

# Estimates of central and local government expenditure on the VCS

OTS has published two reports showing estimates of central government and local government spending on the voluntary and community sector in the UK.

These reports are:

Estimates of Central Government Expenditure on Voluntary and Community Organisations, 2002/03 to 2003/04

Estimates of Local Government Expenditure on Voluntary and Community Organisations, 2000/01 to 2003/04 (with separate Technical Appendix)

These estimates are based on responses to surveys of central and local government departments. Because these departments do not generally systematically record their spending on the sector, and because there is an element of estimation to compensate for non-responding local authorities, the figures reported are not precise amounts, but they are the best available estimates of government expenditure on the sector.

## Key findings:

- For 2003/04, central government spending on the voluntary and community sector in **the UK** was estimated to be £4.9bn in cash terms for that year, and local government spending was estimated at £4.3bn. The total for both central and local government spending rounds up to £9.3 bn.
- The central government figure of £4.9bn includes spending on Housing Associations. When we exclude these, central government spending on the voluntary and community sector in 2003/04 was £2.8bn.
- The amounts spent by both central and local government on the sector have increased substantially in recent years, as well as over the longer term (20 years).
- In addition to the overall increase in central and local government funding to the sector, these latest figures indicate a greater proportion of total funding beginning to come through local government.

## Trends in Local Government expenditure

- There has been a substantial increase in UK local government spending on voluntary and community organisations between 2001-02 and 2003-04.

- During this period, estimates of expenditure went up from £2.6 billion to £4.2 billion (both at 2002 prices), an increase of 62% in real terms.
- Local government expenditure on the voluntary and community sector increased in all four years, from 2000-01 to 2003-04, but for methodological reasons these results focus on change over the last three years of this period only.
- Since 1984-85, local government spending on the voluntary and community sector is estimated to have risen five-fold.

## Trends in Central Government expenditure

- Central government spending on the voluntary and community sector increased substantially (by 16 per cent in real terms) between 2001-02 and 2002-03, and again (by 12 per cent) in 2003-04. This includes spending on housing associations.
- Looking only at voluntary and community organisations which are not housing associations, expenditure increased in real terms by 16 per cent between 2001-02 and 2002-03, but declined by 2 per cent between 2002-03 and 2003-04.
- Given the difficulties of making accurate estimates from this kind of survey, this decline is very small in magnitude and, on the basis of one-year alone, it is more likely to suggest there has been a pause in the big increases observed in recent years, rather than a fall.
- Despite this pause, non-housing association spending remains at a historic high. In real terms, it has increased steadily, to well over twice the level in 1997-98.
- Housing association funding, the largest single component of central government spending on voluntary and community organisations, grew considerably in both years.
- Central government spending on voluntary and community organisations (including housing associations) has increased by more than three quarters in real terms since its lowest recorded level in 1998-99.

### What do these estimates cover?

- Central government figures cover spending by central government departments, their agencies and NDPBs. It does not include the NHS (except Scotland), nor European or lottery money. Central government spend includes Housing Associations (the single largest component of all central government spending on the VCS – 45% in 2003-04).
- Local government spending does not include any local authority sponsored funding of housing associations, nor does it include rate relief. It does include all grants, fees, Service Level Agreements, and contract payments.
- These estimates attempt to measure important parts of, but not all, statutory **expenditure** on all non-profit-making organisations. In comparison, the NCVO Almanac attempts to measure all statutory **income** received by 'general charities' (a subset of registered charities). These two sources give different measures based on different entities, and so would not be expected to match.