

# Private non-profit-making bodies serving persons

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## I. Introduction

The personal sector in the national accounts consists of those economic units that are part of the private sector of the domestic economy but not in the company sector, and to this extent it is something of a residual. It extends beyond households and individuals to include unincorporated private businesses, agricultural companies, life assurance and superannuation funds (but not the companies administering these funds), private trusts, and private non-profit-making bodies serving persons.

It has long been the wish of the Central Statistical Office to be able to provide data on the personal sector at a greater level of disaggregation, and particularly to be able to estimate accounts for non-profit-making bodies (NPB's). Adjustments for NPB's are a necessary step towards isolating the household component of the personal sector and so attempting to reconcile various data sources on households: household accounts are themselves of interest also in work on consumption and savings functions, and a possible approach to estimating household savings is discussed in Appendix II.

Non-profit-making bodies serving persons, which are groups of persons acting collectively for mutual benefit (sometimes referred to as 'collective persons'), are comprised of a number of different types of institutions: they include universities, direct grant and other non-profit-making schools and colleges, churches, charities, clubs, societies, trade unions, friendly societies and private housing associations. In this article we construct estimates of the current and capital accounts for NPB's as a subsector of the personal sector in the national accounts. It is hoped to publish the results of additional work drawing up a balance sheet and reconciliation account in a later issue.

Information on this subsector has in the past been scarce. Balance sheets for 1960 were estimated in an exercise\* with which one of us was associated, and some income and expenditure information was obtained in the course of that work. In addition estimates of certain items in an NPB account are made in the course of preparing the national accounts, for example, transfers from public authorities and companies to charities, and wages and salaries of employees of NPB's. However there remains a substantial area where information is sparse or non-existent, most notably on transfers between NPB's and the rest of the personal sector. These intra-sectoral transfers are of two kinds, requited and unrequited; the former being payments

in exchange for goods and services, and the latter transfers involving no such *quid pro quo*.

Our approach has been to attempt to establish accounts for the broad groups of institutions within the subsector, in 1970, using published aggregate data where possible and supplementing this with a survey of the accounts of individual charities and some fairly arbitrary coverage adjustments for the relatively small groups for which no other data was available. We then attempt to reconcile the accounts built up in this way with those items that are available from the national accounts and other sources. These latter items include transfers by public authorities to NPB's where the public sector accounts provide information; transfers from companies to charities and wages and salaries paid where Inland Revenue information is of use; and current transfers overseas where the Ministry of Overseas Development make estimates. This information is then used to build up accounts for the period 1966 to 1972, and for those items where no alternative sources are available, the 1970 benchmark has been extrapolated using the most appropriate indicator variables available.

## II. Data sources

### *Universities and colleges*

Income and expenditure accounts for all universities including the constituent colleges of the Universities of London and Wales, and associated medical schools (but excluding Colleges of Oxford and Cambridge) are published by the Department of Education and Science.† Accounts for the colleges at Oxford and Cambridge have been estimated using information which the majority of these colleges kindly provided. Higher education establishments in total accounted for over 20 per cent of the income of non-profit-making bodies so they represent a significant component of this subsector.

### *Friendly societies*

(a) Societies without branches. Part I of the report of the Chief Registrar of Friendly Societies‡ gives some details of the income and expenditure of these societies, and supplemented by the accounts of the 28 largest societies

\* Revell, J. et al., *The Wealth of the Nation; The National Balance Sheet of the United Kingdom 1957 to 1961* (CUP), Cambridge.

† *Statistics of Education 1970* Volume 6—Universities; London (HMSO) 1973.

‡ *Report of the Chief Registrar of Friendly Societies for the year 1970*. Parts 1, 3 and 4 (HMSO) 1971.

accounting for about 80 per cent of total assets, figures in the detail required were estimated.

(b) Orders and branches. There is little published information on Societies of this nature and that contained in the Chief Registrar's report is unsuitable for our purpose. We were fortunate, however, to be given by the Registrar estimates of the assets and benefit payments for 1970 of the largest Orders covering over 85 per cent of total membership, and these were related to the total fund figures published in the 1971 report, Part 1, page 19, to provide estimates for the balance sheet and income and expenditure account for orders and branches as a whole.

(c) Collecting societies were excluded from the Study, being part of the company sector with other insurance companies.

#### *Trade unions*

Part 4 of the Chief Registrar's report gives figures for total income and expenditure of registered unions, and estimates that these cover 90 per cent of total trade union membership. An addition was made for non-registered unions, and the accounts of the 20 largest unions, accounting for two-thirds of total assets, were used where necessary to provide the additional detailed breakdown of the figures required.

#### *Housing associations*

The accounts for housing associations were prepared from the details given in the *Report of the Chief Registrar of Friendly Societies for 1970*, Part 3, Industrial and Provident Societies. The total income of £18 million for 1970 consists mainly of rent, and the only appreciable items of expenditure are for loan interest, management and repairs.

The activities of housing associations in the provision of dwellings increased considerably during the six years from 1965 to 1970. In 1960 capital expenditure was only £1 million. In 1965 it had risen to £18 million and for 1970 it was over £45 million. During the same period annual rents received from property rose from £3 million to £15 million.

#### *Charities*

By far the most important group of institutions for which we needed information was charities. The majority of these in England and Wales are registered under the Charities Act, 1960, with the Charity Commissioners, although many religious bodies are exempt from registration. No aggregate accounts for this group are collected or published so we conducted a survey similar to that of Revell in respect of 1960. Resources available to us were such that a sample of 500–600 was the maximum number of accounts we could analyse, and in view of the highly skewed distribution of charities by income size described in Appendix I, we felt it necessary to concentrate our resources on those with large incomes. In fact our sample consisted of 568 charities of which we were able to obtain accounts for 352 giving an overall response rate of 62 per cent. This compares quite favourably with the 54.6 per cent achieved for the survey in respect of 1960 which was not primarily aimed at obtaining income and expenditure information, but concentrated on balance sheets and investment schedules for

one year only. Within this overall response we estimate that amongst the charities with largest incomes the response was between 80 and 90 per cent whilst for the smaller ones it dropped to between 40 and 50 per cent. When weighted by income we estimate that response was about 56 per cent overall, this lower figure being due to the lower response amongst the more numerous smaller charities, and this in turn to the fact that fewer of these charities had lodged accounts for the year in question at central sources of registration: the Charities Commission, Companies House, the Family Welfare Association, and the Department of Education and Science. All of these registering bodies gave us considerable assistance, but for those charities whose accounts for the year in question had not been lodged, we were forced to make a postal approach.

A number of charities—although only a small proportion of the whole sample—consider their financial affairs and particularly their investment portfolios as highly confidential. Considerable trouble was taken to explain the purpose for which the information was required, and in order to obtain the degree of co-operation desired the usual undertakings about confidentiality were given to all charities approached by letter.

When income and expenditure accounts had been obtained they were frequently not very helpful for our purposes. There were four main causes of difficulty. Several items were often aggregated under one heading such as 'wages, maintenance of premises, cost of provisions, etc'. Items were brought to account net as for example 'cost of project x less donations and collections'. Some items which should, in national accounts terms, be treated as income or expenditure appeared instead in the balance sheet and *vice-versa*. Finally, some accounts brought income tax repayments to account separately but none distinguished between repayments on covenanted and other income: some treated these as current transfers from central government. For our analysis we wished to include these repayments with the sources of income in respect of which they arose so an attempt was made to reallocate them.

The analysis of income and expenditure accounts must therefore be regarded as less reliable than the total.

#### *Adjustments for other NPB's*

There is good reason to believe that our survey adequately covers all charities with annual incomes over £10,000 as well as most of those with incomes between £1,000 and £10,000. There is however, a substantial deficiency amongst the very small charities. We calculate in Appendix II the maximum effect of these small charities on total income for England and Wales and in the light of this we regard an adjustment of £45 million to total income for the UK as adequate to make good the sample deficiency. There are some further non-profit-making bodies for which adjustments should be made, the most significant of which in terms of income is probably the Automobile Association. Others include numerous clubs and Societies many of which are not registered as charities, and those bodies referred to in the 1960 study as corporation duty bodies. It is difficult to get comprehensive data for these bodies although a rough adjustment has been made based on fragmentary information for certain corporation duty bodies and, for clubs registered under the Industrial and Provident Societies Act 1965, and the Friendly Societies Act 1896, based on

such information as is available in the reports of the Chief Registrar of Friendly Societies.

#### *Consolidated income and expenditure account*

Figures from the grossed up charities survey and from other sources mentioned above *plus* adjustments for those groups of bodies for which data is not available, are shown in Table 1. Charities account for £970 million of the total income recorded here for 1970 of £1,417 million.

### III. Validation of results

There are a number of checks that can be made on the data in Table 1 using independent estimates. Current grants from central government are known to have been £330 million in 1970 against our figure of £271 million and this discrepancy probably arises from our attempts to obtain consistency in the treatment of tax repayments. For those charities that we had no reason to expect were receiving grants from central government we assumed that amounts reported were tax repayments. This procedure has clearly led to bias but with compensating upwards bias in the figure for investment income. Current grants from local authorities were £2 million in 1970 but here comparison with our figure of £44 million is difficult partly because of sampling error (over half the sample figure was due to a single charity with a large grossing factor), and partly because many transfers will be treated as payments for goods and services rather than current grants in local authorities accounts. Estimates of companies transfers to charities are made in the national accounts but are based on a proportion of gifts made under deed of covenant; in the light of the survey the proportion used is open to some doubt. Our figure was only £15 million against the national accounts figure of £36 million. A possibly more reliable check against national accounts figures is provided by the estimate of wages and salaries paid to employees of NPB's. Table 13 of *National Income and Expenditure 1963-1973* (Blue Book) gives a figure of £500 million based on the Inland Revenue's 'Pay As You Earn' (PAYE) analysis and is remarkably close to our £499 million.

The Ministry of Overseas Development estimate that aid by private charitable bodies (both cash and goods) to developing countries was £14 million in 1970. This figure excludes payments by NPB that are not charities in the usual sense (for example certain research institutes and learned societies) and also payments to 'developed' countries. The most appropriate figure, from Table 1 for comparison is probably the net transfers abroad of £18 million for the reason explained later.

There is an additional internal consistency check in the figures we obtained. Their accounts show that NPB's made current transfers of £132 million to other NPB's but received only £105 million in transfers from other NPB's. The difference gave us some concern but will have been due in part to sampling errors, partly to sample deficiencies amongst small charities who may be expected to be net recipients, and partly to inconsistencies in the way such transfers are treated in the accounts of different charities (in some cases they were an unidentified part of other income).

In principle such transfers should cancel out so that in Table 1 they have been omitted and the resulting figure for savings is £27 million higher than it would have been had these transfers been shown. Insofar as this difference is due to sampling error it will reflect errors in all items of the account and it is impossible to attribute it between them, but insofar as it arises from charities recording such receipts in their accounts as other income, the figure of other fees and charges will be biased upwards.

### IV. Disaggregated income and expenditure accounts for the personal sector in 1970

The figures in Table 1 are recast with some modification in Table 2 in a national accounts setting and we show two component subsectors of the personal sector, NPB's and the rest. The figures in Table 2 are consistent with Table 21 of the latest Blue Book, and besides splitting up personal sector totals, additional flows between the component subsectors are also shown.

#### *Current transfers*

Since Blue Book figures for transfers to NPB's from outside the personal sector have been used, and in view of our treatment of transfers from central government in the sample accounts, we felt it advisable to compensate for bias in our estimates for transfers by central government to NPB's by making a small downwards adjustment to their rent, dividends, and net interest income.

The other important types of unrequited transfers that appear in the NPB account are those between NPB's and persons. Personal donations are easily the most important source of income for many charities and we take the figure directly from Table 1. The reverse flows, from NPB to persons, are shown separately rather than as a single net figure since a major economic activity of NPB's is their collection and redistribution of such transfers.

We have again used the figure directly from Table 1, although it is thought that part of this (perhaps 20 per cent) is ear-marked for particular uses (for example in research grants and contracts) and might therefore be regarded as expenditure on goods and services rather than as part of the disposable income of households.

Transfers to overseas are shown net because on the income side they are very small and arise in large part from a few internationally operating charities, such as missionary societies, being based in the UK.

#### *Rent, dividends and net interest*

Apart from the adjustment already mentioned in connection with central government transfers to NPB's, we also have to add an allowance for the imputed rent on premises owned and occupied by NPB's to the rent, dividends and net interest figures of Table 1. An estimate of this is already made and included in the personal sector imputed rent total and in consumers' expenditure.

#### *Trading surplus*

Non-profit-making bodies engage in a number of trading activities such as the provision of meals, accommodation,

other services and the publication of journals. On some activities a trading surplus is recorded. The goods and services sold by NPB's appear in the account of the rest of the personal sector as consumption expenditure. The goods purchased by NPB's as inputs to these trading activities should be regarded as intermediate consumption and together with associated labour costs they should be netted out of the NPB account. However the trading surplus on such activities does represent a transfer from the rest of the personal sector, and one that does not appear in the consolidated account. Other income includes certain fees and charges for services provided by NPB's.

#### *Other expenditure items*

As already explained we have excluded the wages and salaries and purchases of goods and services that arise in connection with the trading activities of NPB's from both income and expenditure sides of the account. The allowance concerned is largely arbitrary as in the analysis of individual NPB's accounts it is rarely possible to identify the particular expenditures associated with these trading activities. For wages and salaries, an estimate is made net of these deductions in the present Blue Book tables of consumers' expenditure.

Savings is obtained as a residual and differs from the figure in Table 1 since it incorporates the net effect of adjustments made to other items in the NPB account.

#### *Rest of the personal sector*

On the income side the residual subsector account is made up directly from an allocation of personal sector income to the two constituents, together with those inter-subsector transfers that appear on the opposite side of the account for NPB's. The same is true on the expenditure side but it is perhaps worth spelling out the calculation necessary to get from the Blue Book figure for total personal sector consumers expenditure to expenditure on consumption by the residual subsector. The item trading surplus and other income of NPB's is added to consumers' expenditure and from this total are deducted the wages and salaries paid by NPB's and their expenditure on goods and services. The two subsector balancing items add up to the total of personal sector savings.

In Appendix III an attempt is made to set out the implications of a possible further disaggregation in order to create a subsector that corresponds more closely with 'households': this uses the time series of accounts for NPB's described in the section following.

### **V. Private non-profit-making bodies—current and capital accounts, 1966-1972**

We conclude by attempting to construct a short time series of current and capital accounts for NPB's (Tables 3 and 4). This should be regarded mainly as an exercise in bringing together published data from different sources. For those items not covered by published series it has been necessary to make estimates. In some cases these have been fairly crude for lack of information. Quite good information was available on universities, trades unions, friendly societies

and housing associations but these bodies only make up about 30 per cent of income on the current account, although much more than this on the capital account. For the other NPB's, which are mainly those covered by our survey of charities, we have taken 1970 as a benchmark and extrapolated on the basis of the most appropriate available indicators. Although the totals are probably not substantially less reliable for other years than for 1970, some components of income and expenditure will have a larger margin of error.

#### *Current income*

Income from rent, dividends and net interest has been broken down by components and extrapolated using data on tax repayments, on investment income, market and imputed rent receipts of the personal sector, interest payments on government stocks, and other sources.

Transfers from persons to charities is an area of considerable uncertainty. Gifts under deed of covenant can be estimated from the tax repayments on these gifts but they account for only a relatively small part of the total. We have assumed that total transfers moved *pari passu* with covenanted transfers but this probably overstates their rate of growth since it is likely that the proportion of their income covenanted has increased somewhat. If there were for example a one per cent per annum growth in the proportion covenanted, the figure in 1966 would be £14 million too low. To correct in this way, even if the assumptions were true, would add further to an already high figure for savings in early years so in the interests of maintaining a consistent overall picture it has not been done. In any case a change of this size could hardly be regarded as significant in the context of the account as a whole.

There is no information on the trading surplus and other income of charities beyond the benchmark year but it is quite small. It has been assumed to keep the same ratio to income of charities from other sources for all years.

#### *Current expenditure*

Net transfers abroad, which consist mainly of payments to overseas, are based on Ministry of Overseas Development figures for charities grants to developing countries for 1970-1972. Prior to 1970 they are extrapolated on the basis of private debits in the balance of payments invisible account.

Expenditure by charities on goods and services has been extrapolated using their wages and salaries bill but taking account of changes in average wage costs relative to consumer prices. The treatment of this item is unsatisfactory for many reasons not least of which is that the expenditure pattern of charities is unlikely to be the same as that reflected in the consumers' expenditure deflator used here.

Equally unsatisfactory is the treatment we have had to adopt for extrapolating the transfers by charities to persons, although the magnitudes involved are much smaller. Here we have assumed that a constant proportion of their most important sources of income, investment income and gifts from persons, is redistributed to persons as grants, pensions and other transfers. In the short run this proportion has probably fluctuated with economic circumstances so the figures shown reflect little more than the underlying trend.

*Capital account*

Capital receipts of NPB's consist of savings, the figures for which must be regarded as particularly tentative because it is the residual on the current account, and capital transfers. We have used figures from the public sector accounts for capital transfers by public authorities to NPB's the most important element of which is capital grants to universities. For capital transfers from persons (legacies and bequests) information in the survey provided a bench mark for 1970 which was then extended to other years using Inland Revenue data on the net capital value of estates.

Capital expenditure of NPB's was estimated from published figures for gross domestic fixed capital formation

in the personal sector, and the industry analysis by type of asset. The most important bodies concerned are universities and housing associations. The balancing item on the expenditure side of the capital account, net acquisition of financial assets, should be treated with the same reservations as the figures for savings, since it will contain the net effect of errors elsewhere. We nevertheless consider that, as an indicator of the order of magnitude involved, it is of some value, and provides the link between income and expenditure accounts on the one hand and sector balance sheets on the other. Balance sheets for non-profit-making bodies serving persons will be the subject of another article.

## APPENDIX I

## Consolidated income and expenditure accounts for private non-profit-making institutions serving persons in 1970

TABLE 1

	£ million					
	Univer- sities and colleges	Trade unions	Friendly societies	Housing associa- tions	Charities and other NPB's	Total NPB's
<b>Income</b>						
Rent .. .. .	6	1	3	15	57	82
Dividends and interest .. .. .	9	6	15	—	203	233
Current transfers from:						
Central government .. .. .	221	—	—	—	50	271
Local authorities .. .. .	2	—	2	—	40	44
Companies (including public corporations) .. .. .	7	—	—	—	8	15
Persons (households) .. .. .	24	48	26	—	490	588
Overseas .. .. .	3	—	—	—	9	12
Sales of publications .. .. .	—	—	—	—	12	12
Other sales of goods .. .. .	2	—	—	—	82	84
Other fees and charges .. .. .	13	1	1	3	58	76
<b>Total income</b> .. .. .	<b>287</b>	<b>56</b>	<b>47</b>	<b>18</b>	<b>1,009</b>	<b>1,417</b>
<b>Expenditure</b>						
Wages and salaries paid .. .. .	176	19	4	4	296	499
Rent, rates and maintenance of property .. .. .	21	3	1	1	101	127
Other expenditure on goods and services:						
Food .. .. .	4	—	—	—	106	110
Fuel and light .. .. .	8	—	—	—	20	28
Other .. .. .	62	12	2	—	247	323
Interest payments .. .. .	1	—	—	10	9	20
Current transfers to:						
Persons .. .. .	19	17	29	—	135	200
Overseas .. .. .	—	—	—	—	30	30
Balance: saving .. .. .	-4	5	11	3	65	80
<b>Total expenditure</b> .. .. .	<b>287</b>	<b>56</b>	<b>47</b>	<b>18</b>	<b>1,009</b>	<b>1,417</b>

## Disaggregated personal sector income and expenditure accounts for 1970

TABLE 2

		£ million			£ million
<b>Income</b>			<b>Expenditure</b>		
<b>Private non-profit-making institutions serving persons</b>					
Rent, dividends and net interest .. .. .		327	Wages and salaries, etc. .. .. .		445
Current transfers from: Public authorities .. .. .		332	Expenditure on goods and services .. .. .		588
Companies .. .. .		36	Current transfers to: Persons .. .. .		200
Persons .. .. .		566	Overseas (net) .. .. .		17
Trading surplus and other income .. .. .		86	Balance: saving .. .. .		97
<b>Total</b> .. .. .		<b>1,347</b>	<b>Total</b> .. .. .		<b>1,347</b>
<b>Rest of the personal sector</b>					
Income from employment .. .. .		30,254	Expenditure on consumption <sup>1</sup> .. .. .		30,440
Income from self employment .. .. .		3,664	Current transfers to non-profit-making institutions .. .. .		566
Rent, dividends and net interest .. .. .		4,425	National insurance and other contributions .. .. .		2,654
Current grants from public authorities .. .. .		4,004	UK taxes on income and additions to reserves .. .. .		5,918
Current transfers from non-profit-making institutions .. .. .		200	Net transfers and taxes paid abroad .. .. .		40
			Balance: saving .. .. .		2,929
<b>Total</b> .. .. .		<b>42,547</b>	<b>Total</b> .. .. .		<b>42,547</b>

<sup>1</sup> See section IV of the text for the definition of this item

## Income and expenditure account for the non-profit-making institutions sub-sector of the personal sector

TABLE 3

	£ million						
	1966	1967	1968	1969	1970	1971	1972
<b>Income</b>							
Rent, dividends and net interest .. .. .	244	261	284	305	327	354	383
Current transfers from:							
Public authorities .. .. .	205	228	254	274	332	378	447
Companies .. .. .	30	32	34	35	36	38	41
Persons .. .. .	439	452	486	544	566	698	737
Trading surplus and other income .. .. .	59	69	72	84	86	115	114
<b>Total income of non-profit-making institutions .. .. .</b>	<b>977</b>	<b>1,042</b>	<b>1,130</b>	<b>1,242</b>	<b>1,347</b>	<b>1,583</b>	<b>1,722</b>
<b>Expenditure</b>							
Wages and salaries .. .. .	267	303	335	387	445	518	581
Expenditure on goods and services .. .. .	395	441	502	555	588	665	709
Current transfers to:							
Persons .. .. .	154	161	175	194	200	234	250
Overseas (net) .. .. .	12	14	17	17	17	22	23
Balance: savings .. .. .	149	123	101	89	97	144	159
<b>Total .. .. .</b>	<b>977</b>	<b>1,042</b>	<b>1,130</b>	<b>1,242</b>	<b>1,347</b>	<b>1,583</b>	<b>1,722</b>

## Capital account for the non-profit-making institutions sub-sector of the personal sector

TABLE 4

	£ million						
	1966	1967	1968	1969	1970	1971	1972
<b>Receipts</b>							
Saving .. .. .	149	123	101	89	97	144	159
Capital transfers from:							
Public authorities .. .. .	103	105	112	108	113	125	135
Persons .. .. .	85	89	98	101	102	114	135
<b>Total .. .. .</b>	<b>337</b>	<b>317</b>	<b>311</b>	<b>298</b>	<b>312</b>	<b>383</b>	<b>429</b>
<b>Expenditure</b>							
Gross domestic fixed capital formation:							
Dwellings .. .. .	24	31	41	50	61	70	86
Other land and buildings .. .. .	65	67	66	60	60	86	101
Vehicles, plant and machinery .. .. .	41	44	55	55	61	62	69
Balance: net acquisition of financial assets .. .. .	207	175	149	133	130	165	173
<b>Total .. .. .</b>	<b>337</b>	<b>317</b>	<b>311</b>	<b>298</b>	<b>312</b>	<b>383</b>	<b>429</b>

## APPENDIX II

## Size distribution of charities

The Charity Commissioners for England and Wales report<sup>1</sup> that nearly 77,000 charities were registered with them in 1970. The distribution of these charities by income is highly skewed and in their report for 1970 the Charity Commissioners give the following table compiled from information on the index slips provided by registered charities.

A number of charities are unable to specify a regular annual income, but assuming these to be distributed in the same way as those reporting income, one-third of all charities have annual incomes not exceeding £10 and in total making extreme assumptions cannot account for more than £200,000 of income; the 81 per cent of all charities with incomes of less than £500 per annum cannot account for more than £6 million and all charities with incomes less than £10,000 per annum (97 per cent) have a total income of approximately £50 million.

<sup>1</sup> *Report of the Charity Commissioners for England and Wales for the year 1970.* (HC 409) (HMSO) 1971.

**Registered charities classified according to income**  
(Excluding those whose income is unknown)

Yearly income	Percentage	
	All charities	Charities founded since 1960
Under £5	23	2
£5 -£10	11	3
£10 -£25	11	5
£25 -£50	11	6
£50 -£100	9	9
£100 -£250	10	18
£250 -£500	6	13
£500 -£1,000	5	13
£1,000-£2,500	5	14
£2,500-£5,000	3	8
£5,000-£10,000	3	5
Over £10,000	3	4

## APPENDIX III

## Towards a household sector account

One of the results of estimating accounts for NPB's is that with some further assumptions it would be possible to make quite a lot of progress in separating a 'households and individuals' subsector as an economic unit from the personal sector as a whole. Life assurance and superannuation funds can be separated out from the 'rest of the personal sector' account in Table 2 using Table 23 of the Blue Book (1974 edition) and information on the tax element of their administrative costs. The argument for doing this is that these funds represent contractual forms of savings and their income—in particular their investment income—is not part of the disposable income of households (although the funds themselves are certainly part of their assets). Likewise, the net increase in these funds cannot be regarded as part of discretionary savings.

Further, a notional figure for the distributed income of unincorporated private businesses could be arrived at by deducting from income from self employment those costs that might be regarded as necessarily incurred in order to maintain the business in its pre-existing state. These costs might include untaxed interest charges, capital consumption and stock appreciation, and their sum would represent a part of personal savings that was again not discretionary. The effect of these adjustments would be to create a residual subsector the accounts of which are shown in the table below: these accounts representing households, individuals living in institutions, and private trusts. Little is known quantitatively about trusts but they will account for part of the investment income and part of saving. It is thought that

the undistributed income (savings) of private trusts in 1972 was in the region of £160 million.

The implied estimate of savings of individuals and households on that basis for 1972 would be about £250 million (£411 million less £160 million). Such a figure should be regarded with great caution since it is a residual from a set of accounts in which many items are highly tentative and subject to substantial revision; on the basis of more recent estimates for personal income and expenditure, for example, it would already have been revised to £550 million to £600 million. It should also be remembered that consumers expenditure included some items of a capital nature (for example, certain improvements to private dwellings) which would, if identifiable, be included in gross domestic fixed capital formation, thus increasing the figure of savings shown here. In order to get from this figure to one of discretionary savings of households and individuals it would be necessary to deduct regular capital repayments of mortgages (excluding premature repayments) and Save As You Earn savings. Such information as is available suggests these were in the region of £400 million to £450 million in 1972 giving (subject to the reservations above) an implied figure for discretionary savings of about —£150 million to —£200 million on a 1974 Blue book basis, or +£100 million to +£200 million on the basis of the more recent estimates. These figures would have to be further qualified by noting that they will reflect (as dissavings) that part of consumption expenditure of households that is financed by borrowing.

## Current account for households, individuals not living in households, and private trusts

	£ million						
	1966	1967	1968	1969	1970	1971	1972
<b>Income</b>							
Income from employment (less employers contributions to superannuation schemes)	21,799	22,630	24,156	25,790	28,844	31,892	35,657
Income from self employment (notional distributed element)	2,334	2,493	2,645	2,822	3,009	3,554	4,177
Rent, dividends and net interest	2,690	2,806	2,903	3,126	3,080	3,236	3,344
Current grants from public authorities	2,620	2,961	3,425	3,663	4,004	4,406	5,400
Current transfers from NPB's	154	161	175	194	200	234	250
Pensions and benefits paid by life assurance and superannuation funds	1,446	1,614	1,798	1,978	2,148	2,426	2,810
<b>Total</b>	<b>31,043</b>	<b>32,665</b>	<b>35,102</b>	<b>37,573</b>	<b>41,285</b>	<b>45,748</b>	<b>51,638</b>
<b>Expenditure</b>							
Expenditure on consumption	23,358	24,471	26,238	27,741	30,029	33,323	37,711
Current transfers to NPB's	439	452	486	544	566	698	737
Employees contributions to life assurance and superannuation funds	1,147	1,300	1,439	1,464	1,666	1,975	2,534
National Insurance and other contributions	1,804	1,909	2,165	2,244	2,654	2,835	3,333
UK taxes on income and additions to reserves	3,639	4,057	4,573	5,156	5,819	6,404	6,856
Net transfers and taxes paid abroad	30	50	60	54	40	13	56
Balance	626	426	141	370	511	500	411
<b>Total</b>	<b>31,043</b>	<b>32,665</b>	<b>35,102</b>	<b>37,573</b>	<b>41,285</b>	<b>45,748</b>	<b>51,638</b>