



Estimates of Local Government Expenditure on Voluntary and Community Organisations, 2000/01 to 2003/04 – Technical Appendix



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1 Introduction

The main report presents estimates of local government expenditure on the voluntary sector, based on the results of the sixteenth to nineteenth surveys of councils in England and Northern Ireland carried out by the Charities Aid Foundation (CAF). It also draws information from work carried out by the Wales Council for Voluntary Action (WCVA), the Wales Local Government Data Unit (LGDU) and the Scottish Council for Voluntary Organisations (SCVO). The estimates attempt to encompass all grants, fees, service-level agreements, and agency and contractual payments for the four years 2000/01 to 2003/04. Payments to housing associations for the funding of housing development are not included; data on rate relief given to voluntary, charitable and similar bodies in England and Wales are shown separately. The report itself and the CAF surveys of England and Northern Ireland were commissioned by the Home Office Research, Development and Statistics Directorate (RDS). (The main report contains a full list of all data sources, and this is repeated in the Annex to this technical appendix on page 18).

This technical appendix gives details of the history and development of the series of CAF surveys, from their inception in the early 1980s, and the way in which changes in UK local government have affected them, particularly in the last 10 years or so. It goes on to describe the way in which the surveys, and the estimates derived from them, have been produced in the past, and how the estimation methods have been improved in order to increase their reliability. Throughout the history of the survey, CAF has been aware that the estimates have suffered increasingly from problems of both declining response rates and under-reporting of important items of expenditure by respondents, so that the estimates were only a guide to local government expenditure on the voluntary sector rather than a precise measure. This was clarified during work done in a parallel study carried out for the Home Office RDS in 2005, the Recommendation 12 study.¹

As a result of that study, major changes were made to the method of estimation used in the last three years of the survey (2001/02, 2002/03 and 2003/04). This note explains the new method of estimation in detail and shows how it

increases the reliability of the estimates. However, it should be clear that, in the absence of full reporting of expenditure on voluntary and community organisations by all UK councils, the estimates should continue to be treated only as a guide (albeit an improved one) to the likely levels of local government expenditure on the voluntary sector.

1. This study was commissioned by the Home Office following Recommendation 12 of the 2002 Treasury Cross-Cutting Review of the role of the voluntary sector in providing services. Recommendation 12 stated that the 'Government should establish a unified information system for data collection and analysis of Government funding for the VCS [voluntary and community sector]'.

2 Historical background

It is important to note that the circumstances under which the surveys and estimates reported here have been produced have changed substantially since the results of the last survey were reported, covering the financial year 1997/98.

First, the survey has not been carried out for every year between 1984/85 and 2003/04; four years were omitted (1990/91, 1993/94, 1998/99 and 1999/2000). The figures for the years when no survey took place were estimated by observation of the survey estimates on either side of the missing years. However, as noted in the main report, the rise in local government spending as a whole, and particularly in social services, means that a substantial rise in spending on the voluntary sector was much more likely after 1997/98.

Second, there has been continual change in the basic structure of local councils. For most of the 20th century, councils and their geographical areas remained relatively stable, if rather haphazard in pattern, until the reforms of 1965 and 1972 imposed a more uniform pattern, amalgamated a number of very small councils into larger ones (on the grounds of economies of scale), and rationalised the boundaries of counties, boroughs and districts. In general, the geographical pattern of those boundaries has remained to the present day. However, there have been significant changes in administrative responsibilities since then. During the 1980s, the metropolitan counties such as Greater Manchester, the Greater London Council and the Inner London Education Authority were abolished. In the 1990s, more radical changes took place. Scotland and Wales changed from two-tier (region/district in Scotland and county/district in Wales) to a single-tier pattern of 32 and 22 unitary councils respectively. Subsequently, responsibility for their funding passed to the devolved Scottish Executive and the National Assembly for Wales (NAW) in 1999.

In England, over 40 lower-tier non-metropolitan districts such as Nottingham, Telford and Medway gained unitary status as well in the late 1990s, making them responsible for services such as education, libraries and social services, and placing them on a par with the London boroughs and metropolitan districts. This process did not occur at a single point in time, but over several years.

The effect of the changes in the late 1990s has been to make the process of surveying councils more difficult and less consistent. Anecdotal evidence suggested that, in some cases, the administrative changes affected spending on local

voluntary organisations, e.g. in Scotland, expenditure on voluntary organisations appeared to fall following the move to single-tier, unitary councils. However, the loss of long-standing contact with the old councils and failure to respond by new ones could be the cause of the apparent fall. Altogether, these various changes mean that the estimates for the mid to late 1990s could be less reliable.

The third major difference from the previous surveys is that those for 2000/01 to 2003/04 were carried out under Home Office auspices. Hence it was hoped that the survey would carry more authority with councils than hitherto, and enable us to set a new standard and revise the methodology of the survey after two decades. The counterpoint of this is, however, that comparisons with earlier data may prove less valid.

The fourth major difference between the current surveys and previous ones is that we are now able to draw on extended case studies of the precise ways in which the respondents in council departments collect and collate their figures. These extended studies were undertaken principally as part of the Recommendation 12 study (see above). The Home Office commissioned CAF to do this research into the development of a method for collecting standardised annual information on all forms of statutory funding of the voluntary sector. This work is referred to simply as Recommendation 12 throughout.

During the years covered by these estimates, services to children and families were classified as 'personal social services', and treated in all published data series as social services rather than education. This report follows that convention. All departmental names and responsibilities are those in use and current during the collection and analysis of the data, 2002 to 2005, so the report refers to the Office of the Deputy Prime Minister (ODPM) rather than Communities and Local Government (CLG), and so on.

3 Survey methods

Information has been collected by the CAF on the funding of voluntary organisations, broadly defined, by local councils for the years 1982/83 to 1997/98, with some years omitted; the Home Office has taken over sponsorship of this research from 2000/01 onwards and has continued to commission the CAF to carry out this work. In all years, the CAF survey has relied on a paper questionnaire sent to a named respondent in each council; the list of names was updated annually with the name of the signatory on the last returned questionnaire. Where no name was recorded, the questionnaire was sent to the council's chief executive. Hence, the contact list is a mixture of the previous year's respondents and current chief executives.

The questionnaire requested a break-down of figures for a) grants, b) fees/contracts, etc. and c) the total paid to voluntary bodies. Detail was requested for expenditure under eight broad headings which approximated to councils' traditional departmental divisions (housing, social services, education, etc.), plus the overall single total paid.

The survey concentrates on financial support alone and does not attempt to record support in kind, or any other support apart from financial expenditure. Very few councils were able to indicate the monetary value of, for example, staff secondments; where such figures were provided, they were included in the 'grants' total.

The definition of organisations to be included as recipients has always been an all-inclusive one, i.e. all non-profit-distributing bodies: charitable and voluntary organisations, community organisations, informal bodies, newly established community development agencies and social enterprise bodies, and those that are not closely associated with the state.

However, funding for housing associations is not included because, in the past, councils had not been able to report this kind of spending consistently; this is not consistent with the survey of central government departments' spending, which includes expenditure on housing associations by government departments and agencies. Similarly, it does not include any payments to 'foundation' schools (the former grant-maintained schools) or other voluntary-aided schools which are administered by the local education authority (LEA) councils.

4 England, Wales, Scotland and Northern Ireland

Prior to 1996, the CAF survey covered all councils in the UK, including those in Wales and Scotland; subsequently, the surveys in Wales and Scotland were carried out by the WCVA and the SCVO, and the all-UK estimates were produced using published Scottish and Welsh material. For some years, therefore, the CAF survey has been limited to the English and Northern Ireland councils, plus various boards and trusts in Northern Ireland, which had been identified with the assistance of the Northern Ireland Council for Voluntary Action (NICVA) in 1995. Prior to that date, the Northern Ireland survey had been limited to the district councils only.

In 2000/01, contact with the WCVA and SCVO established that they were not able to continue with their own surveys. Hence, the only way of producing an estimate of Scottish and Welsh local councils' spending on the voluntary sector was to rely on past survey figures up-rated to allow for inflation and economic growth in order to produce estimates for 2000/01 and thereby maintain the series for the UK. These up-rated figures were believed to be a reasonable approximation to current Welsh and Scottish councils' spending, though by no means guaranteed to be accurate.

From 2001/02, there have been major changes and improvements in the way estimates for Wales and Scotland have been produced. A more thorough survey of Welsh councils' spending on the voluntary sector was commissioned by the NAW. This was carried out by the LGDU Wales for the financial years 2001/02 and 2003/04 (there was no survey for 2002/03 and Wales' figures for that year were estimated by applying the gross domestic product (GDP) deflator to 2003/04 figures in order to maintain the series). These figures are incorporated in the UK estimates reported here.

As noted in the main report, the unitary councils in Wales register a major increase; in constant (2002) terms, spending by councils in Wales rose from only £37 million in 2000/01, to £70 million in 2001/02, and £122 million in 2003/04. This represents an increase of 230%, which suggests that their spending on voluntary and community organisations was seriously understated by the old survey method, when compared with the more rigorous methods now used by the LGDU in Wales.

In Scotland, the SCVO has produced a more up-to-date estimate for local government funding of the voluntary sector, which uses a very different method. The Scottish figures for 2001/02, 2002/03 and 2003/04 are based on a panel study of

a representative group of organisations and an analysis of their sources of income, rather than a direct survey of Scottish councils. These SCVO figures are incorporated in the UK estimates presented in the main report.

As a result of these changes in methods in Scotland, the estimates for Scottish councils' spending on the voluntary sector also rose dramatically. As noted in the main report, the Scottish figures rose from £155 million in 2000/01, to £214 million in 2001/02, £677 million in 2002/03 and £687 million in 2003/04 in real (2002) terms. These figures represent an increase of 343% in real terms and, like the Wales figures, suggest that there has been significant under-reporting of this kind of expenditure in the past.

This might seem to be an unrealistically large change in the level of expenditure. However, the Scottish figures for social work departments' spending on voluntary organisations (obtained as part of the Recommendation 12 study, and referred to in the main report, page 8) show that previous data understated the Scottish councils' expenditure seriously: these departments alone spent over **£330 million** in 2003/04; thus, their original overall estimates (i.e. including all departments) of £147 million in 2000/01 and £208 million in 2001/02 are likely to have been serious underestimates. The Scottish social work departments' spending on voluntary organisations figures are drawn from the official financial return from the Scottish social work departments to the Scottish Executive, which now specifies collection of data on all spending on voluntary bodies. Scottish education and other departments might be expected to spend at least as much again, making a rough prediction of at least £660 million for Scotland, compared with the SCVO's panel study estimate of £707 million for 2003/04, and hence the SCVO figures, and the increases demonstrated by them, should be treated as reliable. Both the Scottish and Welsh figures support the conclusion that their English counterparts' figures have also been heavily under-reported.

Unlike Wales and Scotland, the methods used to compute the Northern Ireland local expenditure have not changed in recent years. The estimates are based on the CAF survey of the 26 Northern Ireland districts, supplemented by figures for the Northern Ireland education and library boards, and the Northern Ireland health and social services boards and trusts. The responsibilities of the various bodies in Northern Ireland are not simple equivalents of their English, Welsh and Scottish

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counterparts. Generally speaking, the districts support local community organisations, recreation/leisure organisations, and economic and social development projects. The estimates for the 26 district councils as a group appear to have varied substantially in real (2002) terms, moving from about £16 million in 2000/01, to £22 million in 2001/02, £9 million in 2002/03 and £17 million in 2003/04, without any clear trend. This variation may be because they are produced by the traditional estimation method of averaging responses and 'grossing up', during a period of declining and patchy response rates.

The education and library boards support local youth organisations and pre-school provision. The education and library board figures show expenditure rising from about £4 million in 2000/01 to £9 million in 2003/04.

The health and social services boards and trusts are responsible for both personal social services and health, namely for services that would be funded and commissioned by both council social services departments and by local health authorities in Britain.

There is evidence to suggest that the health and social services boards' and trusts' figures may not be fully accurate. They reported expenditure of £182 million on voluntary services purchased in 2000/01 and £205 million in 2001/02. These totals include both grants and purchase of health and social care services, and particularly adult residential and nursing home care. If this expenditure were divided between health and social services in roughly the same proportions as in 1995, when separate figures were available (41% health, 59% social services), then the boards and trusts would have spent **£107 million** on voluntary bodies equivalent to their English counterparts in 2000/01 and **£121 million** in 2001/02, and **therefore these are the figures included in these estimates**. In 2002/03 and 2003/04, the Northern Ireland Department of Health, Social Services and Public Safety (DHSSPS) was unable to provide any data, so the estimates for these two years (£125 million and £128 million respectively) were produced by applying the GDP deflator to the 2001/02 figures. This means that these figures are probably only an approximation; they are included primarily to ensure that there is no artificial dip in the totals and to give an idea of the level of spending in Northern Ireland.

Even so, compared with similar social services elements in England and Wales, the estimates for the Northern Ireland boards' and trusts' expenditure on voluntary and community organisations seem rather high. However, it is possible that their figures may also include some payments to private (profit-making) providers. Without access to detailed schedules of payments, it is not possible to verify these figures; nevertheless, these are as reported by the Northern Ireland DHSSPS in 2000/01 and 2001/02.

5 Changes made to the questionnaire for the CAF surveys in England and Northern Ireland

A number of changes were made to the questionnaire for 2000/01 and subsequent surveys. The most obvious and important change was to announce the move to Home Office sponsorship. This was expected to improve both the rate of response and the accuracy and detail of the returns. Second, the design of the form was changed. The eight broad headings that approximated to councils' traditional departmental divisions (housing, social services, education, etc.) were replaced by the headings used by the ODPM (now CLG) for general financial reporting on local government expenditure. These are slightly more numerous than the former headings; they were adopted with the principal aim of prompting local government respondents to classify spending on voluntary organisations under the same headings as normal financial reporting. Furthermore, the use of the ODPM categories would permit reporting on the same terms as the main survey of central government spending on voluntary and community organisations, at the possible cost of making the form more complex.

The third change was to ask respondents to note not only funding in the form of grants and fees/contracts but also grants paid from special funds that councils receive. In earlier years, the social services section of the questionnaire had sub-sections for special kinds of spending, such as the former Joint Finance and Special Transitional Grant (STG) payments (both no longer in operation). However, these yielded patchy and unsatisfactory information, because most respondents cannot separate this kind of money from their main budget spending; such figures, as were returned, were integrated with the general social services totals rather than presented separately. The aim of reintroducing this category of spending in 2000/01 was to ensure the inclusion of special funding money (principally European funding and Single Regeneration Budget (SRB) money) going to the voluntary sector via local councils. However, in practice, the responses under the 'special grants' heading were sparse, inconsistent and without any apparent pattern. Moreover, the Recommendation 12 work established that data on special grants might incorporate double counting. The central government survey already receives returns on centrally distributed special funds, whereas any money given to councils themselves (e.g. General Sure Start Grant) and paid to voluntary organisations can only be accounted for and reported as council revenue spending. Therefore, the request for separate figures on payments from special funds was discarded in the 2003/04 survey.

6 Non-response and the traditional method of estimation

The survey has never succeeded in obtaining a 100% response from local councils; consequently, various methods have been used to estimate the total spent by all UK councils. In past years, the method used for estimation was a very simple one (henceforth referred to as the 'old method'). Aggregate estimates for councils' spending on the voluntary sector were produced by calculating the simple average for each heading (Housing: Grants, Housing: Fees, etc.) for all councils responding from each type of council (London borough, county council, etc.), then multiplying that average by the total number of councils in the group. Estimates for the inner and outer London boroughs were calculated separately; similarly, the six largest metropolitan cities (Birmingham, Manchester, Leeds, etc.) and the boroughs around them (St Helens, Wolverhampton, Rochdale, etc.) were treated as two groups. This improved the homogeneity of the various different groups of councils, and hence improved the reliability of the aggregated estimates slightly. However, this remained a fairly coarse method of estimating the totals.

Over the years, it had been established that the survey tended to underestimate social services and education departments' fees and contractual arrangements with voluntary bodies. Telephone contact with central finance departments' accountants demonstrated that many were not counting certain fees paid by these two departments: principally capitation fees for services and many contracts. These are exactly the kind of payments that represent voluntary involvement in major service provision. Since the 1992/93 surveys, it has been assumed that where no figures were given for fees, this was likely to be an omission rather than a lack of any payments in this category. Therefore, average estimates for education and social services fees were generated from the positive responses alone and zero responses were ignored.

Until the 1993/94 survey, we were able to check the validity of this method by comparing our estimate with figures for social services departments' spending on the voluntary sector, collected by the Department of Health. This comparison suggested that our method produced an estimated total of fees which was reasonably close to the actual out-turn; by implication, the estimate of total fees for education was probably a fair one. After 1994, the Department of Health ceased to collect separate information on social services

departments' spending on the voluntary sector, so that this cross-checking was no longer possible. The figures produced using this method were the best estimates available, though it remained a crude method in the absence of reliable figures, with the estimates for these two departments' fees based on perhaps only 30% returns.

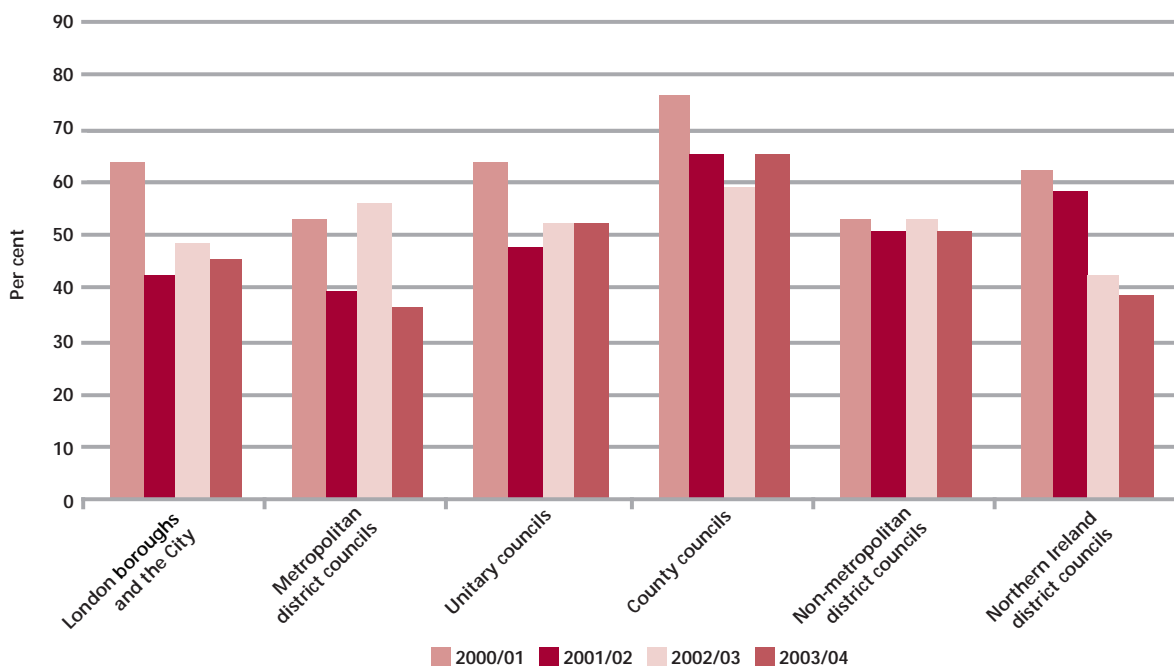
7 Response to the surveys: 2000/01 to 2003/04

Despite a substantial effort in terms of telephone and email follow-up over a four-month period for all four years of the survey, the response rates have continued to decline. The trend in response rates has been steadily downwards, from the initial peak of over 80% in 1984/85, not long after the inception of the survey. It had been hoped that Home Office sponsorship of the survey from 2000/01 might help to reverse the downward trend in response rates observed throughout the 1990s, but the decline has continued. The response rate in 2000/01 was only moderately good, at about 57% overall for England. The response rate for the 26 Northern Ireland districts was acceptable, at 62% (16 out of 26).

The response rate to the 2001/02 survey from England and Northern Ireland declined again, to about 50% overall in England; only 15 Northern Ireland districts responded (58%). In 2002/03, the England rate recovered slightly, to about 53% overall, while Northern Ireland declined again: only 11 Northern Ireland districts responded, fewer than half (42%). The decline continued in the 2003/04 survey, to about 50% overall in England, while only 10 Northern Ireland districts responded (38%) (see Table 7.1 for full details).

The reasons for this decline are two-fold: first, there is no statutory responsibility to account for or report on spending on voluntary organisations, separately from other external providers (commercial firms or individuals). Second, the survey is purely optional and there is no duty to complete the Home Office/CAF survey. Contact with council officers confirms that they are asked to respond to a large number of official and semi-official surveys, while under pressure to attain government material objectives. In the case of this survey, the process is doubly problematic: it is not a question of collecting information that already exists. It requires a special exercise to collect any information on spending on the voluntary sector with any thoroughness. At the same time, in the overwhelming majority of councils, no single council officer understands all the definitional and technical accounting issues, and in many cases, the personnel who are or might be involved in this exercise change in the course of the years, so that there is little retention of expertise on how to look for the figures.

Figure 7.1: Percentage response rates, 2000/01 to 2003/04, England and Northern Ireland



See Appendix A to main report, Table A.1 for full details.

Table 7.1: Response rates to the 2003/04, 2002/03, 2001/02 and 2000/01 surveys, by type of council

	Number responding 2003/04	Response rate (%) 2003/04	Number responding 2002/03	Response rate (%) 2002/03	Number responding 2001/02	Response rate (%) 2001/02	Number responding 2000/01	Response rate (%) 2000/01	Total number of councils
England									
London boroughs and the City Metropolitan district councils	15	45.5	16	48.5	14	42.4	21	63.6	33
Unitary councils	13	36.1	20	55.6	14	38.9	19	52.8	36
County councils	24	52.2	24	52.2	22	47.8	29	63.0	46
Non-metropolitan district councils	22	64.7	20	58.8	22	64.7	26	76.5	34
England councils total	120	50.4	125	52.5	120	50.4	125	52.5	238
England – social services and education authorities	194	50.1	205	53.0	192	49.6	220	56.7	387
(Wales: unitary councils)	74	49.3	80	53.3	72	48.0	95	63.3	149
(Scotland: unitary councils)²	22	100.0	(22)	100.0	22	100.0	14	63.6	22
Northern Ireland district councils	(32)		(32)		(32)		26	81.3	32
UK total	10	38.5	11	42.3	15	57.7	16	61.5	26
	258	55.2	270	57.7	261	55.3	276	61.5	467

1. Data for Wales in 2001/02 and 2003/04 are based on a more thorough survey by the LGDU Wales. There was no survey in 2002/03 – this figure was imputed from the 2003/04 data, using the GDP deflator.

2. Data for Scotland from 2001/02 onwards are based on the SCVO Panel Survey which produces an estimate for all 32 councils in Scotland.

8 New methods of improving the survey's reliability

To deal with the problem of non-response when trying to generate aggregate estimates, the Home Office requested that other methods for predicting figures for non-respondents be explored, and commissioned some modelling research from the Centre for Urban Regeneration and Development Studies (CURDS), under the direction of Professor Mike Coombes. This research built on previous research carried out by CURDS, which involved using models for the characteristics of local areas. The CURDS model derived the value of the payments of the non-respondent councils from the payment figures of the set of respondents, by matching them according to characteristics such as the existing total revenue expenditure of the councils, population in age groups, measures of deprivation and indices of urbanisation.

In addition to this modelling by CURDS, the Home Office commissioned some intensive qualitative work aimed at validating the accuracy of the actual figures reported in the surveys. This involved two approaches. First, there was a number of follow-up telephone interviews with councils' respondents to discuss what had been included in the paper return. Second, a small number of more detailed council case studies were carried out, involving senior accountants/managers/commissioners from individual departments.

These contacts were repeated and extended on a larger sample as part of the Recommendation 12 work, exploring the standardisation of approaches to measurement. The results confirmed the long-standing impression from contact with council officers that the survey suffered from problems which went well beyond simple non-response. The extended contact with a large number of councils confirmed that there was widespread and significant under-reporting of payments to voluntary organisations, principally among the 149 social services and education authorities. Work with the staff of a large, northern city council, for example, suggested that actual payments were likely to have totalled over £47 million in 2001/02, rather than the initial survey return figure of approximately £16 million. This constitutes under-counting by a factor of about three, arising from a serious degree of omission. (This confirmed the more anecdotal knowledge built up over the previous 15 years of operating the survey.)

The Recommendation 12 research identified that education and social services departments were responsible for the greatest under-reporting of payments: for example, while most of the existing survey returns recorded between

£1 million and £15 million for social services spending, the evidence suggested that the real sums should be in the range £10 million to £50 million, depending on the size of population. While social services accountants could identify payments to voluntary bodies in the form of grants, most could not identify contracted services from outside providers with any reliability, principally because outside providers are not identified by status (profit/non-profit making). Hence, for the most part, this under-reporting is with regard to the provision of important services by voluntary organisations, such as the residential care of adults and old people, community care, education of children with special needs and pre-school education, most of which is commissioned by contract mechanisms. Further, it means that many of the figures reported on the actual survey returns should be treated with caution, and that a true set of financial returns might involve a major revision of reported figures upwards. This confirmed that there were problems with the estimates which went well beyond the issue of non-response which the CURDS modelling exercise sought to resolve. For these reasons, the CURDS approach was not pursued.

9 The new estimation method

The results of the studies carried out for the Recommendation 12 research showed that the CURDS model could not provide adequate estimates for the total spent. Instead, this report has used a new method of estimation for English councils, which takes into account the knowledge gained from the extended case studies done as part of the Recommendation 12 work; the validity of the new method is discussed later in this section. This was seen as absolutely essential if the figures were to be of value in assessing progress in increasing the level of voluntary provision in local government services.

The new estimation process involves comparing and combining actual survey responses with figures for each council's expenditure on the principal services, drawn from councils' statutory returns to the Department for Education and Skills (DfES), Department of Health and ODPM (CLG). The new method was used for calculating the estimates for 2001/02, 2002/03 and 2003/04 in the main report.

The new method has four entirely separate strands for establishing figures for spending on the voluntary sector: three refer to spending by **education, social services** and **all other** council departments operated by the 149 English upper-tier and unitary councils only. The fourth strand provides an estimate for spending by **all departments operated by the 238 non-metropolitan district councils**, which are not responsible for social services and education.

1 Estimating the 149 English social services departments' expenditure on voluntary organisations

The estimate of personal social services spending on the voluntary sector is calculated from official data on each council's social services spending, published by the Department of Health. The calculation uses information on councils' commissioning of services from outside organisations from 12 English case study councils. These 12 could provide accurate figures for the percentage of commissioning outside the council going to voluntary sector organisations (median of the 12 = 14%). The 12 councils were not selected as a sample, but were the ones out of a larger group of over 20 chosen by approximate geographical spread for the Recommendation 12 study.

Councils with social services responsibility (CSSRs) are required to make detailed annual social services expenditure and unit cost returns to the Department of Health on form PSS EX1.

Column F of this form provides a break-down of the costs of provision for the principal sub-categories of social services' clients by 'others' (non-council service providers). This will include payments made to non-council statutory bodies, private companies and voluntary organisations.

Most of the 149 council social services departments cannot separate voluntary provision from other forms of provision (commercial, other statutory or individuals) in Column F. Evidence from the 12 case studies' social services departments which could do so is shown in Table 9.1 below.

Spending on the voluntary sector by these 12 English social services departments, which could identify this kind of spending separately, ranged from just over 9% of Column F ('provision by others') to almost 40%. The median value of spending on the voluntary sector by the 12 was about 14% of Column F. This percentage was used to calculate an estimate of spending on the voluntary sector for each of the 149 personal social services councils for 2001/02, 2002/03 and 2003/04. For each council, 14% of the PSS EX1 Column F total of personal social services spending on 'provision by others' was calculated.

This generates 149 estimates for each of the three years; these were compared with the actual survey returns for social services, in order to establish how many had provided figures for social services' spending which was equivalent to at least 9% of Column F. Altogether, 49 of the 226 responses from councils over the 3 years met this criterion, including the 12 case study figures (that is, 21.7% or nearly a fifth). The 49 responses were from 34 individual councils (23% of 149); some responded only once in 3 years, others twice and some in all 3 years. These 49 respondents had provided figures on social services departments' spending on the voluntary sector which ranged from 9.0% to 39.4% of their Column F total as reported to the Department of Health; **again, the median of all 49 was about 14%.**

There is a clear dichotomy between these 49 responses and the rest. Most of the remaining respondents produced return figures for spending on the voluntary sector which are a small percentage of the Column F figure; these, we conclude, are not identifying or cannot identify large parts of this kind of expenditure separately. Therefore, **all the survey returns for social services were discarded (except for the minority of councils that appeared to be able to produce a**

Table 9.1: Percentage of social services 'provision by others' identified as voluntary sector spending by 12 case study councils, and in Wales and Scotland

Council	Percentage of 'provision by others' (Column F) identified as voluntary sector spending	Year
County council South West	14.4	2003/04
County council South East	24.0	2002/03
County council East	10.9	2003/04
County council Yorkshire and the Humber	20.3	2003/04
County council West Midlands	26.0	2003/04
London borough 1	18.2	2002/03
London borough 2	10.3	2001/02
Metropolitan district West Midlands	13.7	2001/02
Metropolitan district North West	39.4	2001/02
Unitary council South East 1	11.3	2001/02
Unitary council South East 2	12.4	2002/03
Unitary council South East 3	9.7	2003/04
All Wales (22 unitary councils)	12.8	2003/04
All Scotland (32 unitary councils)	21.3	2003/04

realistic figure) in favour of using data based on 14% of Column F; and the 14% figure is used for all councils failing to respond to the survey at all.

This does not prove the complete validity of the 14% median as a basis for estimating because, unlike the 12 case studies, most of these 49 responses were not doubly confirmed by direct interview. However, some confidence in this result can be gained from the fact that it is in line with the aggregate figure for all Welsh councils (**official data on 22 out of 22**). The Wales proportion should be accepted as accurate (allowing for minor variation in local circumstances and interpretation of definitions) because the official return to the LGDU Wales (2003/04) specifies collection of data on payments to voluntary bodies separately from individuals and other statutory or profit-making organisations.

Similarly, the Scottish social work departments' return to the Scottish Executive specifies collection of data on payments to voluntary bodies separately from payments to individuals and other statutory or profit-making organisations (**official data on 32 out of 32**). The Scottish figure is an important comparator but should be treated separately because of the

different legal, institutional and social circumstances of the Scottish councils; thus, it has not been included in the calculation of a median for England.

In summary, the method of estimating the English councils' social services departments' expenditure on the voluntary sector is as follows:

- Calculate 14% of each individual council's total of 'provision by others' on PSS EX1 for each of the 149 councils in England.
- Identify individual respondents with under-reporting: calculate figures for social services spending on the voluntary sector from the actual survey response as a percentage of 'provision by others' on PSS EX1 and discard those that are less than 9%; substitute the 14% figure for each of the apparently under-reported responses (in practice, this means discarding the overwhelming majority of survey returns for spending on voluntary organisations by social services).
- For all individual councils failing to respond to the survey at all, substitute their calculated figures of 14% of all 'provision by others'.

2 Estimating the 149 English education departments' expenditure on voluntary organisations

Like their social services counterparts, the education departments can usually identify grants to voluntary bodies but not fees, contracts or capitation payments for activities such as under-fives' nursery provision or placing children at special schools. Most, if not all, of these services will be both voluntary and charitable. However, the Recommendation 12 research established an alternative acceptable method of identifying payments to voluntary bodies until figures can be improved.

Like the PSS EX1 return for social services, more detailed central returns are made for educational spending. Under Section 52 of the School Standards and Framework Act 1998, LEAs are required to prepare a budget statement before the beginning of each financial year. After the end of that financial year, they are required to prepare an out-turn statement (S52 Out-Turn) for the DfES.

As with the PSS returns, the information on this form is drawn from the existing ledgers (though there are differences in timing of submission). Like their social services counterparts, the problem is that LEAs are not required to differentiate these costs in terms of statutory bodies, private companies and voluntary organisations. As a result, there is no way of ascertaining an absolutely accurate figure for payments made to voluntary organisations from the S52 out-turn statement in its current format. Nevertheless, with guidance from the researchers, one outer London borough was able to use the S52 return to amend its initial survey return figure. This resulted in a revision from the reported £0.8 million for education provision by voluntary organisations in 2002/03 to £3.4 million. This was an increase by a factor of four.

Most of the items on the S52 form refer to expenditure on the councils' own services (e.g. row 56: Primary schools), or to services that might be provided commercially (e.g. row 70: School meals/milk). Payments to voluntary organisations might be expected to predominate in only a few of the budget lines on the S52 form. These are:

- 65. Private/voluntary/independent provision of education for under-fives
- 66. Independent/non-maintained schools fees

- 77. Youth service
- 78. Other community services

Further, the detail contained in the columns in each of the S52 budget lines is helpful in identifying the amount of expenditure on voluntary services. Expenditure is sub-divided into columns headed 'Teaching Staff (f)', 'Education Support Staff (g)', 'Other Employees (h)' and 'Running Expenses (i)'. The first three sub-headings cover expenditure on direct employment of staff by LEAs, meaning that, **by definition, provision by others can only occur in column (i).**

It is not possible to obtain completely accurate figures by the method suggested: these lines might include some commercial provision and therefore overestimate voluntary provision. However, its inclusion can be balanced against the likely exclusion of figures for voluntary provision in other budget lines which would not be counted on the grounds that most of their content would be statutory (e.g. Row 79: Adult and community learning).

The method of estimating education departments' expenditure on voluntary organisations is therefore as follows:

- Take the figures from each of the 149 LEA S52 out-turn statement lines 65, 66, 77 and 78, column (i) 'Running Expenses' only, to produce a single figure of probable spending on the voluntary sector for each education department.
- Compare these figures for each council with its survey response and identify those respondents with under-reporting by inspection case by case. (In practice, there is a clear dichotomy between a small number of councils with survey figures similar in size to the S52 total calculated as above, and the majority, with survey response figures that are much smaller, suggesting significant under-reporting on their part.) Then, substitute the S52 figures for apparently under-reported responses (in practice, this means discarding the overwhelming majority of survey returns for spending on voluntary organisations by education authorities).
- Substitute the S52 figures for all councils failing to respond to the survey at all.

Unlike the method used for estimating social services spending on voluntary organisations, this is not a statistical or modelled projection; Recommendation 12 established which

headings in the DfES S52 return would contain spending on the voluntary sector, and the figures for each council are drawn directly from this return. **In effect, all the survey returns for education are discarded (except for the handful of councils that appear to be able to produce a realistic figure) in favour of using data from the S52 return.**

3 Estimating all other services' expenditure on voluntary organisations by the 149 social services/education authorities in England

This is a minority of council expenditure as whole, and a minority of the amounts spent on the voluntary sector (between 20% and 13% of estimated spending on the voluntary sector between 2001/02 and 2003/04). The Recommendation 12 work established that, unlike the patchy reporting present in education and social services, expenditure on voluntary organisations by all other departments is generally well reported and should be accepted as generally reliable.

The estimate is a straightforward projection of the average proportion of the total expenditure spent on the voluntary sector by the 50% or so that responded over the three years 2001/02 to 2003/04, on to the official (ODPM) total for 'all other departments'' expenditure for each of the non-respondents. Unlike the social services and education estimates, this could be affected by skew in the respondents. However, statistical checks of validity indicate that, for each type of council, there is no skew between respondents and non-respondents in their distributions of total expenditure per head, the principal relevant characteristic (95% confidence interval).

The method uses unpublished data on all 149 councils' expenditure, kindly provided by the ODPM directly. These data do not provide the kind of detail present in the PSS EX1 and S52 out-turn returns but does enable a calculation of councils' expenditure on all services other than social services and education.

The process of calculation is as follows:

- Obtain ODPM data for each of the 149 councils' expenditure (Table 0102 RS NCE: Revenue Spending, Net Current Expenditure, 2001/02, and equivalents for successive years).

- Calculate the total for 'all other' expenditure for each council. The formula for this is:

$$\text{all other expenditure} = \text{net current expenditure (column O)} - \text{education (column C)} - \text{social services (column E)}$$

Note that the column letters may vary in successive years, though the content of the 12 main columns (education; highways, roads and transport; social services; housing services excluding housing revenue account; environmental services, and so on) does not.

- From the Home Office/CAF survey returns for each respondent council, calculate expenditure on voluntary organisations for 'all other' services, that is to say, total voluntary sector expenditure minus education and social services' expenditure on the voluntary sector.
- Calculate expenditure on voluntary organisations for 'all other' as a percentage of 'all other' expenditure of each of the respondent councils.
- Take the average of these percentages and apply it to the total out-turn figure for 'all other' from the ODPM table for each of the non-respondents.

Finally, the estimated grand total for the 149 LEA and social services councils in England is produced by adding the separate figures from each of the three strands explained above together for each council.

4 Estimating all services' expenditure on voluntary organisations by non-respondents from the 238 non-metropolitan district councils

The fourth and last part of the process applies only to the 238 non-metropolitan districts, and is less complicated, in that it is not differentiated by type of service. The Recommendation 12 work established that, unlike the problematic reporting by councils which are social services authorities and LEAs, expenditure on voluntary organisations by all departments in the non-metropolitan districts is generally well reported and should be accepted as reliable. The process is as follows:

- Calculate the total expenditure on all types of voluntary organisation for each respondent.
- Express this total as a percentage of all council expenditure for each respondent (currently column O, total service expenditure on the ODPM data sheet RS NCE for the non-metropolitan district councils).

- Calculate the mean of this percentage for all respondents.
- Apply this percentage to total service expenditure (column O) on the ODPM sheet for each of the non-responding non-metropolitan district councils.

Once again, statistical checks of validity indicate that, for each type of council, there is no skew between respondents and non-respondents in their distributions of total expenditure per head, the principal relevant characteristic (95% confidence interval). This provides the aggregate estimate for this group of councils.

Northern Ireland councils (26 districts) are not the subject of this modelling/estimating exercise. They have very limited powers and spend tiny amounts per head compared with their Great Britain counterparts. In the circumstances, the traditional method of estimating (average of total spent by respondents, times number of districts, (26)) has been accepted as adequate in the circumstances.

10 Some general comments on the new method of estimation

This suggested new method for calculating estimates moves away from the data reported directly on survey forms, and closer to figures derived from a process of mathematical estimation. However, detailed empirical work had established that the old method of relying on surveys and the falling response rate were producing figures that had become increasingly unsatisfactory. By contrast, the new method is an estimation process based on both detailed case studies and official government financial returns, so that it reflects councils' actual spending and spending in relation to population more closely.

Ideally, the new method of estimation should be extended back at least as far as 1998/99, and preferably beyond, to 1993/94. However, detailed records of education expenditure recorded on S52 returns and PSS expenditure, Column F, were readily and immediately available electronically only for the three years 2001/02, 2002/03 and 2003/04, and there were insufficient resources to mount a further data-gathering exercise beyond these years. Hence the research team was obliged to accept estimates based on the new method limited to these three years, and to make some rather bold inferences about what happened to expenditure on the voluntary and community sector in earlier years. The inferences were based on national trends in expenditure totals for all local education and PSS expenditure (not only Column F), and the grand totals of all local government expenditure, which were readily available as series from the Office for National Statistics Statbase. As the various forms of council expenditure (and particularly PSS expenditure) as a whole had risen steadily from about 1997, it was highly likely that English councils' expenditure on the voluntary sector had risen at a steady rate as well, rather than 'jumping' in 2001/02 as Figure 3.6 in the main report suggests.

Annex: Sources of data

Survey data

CAF/Home Office surveys 2003/04, 2002/03, 2001/02 and 2000/01 for all English councils.

Wales

WCVA 1996/97 survey estimate up-rated for 2000/01 using the GDP deflator. Wales 2001/02 and 2003/04: Wales LGDU surveys carried out for the National Assembly for Wales: 2001/02 Local Authority Funding of the Voluntary Sector, Version 1 (LGDU Wales website); 2003/04 Local Authority Funding of the Voluntary Sector, Version 2 (LGDU Wales website). Wales 2002/03 figures estimated using GDP deflator and 2003/04 data.

Scotland

SCVO 1996/97 survey up-rated for 2000/01; *SCVO Almanac* for estimate of local government funding of the Scottish voluntary sector, 2003/04, 2002/03 and 2001/02. The figures for Scotland from 2001/02 onwards are based not on surveys of the Scottish unitary councils but on an analysis of a panel of Scottish voluntary organisations' sources of income.

Northern Ireland

CAF/Home Office 2003/04, 2002/03, 2001/02 and 2000/01 surveys for Northern Ireland district councils' estimate; personal communication with Northern Ireland Assembly departments and agencies and Assembly Written Answers for other figures, including the following published items:

Northern Ireland – Health Boards Accounts for 2000/01 and 2001/02: Note 4.1 – Other Providers of Health Care and Personal Social Services; Northern Ireland Health and Social Services Trusts Accounts for 2000/01 and 2001/02: Note 4.1 – Purchase of Care from Non-Health and Personal Social Services Bodies and Grants to Voluntary Organisations.

Health and Social Services 2002/03 (2003/04 unavailable) – figures estimated using 2001/02 data and GDP deflator.

Previous years

CAF surveys of UK councils in successive years, for all types of council.

Local government expenditure

Tables for all English councils' expenditure by department, 2003/04, 2002/03 and 2001/02: Table RS NCE: Revenue Spending, Net Current Expenditure, unpublished, kindly provided by ODPM.

Detailed data on spending by English Councils with social services responsibility: PSS EXPENDITURE IN 2003/04 INCLUDING SSMSS COSTS ALLOCATED TO SERVICE LINES PRO-RATA (including SSMSS Sheet), from form PSS EX 1 returned to the Department of Health (DH) by all these authorities: DH website, www.dh.gov.uk (also 2002/03, 2001/02; earlier year not immediately available).

Detailed data on spending by English councils which are local education authorities: S52 Out-turn Table A, which is drawn from each LEA's Section 52 statement on expenditure returned to DfES, DfES website, www.dfes.gov.uk (2003/04, 2002/03, 2001/02).

All UK local government expenditure, historical series: Table LGFS1.5F data for Table 9.2 in *Local Government Financial Statistics*, ODPM, London; kindly provided prior to publication by Amanda Hughes, Office for National Statistics (ONS), as at September 2005.

English PSS expenditure and UK education expenditure, historical series, from ONS website, www.statistics.gov.uk/statbase/tsdintro.asp

GDP deflator

Index for conversion of expenditure data to constant prices, natpa1: National Accounts: main aggregates: index numbers, Index numbers of value, volume and implied deflators for the main aggregates of the National Accounts. Seasonally adjusted, 2002=100. Series YBGB (GDP deflator), ONS website, as at 31 August 2005.

Population figures

England and Wales

ONS Mid-Year Estimates, Table 9 Mid-2004 Population Estimates, Quinary age groups and sex for local authorities in England and Wales; estimated resident population, Census website, as at 31 August 2005.

Scotland

Table 1, Estimated population by age and sex, Scotland: 30 June 2004, General Register Office for Scotland (GROS) 04 MYPE CAHB Table 1, GROS website, as at 2 September 2005.

Northern Ireland

Table A: Resident Population Estimates Mid-2004: Quinary age groups by sex, Demography and Methodology Branch, Northern Ireland Statistics and Research Agency website, as at 2 September 2005.

National non-domestic rate relief

Successive Chartered Institute of Public Finance and Accountancy surveys, England and Wales (data kindly provided by the Institute for Public Finance).

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If you have further enquiries regarding the content of this document, please contact the Third Sector Research Team.

Telephone: 020 7944 0560

Email: thirdsector.research@communities.gsi.gov.uk

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