

The Regional Distribution of Charity Expenditure

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July 2009

The authors would like to express their thanks to the Office for National Statistics for the provision of data and expertise related to this paper.

1. Abstract

A key aim of NCVO's UK Civil Society Almanac is to map the size and scope of the activities of registered charities. Geographical analysis is often hampered by limitations with the data. The official register of charities contains only one address for each charity (the "registered address") and if this address is used to locate charitable activity the aggregated results show a concentration of charitable expenditure in major urban areas, particularly London and the South East.

This paper examines and compares two alternative methods for redistribution of regional charitable expenditure. The first method utilises the inter-departmental business register (IDBR), a large database of organisations which is hosted by the Office for National Statistics (ONS), and used across government. The IDBR includes three levels of organisational data: group level, organisation level and local unit level. Local units consist of discrete parts of organisations operating in different locations, and contain information about how many employees work in each location. By matching the official register of charities to the IDBR at the organisation level, these local units can be used to estimate how much each charity spends in each area of the UK. By aggregating and weighting these results, estimates of the total redistribution of charitable expenditure within the UK are obtained.

A classification system is then used to identify international charities within the group; the charitable activities of these organisations (but not their fundraising costs or governance expenditure) are extracted and used to estimate the amount of charitable expenditure which leaves the UK. This estimate is likely to underestimate the total international charitable expenditure as many domestic organisations also have smaller international operations.

The results of this redistribution do demonstrate a shift of expenditure from London and the South East. Out of total UK expenditure of £31.2 billion, a net redistribution of £5.7 billion is shown. London and the South East have less expenditure by this method than by using the registered offices of charities. The paper explores these results in more detail, and includes sub-regional

analysis for two areas (the North East and Cumbria, and Yorkshire and the Humber).

The second method is to use the results of the ONS Labour Force Survey. This survey is based on where people live, and shows the regional spread of employment by voluntary organisations, regardless of where their organisations are registered. This regional distribution of voluntary sector employment can be used as a proxy for the distribution of charitable activity, and as a check for the local unit-based method.

2. Introduction and background

A key question for those who study charitable activity in the UK is the geography of this activity. This includes where organisations are based, the location and scope of their activities and where their beneficiaries live and work. The base for studying this geography is accurate and reliable data on the distribution of charitable activity throughout the UK. This activity has a number of dimensions, including the sector workforce, volunteering, levels of charitable giving and organisational activity. Each dimension provides different challenges and opportunities for measuring the distribution of charitable activity; this paper focuses on using organisations and workforce to aid this measurement.

Analysing the accounts of registered charities, there are over 170,000 registered charities in England and Wales, with 145,300 of these meeting the narrower general charities definition¹. Including the 20,900 general charities in Scotland and 4,700 in Northern Ireland gives a total for the UK of 170,900 general charities (Kane et al 2009). While it might be expected that the number of charities remains constant across the country, when looking at charities per population there is considerable variation. Across the UK there are 3.5 charities per thousand adults, but this varies from 2.3 in the North East to 4.4 in the South West. These variations to some extent reflect a known

¹ The general charities definition is used in this paper and in the NCVO's Almanac series of publications. This definition takes the Charity Commission register as its base, but then excludes a number of charities that do not meet the criteria of formality, independence, non-profit distributing, self-governance, voluntarism and public benefit. Examples of charities that do not meet the general charities definition include government controlled charities, evangelical faith groups and independent schools. More information is available in the UK Civil Society Almanac 2009.

characteristic of the location of charities: there are more charities per person in rural areas than in urban areas².

However, treating each charity with equal weight ignores the significant variation in the amount of activity that each charity undertakes. One proxy for the level of activity is the expenditure of a charity, although it is important to note that not all of the activity undertaken by charities is represented in the accounts of a charity – for example while paid staff are included in expenditure, the activities of volunteers are not. However, for this exercise it is used as a useful proxy. Looking at the regional distribution of the expenditure of charities, another large skew emerges. The total expenditure of charities in the UK is £31.2 billion; out of this amount £12.9 billion (41%) is spent by charities which are registered in London. These charities make up 13% of the total number, while the adult population of London is 13% of the UK.

This skew in expenditure is largely a result of a “headquarters problem”. Charitable expenditure is assigned to a region (or local authority or any other small geographical unit) based on the registered address for this charity. While for a charity that operates across a limited area (for example a scout group or local sports facility) this address will give a good indication of where the charitable activity takes place, for a charity operating in multiple local authorities or across the country, this figure will conflate multiple locations of activity into one.

For a large, national charity providing social care services, charitable activity can take place across the whole of the UK, with activities undertaken in almost every local authority in the UK. For a true picture of the distribution of activity for this charity, each of these activity locations would need to be taken into account. In the usual approach undertaken to produce the yearly NCVO Civil Society Almanac, this activity would all be included in the charities’ “home” region. Even for small scale local charities the registered address can

² See for example Wainwright et al (2006) The UK Voluntary Sector Almanac 2006, pp47.

be misleading as charities which do not operate out of specific premises often register with the Charity Commission using the home address of a trustee, and so this will not reflect where the actual activity takes place.

It is also possible to explore the distribution of charitable activity throughout the UK by identifying the place of residence and the place of work of VCS employees, utilising data from the Labour Force Survey.

The LFS surveys an estimated 60,000 private households every quarter. By pooling data for unique individuals from four quarters, appropriate sample sizes can be found in order to produce reliable estimates of the voluntary and community sector workforce. Weighting is used within the LFS to compensate for non-response rates in certain groups and produce population estimates. All of the LFS data presented within this paper has been re-weighted using the population estimates from the 2001 Census.

To identify the employment sector of a respondent, a two-stage self-classification process is used. Respondents are first asked whether they work for 'a private firm, business or a limited company' or 'some other kind of organisation'. Those respondents who choose the second option are then asked, 'what kind of non-private organisation is it?' They are then presented with a range of options including 'charity, voluntary organisation or trust'. For the purposes of the analysis for the Almanac, responses to these questions were recoded into a sector variable and defined as 'private', 'public' or 'voluntary'.

This paper will identify and explore two alternative methods for analysing general charities redistributed expenditure.

3. Method

One possible data source which can be used to better distribute the expenditure of charities based on activity is the Inter-departmental Business Register (IDBR)³. This is a large database of organisations across the public, private and voluntary sectors held by the Office for National Statistics (ONS). The IDBR is mainly used as a sample frame for surveying organisations, and is a key part of the infrastructure used to construct the national accounts. As part of a joint project between NCVO and ONS, an extract of the IDBR was provided by ONS to NCVO and then matched with the Charity Commission register.

The IDBR includes three levels of organisational data: group level, organisation level and local unit level. Local units consist of discrete parts of organisations operating in different locations. These units use PAYE and VAT data to show how many employees are employed in each of these locations. It is these location sites that are used in this paper to map charitable activity. Coverage of organisations registered with the Charity Commission is not complete on the IDBR for a variety of reasons, but it does provide a sample of 8,861 organisations which appear on both. This sample is heavily weighted to larger organisations, so whilst it covers 6% of registered general charities it captures over half (56%) of the total expenditure of the sector. The number of organisations in the sample is shown in Table 1.

Table 1 - Sample size (England and Wales only, 2006/07, number of organisations)

Income strata	Population		Sample	
	Organisations	Expenditure (£m)	Organisations	Expenditure (£m)
Zero income	10,831	6.4	151	0.0
Under £10k	68,870	213.0	129	0.1
£10k - £100k	44,903	1,370.1	1,586	19.7

³ Office for National Statistics: <http://www.statistics.gov.uk/idbr/idbr.asp>

Income strata	Population		Sample	
	Organisations	Expenditure (£m)	Organisations	Expenditure (£m)
£100k - £1m	17,357	4,557.0	4,822	709.3
£1m - £10m	3,342	8,100.4	1,923	4,497.6
Over £10m	368	12,237.9	250	9,693.4
Total	145,671	26,484.8	8,861	14,920.1

Source: NCVO, Charity Commission, Office for National Statistics

The local units for the 8,861 matched charities were used to build up a picture of the regional activities of these charities. The 8,861 charities included 33,366 units, and while 6,857 charities only had one unit, 374 had 10 or more. The number of staff working at each local unit is used as a proxy for the charitable expenditure of the organisation. All local units are assigned to a region, and the number of employees of each matched charity in each region is then calculated. These proportions are then aggregated for the sample, and multiplied up to the population in each income stratum.

One important point to note is that the sample only covers charities in England and Wales. While the IDBR is UK-wide, it is matched to the register of charities in England and Wales. This means that for matched charities based in England and Wales it is possible to estimate how much of their expenditure is spent in Northern Ireland and Scotland; but it is not possible to estimate how much expenditure from charities based in Scotland or Northern Ireland is spent in other parts of the UK. Expenditure estimates for Scotland and Northern Ireland are therefore likely to be slight overestimates of charitable expenditure in these countries compared to the rest of the UK, as expenditure from other countries is included, but expenditure going to the rest of the UK is not subtracted.

The exercise also included an estimate of expenditure spent outside the UK. In order to do this, the proportion of regional expenditure spent by international charities was calculated, and removed from the total for each region. Only charitable expenditure was included (as it would be expected that expenditure on fundraising and governance will be spent in the UK), and international charities were selected using the International Classification of Non-profit Organisations (ICNPO) category 9100. Figures for international

expenditure were not available for Scotland and Northern Ireland, so were estimated based on an average proportion of regional expenditure for international charities in England and Wales (excluding London and the South East as the large international charities based there are not representative of the UK as a whole). The proportion of charitable expenditure assigned to overseas areas is shown in Table 2.

Table 2 - Proportion of charitable expenditure assigned to countries outside the UK

Region / Country	International Expenditure
North East	1.9%
North West	2.1%
Yorkshire and the Humber	1.0%
East Midlands	1.9%
West Midlands	5.6%
East of England	2.0%
London	8.4%
South East	13.2%
South West	1.1%
England	6.7%
Wales	0.7%
Scotland	2.1%⁴
Northern Ireland	2.1%⁴

Source: NCVO, GuideStar Data Services

⁴ International expenditure for Scotland and Northern Ireland was not available, and is estimated based on the average proportions for England and Wales (excluding London and the South East).

4. Results and discussion

The results of the redistribution are shown in Table 3⁵. The net change is a movement of expenditure out of London to the rest of the UK. This result confirms the expected pattern of large national charities based in London that provide charitable activities around the UK. The North East, East Midlands, East of England and Wales have large inward movements of resources relative to their base expenditure, suggesting that these are areas where the activities of national charities are particularly important.

Table 3 - Estimated distribution of expenditure by region and country, 2006/07 (£ millions)

	Expenditure of charities based in the area	Estimated regional expenditure of all charities	Net effect of redistribution	Percentage effect of redistribution
North East	625.9	954.7	328.8	53%
North West	1,862.0	2,377.5	515.5	28%
Yorkshire and the Humber	1,507.7	2,075.3	567.7	38%
East Midlands	1,053.8	1,571.7	517.9	49%
West Midlands	1,542.1	1,902.1	359.9	23%
East of England	1,620.5	2,307.9	687.4	42%
London	12,908.6	6,389.8	-6,518.8	-50%
South East	3,708.7	3,718.8	10.1	0%
South West	2,247.6	2,627.8	380.2	17%
England	27,076.9	23,925.6	-3,151.3	-12%
Wales	823.9	1,268.4	444.5	54%
Scotland	2,748.7	3,376.6	627.9	23%
Northern Ireland	544.4	738.1	193.7	36%
UK	31,193.9	29,308.7	-1,885.2	-6%
Rest of the World		1,885.2	1,885.2	

Source: NCVO, GuideStar Data Services, Office for National Statistics

Table 4 breaks down the results further to examine the inward and outward distribution for each area. These results suggest that over half (54%) the

⁵ Please note: due to additional work in matching organisations on the register of charities with the IDBR, and refinements to the methodology, the redistributed figures shown here are revised from those published in the UK Civil Society Almanac 2009. The results of this revision are shown in the Appendix.

expenditure of charities based in London is spent outside the capital. The table also shows that London receives a not-insignificant £500m of charitable expenditure from charities based outside the region, a reminder that not all national charities operate out of London. The second largest outward movement of funds is from the South East, which has an almost equal inward movement of funds from other parts of the UK.

Table 4 - Movement of resources within regions and countries, 2006/07
(£ millions)

Region	Original expenditure	Stays In Area	Leaves area	From other areas	Redistributed Total
North East	625.9	568.4	57.4	386.3	954.7
North West	1,862.0	1,521.5	340.5	856.0	2,377.5
Yorkshire and the Humber	1,507.7	1,297.9	209.8	777.5	2,075.3
East Midlands	1,053.8	805.2	248.6	766.5	1,571.7
West Midlands	1,542.1	1,211.9	330.2	690.2	1,902.1
East of England	1,620.5	1,139.9	480.7	1,168.1	2,307.9
London	12,908.6	5,881.2	7,027.4	508.6	6,389.8
South East	3,708.7	2,443.3	1,265.4	1,275.5	3,718.8
South West	2,247.6	1,647.4	600.2	980.4	2,627.8
England	27,076.9	16,516.7	10,560.2	7,408.9	23,925.6
Wales	823.9	779.2	44.7	489.2	1,268.4
Scotland	2,748.7	2,673.5	75.2⁶	703.1	3,376.6
Northern Ireland	544.4	509.1	35.3⁶	229.0	738.1
UK total	31,193.9	20,478.5	10,715.3	8,830.1	29,308.7
Rest of the world	-	-	-	1,885.2	1,885.2

Source: NCVO, GuideStar Data Services, ONS

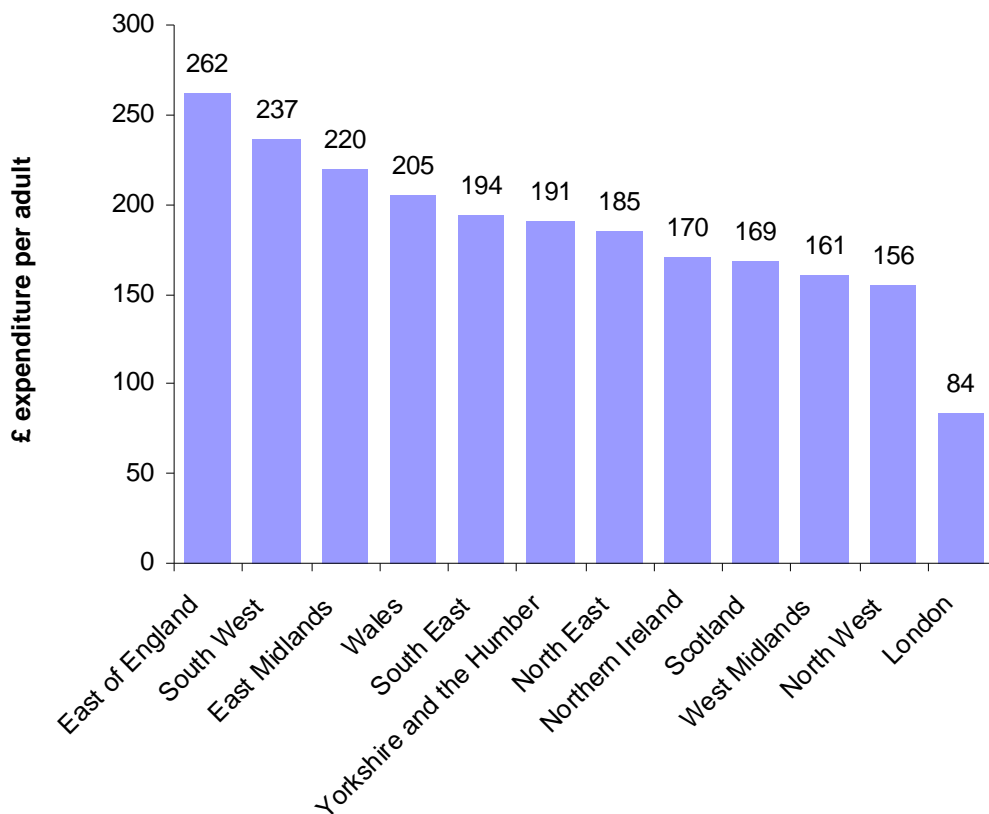
In total nearly £11 billion of the sector's total expenditure of £31 billion (34%) is spent outside the region where the charity spending it is based. We would also expect a similar distribution of expenditure within regions, with charities operating at a variety of scales, from the hyper-local (one or two streets) to a

⁶ The results for Scotland and Northern Ireland are expected to significantly underestimate the proportion of expenditure leaving these areas, as they are based on a few charities which are registered with the Charity Commission for England and Wales, but based in Scotland or Northern Ireland. No data is available for the majority of Scottish and Northern Irish charities as these do not register with the Charity Commission.

whole region to national and international activities. An important caveat for these figures is that some charitable expenditure is not 'geographical' in the sense of being directed at a beneficiary in a specific area. Non-spatial activities could include advocacy, lobbying, campaigning, raising awareness of issues or public education. The growing use of the internet as a tool for providing services and information also leads to a geographical divide between the provider and beneficiary.

The results for how the £11 billion expenditure spent outside the base region is distributed through regions and countries show that 18% (£1.9 billion) is spent outside the UK. When looking at the other regions and countries, the figures are presented as £ expenditure per adult, to adjust for the relative populations of the regions and countries. Figure 1 shows the per capita distribution of the remaining £8.8 billion in every region and country.

Figure 1 - Per capita distribution of intra-area expenditure, 2006/07, £ per adult



Source: NCVO, GuideStar Data Services, ONS

The dominance of London-based charities in regional charitable expenditure is shown in Table 5. This table shows the proportion of redistributed expenditure for each region and country that can be attributed to charities based in London. This table suggests that, in each English region, at least 23% of charitable activity is accounted for by charities that are based in London. This figure is higher in the East Midlands (36%) and the East of England (39%) where over a third of activity is from London-based charities (both regions share a border with the London region).

Table 5 - Expenditure of London-based charities (2006/07, proportion of redistributed regional expenditure)

Region / Country	Expenditure of London-based charities
North East	24%
North West	23%
Yorkshire and the Humber	25%
East Midlands	36%
West Midlands	23%
East of England	39%
London	92%
South East	25%
South West	30%
England	45%
Wales	27%
Scotland	15%
Northern Ireland	22%
UK	40%
Rest of the World	58%

Source: NCVO, GuideStar Data Services, ONS

5. Comparing with workforce figures – does the solution work

It is also possible to explore the distribution of charitable activity throughout the UK by identifying the place of residence and the place of work of VCS employees, utilising data from the Labour Force Survey. In total there are 634,000 employees working in the VCS in the UK. London and the South East region employ the largest number of people working in the UK VCS and also have the highest difference between the numbers of people living and working in each area.

Over 104,000 of the sector's employees (16%) live in South East England, slightly higher than the 99,000 VCS employees (16%) who work in the region. Conversely, as would be expected, a higher number of VCS employees work in London rather than live there (98,000 and 90,000 respectively) illustrating how VCS employees commute from the South East into London to work.

Exploring other regions of the UK, there is less of a difference between the overall numbers of VCS employees living and working in the region. Eastern England and the East Midlands have a slightly higher proportion of VCS employees living in each region than they do working there. The other English regions alongside Wales, Scotland and Northern Ireland have a reasonably equal number of VCS employees living and working in the area. It is worth noting that this does not mean that they are the same people, just that the distribution is the same.

Table 6 - VCS employees - where they live and where they work

	Thousands		Percentage	
	Place of residence	Place of work	Place of residence	Place of work
North East	20	20	3%	3%
North West	58	59	9%	9%
Yorkshire and the Humber	49	48	8%	8%
East Midlands	35	34	6%	5%
West Midlands	48	48	8%	8%
East of England	56	53	9%	8%
London	90	98	14%	16%
South East	104	99	16%	16%

	Thousands		Percentage	
	Place of residence	Place of work	Place of residence	Place of work
South West	66	65	10%	10%
England	526	524	83%	83%
Wales	31	31	5%	5%
Scotland	66	65	10%	10%
Northern Ireland	10	10	2%	2%
Workplace outside UK	N/A	0	N/A	0%
Total	634	630	100%	100%

Source: Labour Force Survey. Base: All people aged 16 and over.

These workforce figures can be compared with the regional distribution found using the IDBR method outlined above, to check the accuracy of that method. For the purposes of this exercise, the workforce figures are treated as the “true” picture of the distribution of charitable expenditure; they are based on a large national survey of the population and do not have an equivalent “headquarter problem”. Table 7 shows the difference between the proportion of the workforce in each region and country (based on their place of work) and the proportions of charitable expenditure found before and after redistribution based on the IDBR (excluding international expenditure).

The results show that using the IDBR to redistribute charitable expenditure produces a regional distribution that is much closer to the pattern found in the distribution of paid staff. In English regions (excluding London) and Wales the average difference between the proportion of expenditure and the proportion of workforce is 3% for the unadjusted expenditure, while for the redistributed expenditure this falls to 1%. This is in a large part due to the redistribution of funds from London-based charities.

Table 7 - Comparing the distributions found by the two methods

	Expenditure		Workforce	Difference between workforce and...	
	Original	Revised (using IDBR)		Original Exp	Revised Exp
North East	2%	3%	3%	-1%	0%
North West	6%	8%	9%	-3%	-1%
Yorkshire and the Humber	5%	7%	8%	-3%	-1%
East Midlands	3%	5%	5%	-2%	0%
West Midlands	5%	6%	8%	-3%	-2%
East of England	5%	8%	8%	-3%	0%

	Expenditure		Workforce	Difference between workforce and...	
	Original	Revised (using IDBR)		Original Exp	Revised Exp
London	41%	22%	16%	25%	6%
South East	12%	13%	16%	-4%	-3%
South West	7%	9%	10%	-3%	-1%
England	87%	82%	83%	4%	-1%
Wales	3%	4%	5%	-2%	-1%
Scotland	9%	12%	10%	-1%	2%
Northern Ireland	2%	3%	2%	0%	1%
UK	100%	100%	100%		

Source: NCVO, GuideStar Data Services, ONS, Labour Force Survey.

The method can be said to be a partial success. The distribution seen after the method has been applied is closer to the workforce distribution than the original distribution is. However, the proportion allocated to London remains higher than the workforce equivalent, indicating that the “headquarters problem” has not been fully removed.

6. Conclusion

This paper sets out two possible solutions to the “headquarters problem” found when looking at the distribution of charitable expenditure throughout the UK. The first uses a large national database of organisations (the IDBR) to supplement existing organisational data on the Charity register with data on the regional distribution of their employees. The second is based on the distribution of voluntary sector workers amongst respondents to the Labour Force Survey.

By comparing the distribution found in the first, untried, method with that from the second, more established, method, we can test how well the first method fits. The results suggest that the IDBR method has been successful – with some limitations – and there is therefore scope for using and expanding this method to further study the regional distribution of charitable expenditure and the characteristics of organisations that work nationally.

There are, however, a number of areas in which the method could be improved. These include:

- The results show that the method does not fully remove the “headquarters problem”. A large proportion of expenditure continues to be allocated to London, although this is reduced.
- The method currently takes no account of the difference in wages between and within areas. This may lead to an overestimate of the proportions in low-wage areas – as it theoretically costs organisations less to operate there.
- The method takes no account of the “non-geographical” activities that charities undertake – the campaigning, fundraising, lobbying and advocacy activities that have benefits spread across the UK (and elsewhere) but are carried out by staff located in a central office.

- The method for allocating international expenditure is crude, and only takes into account those charities in which the majority of activities are internationally-based.

7. Appendix: Changes in redistributed expenditure between this paper and the UK Civil Society Almanac 2009

Due to additional work in matching organisations on the Charity Commission register with the IDBR, and refinements to the methodology, the redistributed figures shown here are revised from those published in the UK Civil Society Almanac 2009. The improvements in the methodology allow the movement of funds between regions to be tracked, rather than just the net movement. The improved matching of organisations leads to a larger sample.

Table 8 shows the net result of the revised dataset and methodology is a further movement of expenditure away from London. This expenditure is distributed throughout the UK, with the South East, Yorkshire and the Humber, Scotland and the West Midlands increasing more than other regions.

Table 8 - Revision of redistributed expenditure figures between the Civil Society Almanac 2009 and this paper, 2006/07 (£ billion)

Region / Country	Original Expenditure	Redistributed Expenditure (Almanac)	Revised Redistributed Expenditure	Change from revision
London	12.9	7.5	6.4	-1.15
South West	2.2	2.7	2.6	-0.03
North West	1.9	2.4	2.4	-0.02
Rest of the World	0.0	1.9	1.9	0.00
Northern Ireland	0.5	0.7	0.7	0.01
North East	0.6	0.9	1.0	0.02
Wales	0.8	1.2	1.3	0.07
East of England	1.6	2.2	2.3	0.12
East Midlands	1.1	1.5	1.6	0.12
Scotland	2.7	3.2	3.4	0.14
West Midlands	1.5	1.8	1.9	0.14
Yorkshire and the Humber	1.5	1.9	2.1	0.19
South East	3.7	3.3	3.7	0.39

Source: NCVO, GuideStar Data Services, ONS

8. References

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