£36	2.8%	£29	2.3%

Indicative calculations have been made of the potential savings if all six district councils performed at the level of the least costly per head in these expenditures. (For more detailed analysis, a useful starting point is the CIPFA benchmarking surveys which allow participating councils to compare their performance to others.) If all six provided general public services at the same cost per head as the least costly of them (Carlisle), there would be savings of £25m per annum. If all six provided corporate and democratic core services at the same cost per head as the least costly of them (Barrow-in-Furness), there would be savings of £5m per annum. There may of course be very good reasons why only a part of this total saving could be made. But grasping only 10% of it would be worth £3m a year.

Income Tax

Income taxation information was available from HMRC reports at county level. The other taxation data was taken at a national level from the Government's Blue Book accounts and allocated to Cumbria on the following criteria:

Income Tax	HMRC Data
National Insurance	based on income tax share
Corporation Tax	based on economic activity
Other Product Taxes	based on consumption
Value Added Tax	based on consumption (split 50-50 between businesses and consumers)
Motor Excise Tax	based on population
Other Taxes	based on population or economic activity

Appendix 2: Acknowledgements

The following organisations paid for *Calling Cumbria* and *Counting Cumbria*:

- Leadership Centre for Local Government
- Public Service Leaders Alliance
- Cumbria Improvement and Efficiency Partnership
- Cumbria County Council
- Local Government Association
- Improvement and Development Agency
- Government Office for the North West
- Lake District National Park Authority

Steering Group

Stephen Taylor, Leadership Centre for Local Government (chair)

Sue Stevenson, Cumbria Strategic Partnership

Lynne Wardle, Calling Cumbria

Diane Neale, Calling Cumbria

Corin Thomson then Stephen Jones, Local Government Association

Rachel Litherland then Julia Bennett, Improvement and Development Agency

PwC

Andy Ford, partner

Steve Beet, partner

Charles Tarvin, project manager

James Pratt, technical adviser

Special thanks to Henry Peterson, Local Government Association.

