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Measurement of Non-Profit Institutions Serving Households (NPISH) in UK National Accounts

Mairi Spowage, Brodie Gillan and Ciara Crummey

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TECHNICAL REPORT

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Abstract

This report, produced by the Fraser of Allander Institute, provides a comprehensive technical report of how the Office for National Statistics (ONS) measures Non-Profit Institutions Serving Households (NPISH) within the UK National Accounts. The NPISH sector - comprising charities, trade unions, political parties, and educational institutions - plays a critical but often under-recognised role in the UK economy. However, existing methods for estimating the sector's economic contribution are limited in scope and transparency, particularly outside of England and Wales.

The report provides a detailed breakdown of the four stages of the ONS NPISH measurement framework: data processing, NPISH Local, Unbalanced, and Balanced systems. Each stage involves distinct inputs, processing techniques, and outputs. Key external data sources include the National Council for Voluntary Organisations (NCVO), the Higher Education Statistics Agency (HESA), the UK Trade Union Certification Officer, and the Electoral Commission. These inputs are processed, mapped to National Accounts, classified using a market test (for charities), and grossed to produce national- level estimates of NPISH activity.

Keywords: National Accounts, Voluntary Sector, Satellite Accounts, Non-Profit Institutions Serving Households (NPISH), UK economy

JEL classification: C18, C82, E01, L31

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Executive Summary & Recommendations

This report, produced by the Fraser of Allander Institute, provides a comprehensive technical report of how the Office for National Statistics (ONS) measures Non-Profit Institutions Serving Households (NPISH) within the UK National Accounts. The NPISH sector - comprising charities, trade unions, political parties, and educational institutions - plays a critical but often under-recognised role in the UK economy. However, existing methods for estimating the sector's economic contribution are limited in scope and transparency, particularly outside of England and Wales.

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Throughout the report, several methodological and operational challenges are identified.

To address these issues, the report presents a set of actionable recommendations, grouped into immediate, short, and medium-term priorities.

While some actions - such as correcting coding errors - can be implemented quickly with minimal resources, priority should be given to those with the greatest material impact. In particular, the recommendations related to charities should be prioritised in the short term, as charities constitute the largest portion of NPISH and improvements in this area will yield the most significant gains in NPISH output. Medium-term efforts should focus on trade unions and political parties' recommendations, which, although important, represent a smaller share of NPISH and can be addressed over a longer timeframe. For Higher and Further education, which makes up just under half of NPISH, recommendations are split into more urgent short-term tasks and medium-term exploratory work. This approach balances the need for improvement with ONS resources, prioritizing the recommendations that will have the most significant impact on NPISH outputs.

Improving the measurement of NPISH is critical not only to ensuring the sector's contributions are properly reflected in national statistics, but also to support evidence-based policymaking, fair funding decisions, and a fuller understanding of the role that civil society organisations play in economic and social wellbeing across the UK.

Immediate-Term Recommendations

1. *Correct Error in Alternative Market Test Code* - Fix the error in the R code where the incorrect fixed proportion is applied to charitable income in the market test.

Short-Term Recommendations

2. *Engage with ONS Central Government team to clarify CJTG[1] composition* - Work with the ONS Central Government team to confirm if the CJTG data series includes figures for Scotland. If it does, they should either remove the Scottish data from the series or find a separate data source, like HESA or a suitable Scottish organisation.

3. *Consider Universal Charity Data Sources* - The ONS should explore using full charity registers from across the UK as the primary data source for NPISH, using NCVO data only as a supplement.

4. *Review GC[2] marker & engage with Charity Commission* – Review how the GC marker is used to classify charities for NPISH and work with the Charity Commission to understand its methodology.

5. *Religious Bodies in NPISH* - Religious bodies are defined as part of NPISH but are currently excluded from estimates. ONS should review and revise its methods to ensure their proper inclusion.

6. *Remove the Trading Subsidiary (TRS) Fixed Proportion* - Set the trading subsidiary proportion (TRS) to 1 from 2006 onward to reflect changes in Gift Aid reporting and NCVO's updated classifications.

7. *Replace Fixed GOV [3] Proportion with Annual Estimates* - From 2012 onwards, calculate GOV proportions based on detailed NCVO data to reflect changing government funding levels.

[1] Current Grants to Persons in Final Consumption – Further Education (CJTG) is refers to the CJTG data series used for the Further Education part of the NPISH sector (explained further on page 18).
[2] The General Charity (GC) marker is a flag in the Charity Commission for England and Wales' data that indicates whether a registered charity is considered a "general charity" for statistical purposes (explained further on page 40).
[3] GOV is a government funding proportion, essentially the share of a charity's income that comes from government contracts or grants, used in the Market test (explained further on page 44).

8. *Publication of ICNPO [4] Codes on the Charity Register* - Request that the Charity Commission make existing ICNPO codes publicly accessible to improve consistency and transparency in analysis.

9. *Publishing SIC Codes on the Charity Register* - Collaborate with the Charity Commission to include Standard Industrial Classification codes in the public charity register.
10. *Investigate use of Charity Register Data, Supplement with NCVO Where Necessary* - Prioritise using the complete administrative datasets from charity regulators in England, Wales, Scotland, and Northern Ireland to improve representativeness, using NCVO data as a supplement, especially for staff costs.

11. *Develop an ICNPO–SIC Classification Mapper for Charities* - Create a user-friendly mapping tool to help charities understand their classifications, improving coherence across datasets.

Medium term

12. *Use HESA Data for Further Education* - Incorporate expenditure data from HESA to improve the accuracy and completeness of financial estimates for Further Education institutions.

13. *Review Trade Union Unadjusted Total Expenditure Justification* - Review whether non-operational expenditures should be excluded from total trade union expenditure figures, ensuring consistency with National Accounts principles.

14. *Improving the Trade Union Static Sample* - Refresh the current static sample to reflect today's largest trade unions by income using the Certification Officer's latest returns.

15. *Move to a Dynamic Trade Union Sample* - Introduce a rolling sample that captures trade unions responsible for ~90% of sector income, updated annually from Certification Officer data.

16. *Expand Political Party Data Collection Using a Trade Union-Style Methodology* - Apply a trade union-style grossing method using detailed financial data from major parties' accounts to improve estimates

[4] International Classification of Non-Profit Organisations (ICNPO) codes are a globally recognised classification system (developed by Johns Hopkins University) for categorising non-profits based on their primary activity (explained further on page 49).

Acknowledgements

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We would also like to thank many others who have provided invaluable input, including National Council for Voluntary Organisations (NCVO), the Charity Commission, Office of the Scottish Charity Regulator (OSCR), Northern Ireland Statistics and Research Agency (NISRA), and the National Accounts team in the Scottish Government.

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Finally, we would like to thank the various Economic Futures placement students who have contributed to this broader project over time.

1. Introduction

Non-Profit Institutions Serving Households (NPISH) play an important, yet often overlooked, role in the UK's economy. This sector – which includes charities, trade unions, political parties and educational institutions – not only delivers essential services and promotes social welfare, but also contributes significantly to employment and economic output.

However, accurately capturing the full economic impact of NPISH remains a complex challenge. Current measurement approaches may not fully reflect the sector's scope or value. The methodology used by the Office for National Statistics (ONS), while comprehensive, is complex and not widely understood, making it difficult to replicate consistently across different parts of the UK. This complexity stems from the use of specific data sources and samples, classification rules, and the broader difficulty of fitting voluntary sector organisations into conventional economic frameworks.

Additionally, variations in data collection across England, Scotland, Wales, and Northern Ireland mean that NPISH estimates may not always provide a complete or comparable picture of the sector's role in different regions.

This report has three key primary objectives:

1. **To document the current ONS methodology** for measuring NPISH, including the data sources and methods used.
2. **To identify opportunities for methodological improvement**, aiming to enhance the accuracy, transparency, and accessibility of NPISH measurement.
3. **To evaluate the potential impact of methodological changes** on NPISH estimates **in Scotland and Northern Ireland**, where limited data availability may lead to underrepresentation.

By clarifying how NPISH is currently measured and proposing pathways for improvement, this report seeks to support more informed policymaking, facilitate better resource allocation, and ensure the voluntary sector's contributions are properly recognised in the broader economic landscape.

1.2 National Accounts Definitions

National Accounts

National accounts use a vast range of data - including variables, measures, aggregates, and tables - to provide a clear picture of a country's economic activity and production (or output). By integrating data from various sources such as surveys and administrative records, national accounts create a single consistent picture of the economy. This

framework follows international standards set out in the System of National Accounts (SNA), and therefore allows for meaningful comparisons between countries.

The UK national accounts are compiled in accordance with the European System of Accounts (ESA), which is the EU's legally binding implementation of the SNA. ESA follows the same core principles as the SNA but contains additional guidance and detail tailored to European data requirements and legal frameworks. This is why ESA, rather than the SNA itself, is the operational standard referred to in later sections.

One of the most significant uses of national accounts is to measure key indicators like Gross Domestic Product (GDP), which represents the total value added of all goods and services produced within a country.

Institutional units

A key part of the national accounts framework is the identification and classification of institutional units. These units are defined as economic actors capable of owning assets, incurring liabilities, and engaging in transactions on their own behalf. They are also distinguished by their ability to maintain a complete set of accounts that record their economic activities.

Institutional sectors

Within the national accounts framework, institutional units are assigned to one of five distinct and mutually exclusive sectors. The System of National Accounts (SNA) recognises the following main sectors:

1. Non-Financial Corporations (market production of goods/services)
2. Financial Corporations (banks, insurance, etc.)
3. General Government (public services, welfare)
4. Households (individuals and unincorporated businesses)
5. Non-Profit Institutions Serving Households – NPISH (charities, trade unions, political parties, educational institutions)

The five sectors together make up the total domestic economy.

1.3 NPISH in ESA 2010

The European System of Accounts 2010 (ESA 2010) provides the framework used across the European Union for producing consistent and comparable national accounts. Under this system (ESA 2010; p46), NPISH is defined as:

> "Nonprofit institutions which are separate legal entities, which serve households, and which are private non-market producers. Their principal resources are

voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income"

In other words, NPISH is made up of organisations which are legally independent, exist to serve individuals or households, and do not operate primarily to make a profit. They provide goods or services either for free or at low cost (i.e. below market prices).

While NPISH institutions may generate surpluses, they are legally restricted from distributing them. Any surplus money must be reinvested into their mission or services – they are not allowed to pay it out like dividends in a business.

ESA 2010 also clarifies the boundaries of the NPISH sector:

- Organisations without legal independence, or very small ones, are treated as part of the household sector, since their finances can't be clearly separated from those of individuals.

- NPISHs that are controlled by government (e.g. those heavily funded and directed by public authorities) are included in the general government sector, not in NPISH.

ESA also outlines the types of institutions typically found in the NPISH sector. These include:

- Trade unions, professional or learned societies, consumers' associations, political parties, churches or religious societies (including those financed but not controlled by governments), and social, cultural, recreational and sports clubs,
- Charities, relief and aid organisations financed by voluntary transfers in cash or in kind from other institutional units.

1.4 NPISH ONS Approach

In the UK, the Office for National Statistics (ONS) follows the ESA 2010 framework but applies it in a way that reflects national circumstances. According to the ONS, NPISH are institutions that:

- provide goods and services, either free or below market prices
- mainly derive their income from grants and donations
- are not controlled by the government

In practice, in the UK, the scope of the NPISH sector includes:

- charitable organisations
- trade unions

- political parties
- universities and further education establishments

1.5 Report Motivation

As part of the 2023-2027 research agenda, the Economic Statistics Centre of Excellence (ESCoE) has been exploring the challenges in measuring the voluntary sector. This technical report forms part of a broader initiative, including important research on the feasibility of a Civil Society Satellite Account (Pro Bono Economics, 2024; 2025).

It is important to distinguish the NPISH sector from the broader concepts of the 'third sector', 'civil society sector', or 'voluntary sector'. While there is some overlap, NPISH represents only a subset of these wider categories. In particular, the NPISH classification, as used in national accounting, is narrowly defined by economic characteristics, such as the nature of income sources and the purpose of the organization. In some cases, such as universities, whole groups are included in the NPISH sector. NPISH is only one component of the broader voluntary sector (and indeed, some definitions of the voluntary sector exclude institutions like universities).

Many voluntary or non-profit organisations fall outside the NPISH boundary because they derive most of their income from market-based activities (e.g. sales or fees) rather than from donations or grants. Examples of this could potentially include:

- Retail-based charities like Oxfam and the British Heart Foundation, which generate income through charity shops;
- Cultural charities, such as The National Trust and the Royal Opera House, which rely on ticket sales and memberships; and
- Hospitality ventures run by charities like Youth Hotels Association and the Eden Project to support their missions.

Other types of organisations commonly associated with the third sector but often excluded from NPISH, include social enterprises, mutuals, cooperatives, and many faith-based organisations (such as churches and other religious institutions), particularly when their primary funding comes from members or market activities. Small charities or those who lack legal status will also not be considered NPISH.

This distinction is crucial for national accounting purposes, where inclusion in NPISH depends not just on an organisation's not-for-profit status, but also on the specific structure of its income, legal status and its relationship to households.

Several pieces of work highlight the impact of this distinction - see Crummey (2024), Spowage (2022) and RSE (2023). While these broader issues are critically important, this technical report focuses specifically on the measurement of NPISH within the national accounts framework.

The overall aim of this report is to document and improve the methodology used to measure NPISH, while acknowledging the limitations in the classification. It does not seek to capture the full scope of the voluntary sector. Instead, by clearly outlining the current NPISH methodology and proposing targeted improvements, the report intends to contribute to wider efforts aimed at enhancing the overall measurement of the third sector. Some of the potential improvements do have the potential to contribute to wider measurement.

Currently, gaps in how the voluntary sector is accounted for limit meaningful comparisons with other parts of the economy. As a result, its role is often underestimated or overlooked in national statistics, which in turn affects its visibility in policy and funding discussions.

Improved measurement of NPISH would help to begin to ensure the sector receives the recognition it deserves, strengthen the case for increased investment and support, and enable its contributions to be fully reflected in national economic strategies. In the long term, this would support the development of policies that more effectively harness the sector's full potential to deliver both social value and economic growth.

Section 2. NPISH Methodology

2.a Overview

This section provides a high-level summary of the NPISH measurement process, as outlined in Figure 1 below. While the figure presents a simplified version of the methodology, the following subsections offer a more detailed explanation of each stage.

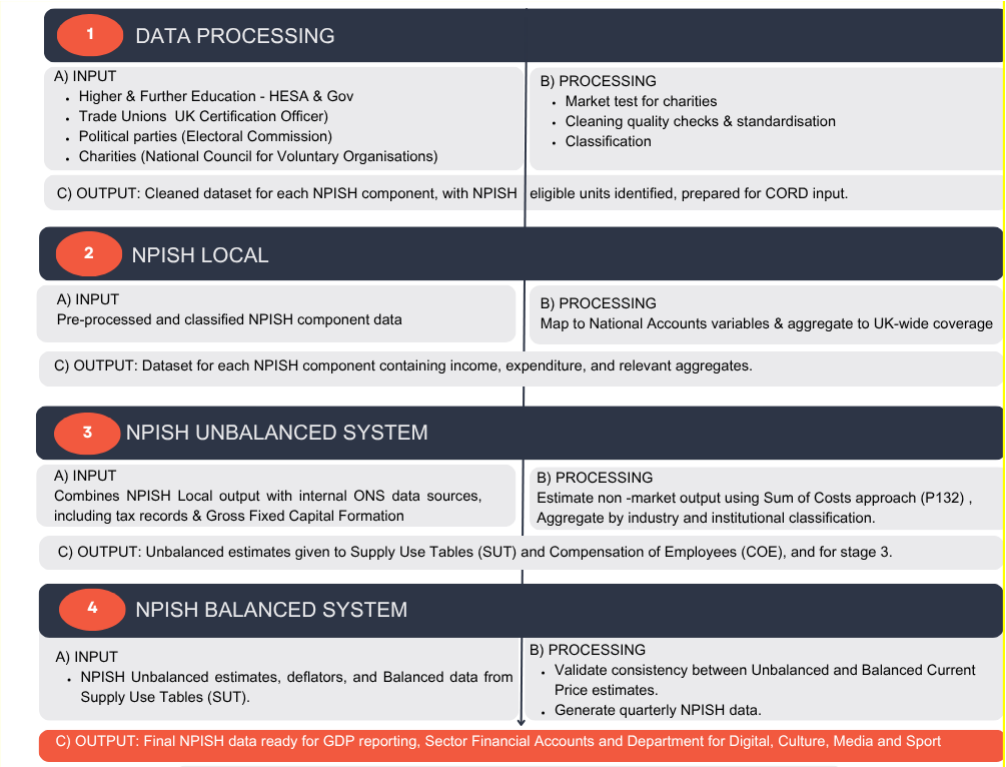
The NPISH measurement process is structured into four main stages:

1. Data Processing
2. NPISH Local
3. NPISH Unbalanced System
4. NPISH Balanced System

Each of these stages includes three sub-stages:

a) Input
b) Processing
c) Output

Figure 1: NPISH Process Overview



Source: Authors own interpretation of ONS materials

The stages are outlined below.

1. Data Processing

This stage occurs prior to NPISH Local and focuses on preparing the raw source data.

a) Input

- Charities: Sample accounts from NCVO
- Educational institutions: HESA datasets
- Trade unions: Certification Officer returns
- Political parties: Electoral Commission data

b) Processing

- Market test is applied to the NCVO charity sample to distinguish NPISH and non-NPISH organisations
- Quality checks, cleaning and standardisation across all datasets
- Classification and initial mapping to National Accounts transaction codes

c) Output

- A cleaned dataset for each NPISH component, with NPISH-eligible units identified, is prepared for input into CORD[5] in the next stage.

2. NPISH Local

This stage ingests processed data into the CORD and structures it for subsequent estimation.

a) Input

- Pre-processed and classified NPISH component data from the previous stage.

b) Processing

- Upload data into CORD
- Map to National Accounts variables and aggregate to UK-wide coverage

c) Output

[5] The Central ONS Repository for Data (CORD) is the Office for National Statistics' internal database system for storing, managing, and processing datasets used in the production of UK National Accounts and other economic statistics.

- Local datasets for each NPISH component (e.g., for education, charities, unions, political parties) containing income, expenditure, and relevant aggregates)

3. NPISH Unbalanced System

a) **Input:** Combines the output from the NPISH Local stage with internal ONS data sources, including tax records, subsidies, and capital formation estimates.

b) **Processing:**

I. Apply Sum of Costs approach (P132) to estimate NPISH non-market output.

II. Deflate Current Price data to obtain volume measures.

III. Aggregate by industry and institutional classification.

c) **Output:** Unbalanced NPISH final estimates are given for integration into the Supply Use Tables (SUT) and Compensation of Employees (COE), and for next stage.

4. NPISH Balanced System

a) **Input:** NPISH Unbalanced estimates, deflators, and Balanced data from Supply Use Tables (SUT).

b) **Processing:**

I. Validate consistency between Unbalanced and Balanced Current Price estimates.

II. Generate quarterly NPISH data.

c) **Output:** Final NPISH data ready for GDP reporting, Sector Financial Accounts and Department for Digital, Culture, Media and Sport

The following sections describe each stage of the NPISH methodology in greater detail, including data sources, assumptions, and key methodological decisions.

2.1 NPISH Local

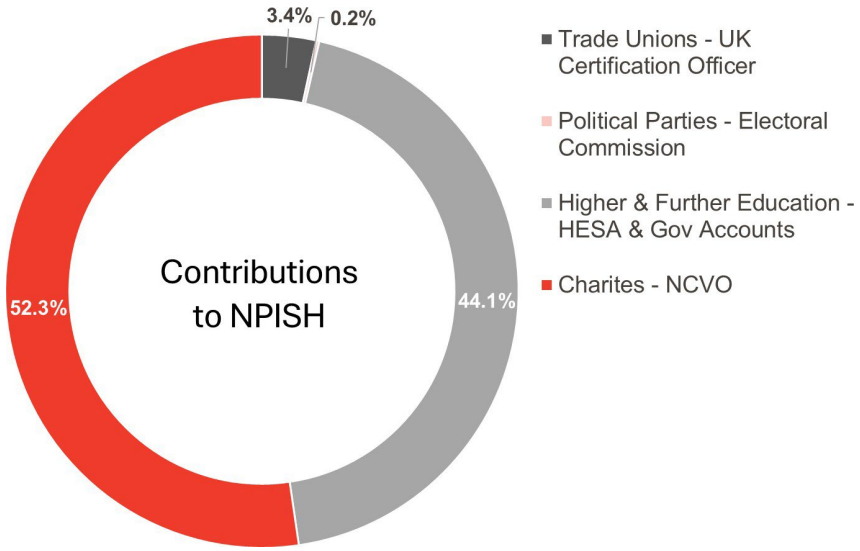
Stage 1.a Input

The first step in estimating NPISH for the UK National Accounts involves gathering and processing external data sources to prepare them for integration into the broader National Accounts framework.

For NPISH Local calculations, the ONS uses four external data sources, illustrated in Chart 1 and summarized in Table 1.

The largest share of NPISH comes from charities, based on data from the NCVO sample, which accounts for 52.3%. This is followed by Higher and Further Education institutions, drawing on financial data from the HESA website and institutional accounts, together contributing 44.1%. Trade Unions represent 3.4% of the total, with data sourced from the UK Certification Officer's Annual Returns. Finally, Political Parties make up the remaining 0.2%, based on financial reports submitted to the Electoral Commission.

Chart 1: Contributions to NPISH Local from External data, May 2024



Source: ONS

Table 1: NPISH External data sources

Institution Type	Data Source	Collection Method	Output Variables
Trade Unions	UK Certification Officer	Web scraped from the Annual Returns	• Total Expenditure • Remuneration and Expenses (Proportion) • Salaries and Wages (Proportion) • Employers' Social Contributions (Proportion) • Intermediate Consumption (Proportion)
Political Parties	Electoral Commission	Web scraped from the Financial Reports	• Total Expenditure • Total Income
Higher & Further Education	Higher education: Higher Education Statistics Agency	Web scrapped from HESA website institutions financial accounts	• Total income • Total expenditure • Depreciation • Funding body grants • Tuition fees and education contracts • Research grants and contracts • Other income • Investment income • Staff costs • Other operating expenses • Interest and other finance costs • Residences operations
	Further education: ONS central government team, Welsh central government, & FE institution in Northern Ireland	Requested from ONS, Welsh Gov, and web scrapped from NI FE financial accounts	
Charites	National Council for Voluntary Organisations (NCVO)	Sample of charity accounts data	• Wages and salaries • Social security costs • Pension costs • Expenditure • Depreciation • Interest payments. • Expenditure - Grants • Income - Generating funds • Income - Charitable activities

2.1 a Higher & Further Education

Higher Education – Data Collection

Higher education financial data is sourced from the Higher Education Statistics Agency (HESA) website.

HESA collects comprehensive financial information directly from UK Higher Education institutions through an annual process. This data comes from two main tables in the HESA Finance record: Table 1 (Consolidated statement of comprehensive income and expenditure) and Table 7 (Income analysed by source). The ONS manually collects this data from the HESA website and exports to excel files.

The academic years are converted into corresponding calendar years (e.g., the 2017/2018 academic year is recorded as 2018).

The following data is taken for all institutions in the UK:

- Table 1:
    - Staff Costs
    - Other operating expenses
    - Depreciation and amortisation
    - Interest and other finance costs
- Table 7:
    - Funding body grants
    - Tuition fees and education contracts
    - Total research grants and contracts
    - Total other income
    - Investment income
    - Residences operations – this data is stored in the 'other' sub table

Higher Education – Data Processing

This data is processed by summing for expenditure & income: The total expenditure variable is derived by summing all expenditure components - staff costs, operating expenses, depreciation, and finance costs - as outlined in Table 1. Similarly, the total income variable is calculated by aggregating income components from Table 7, excluding residence operations. While these totals are generated, the individual component variables are also retained.

Next, the figures are adjusted for industry coverage: All higher education figures - including total income, total expenditure, and their components - are adjusted by applying

a fixed proportion. Since 2021, this proportion has been set at 88.3763153% and is reviewed every five years, with the next update scheduled for 2026.

This adjustment ensures that only the portion of data relevant to Industry 85 (Education) is included in the estimates. The remaining 11.6% accounts for activities outside the core education sector, such as university-run businesses and other non-education services.

Further Education Data – Data Collection

While all higher education data is detailed and sourced from HESA, further education data is collected from different sources across the UK:

- Northern Ireland: Data is sourced from institutional Statements of Comprehensive Income and Expenditure.
- Wales: The Welsh Government provides an income figure for government funding/grants.
- England and Scotland: Data is provided by the ONS Central Government team as part of the "CJTG" (Current Grants to Persons in Final Consumption – Further Education) series. From 2021, the CJTG figure reportedly includes Northern Ireland and Wales. To avoid double counting, it's assumed that either the Central Government team removes the NI/Wales components before sharing it with the NPISH team, or the NPISH team removes them themselves.

Higher and Further Education Recommendations

Recommendation 1: Engage with ONS Central Government team to clarify CJTG composition

The ONS NPISH team should engage with the ONS Central Government team to clarify the composition of the CJTG data series, specifically whether it includes figures for Scotland. If Scottish data are included, the team should take appropriate corrective action - either by removing the Scottish data from the CJTG series or by sourcing data for Scotland separately, such as from HESA or an alternative, appropriate Scottish organisation.

Further Education Data – Data Processing

As with HE data, academic years are converted into corresponding calendar years (e.g., the 2017/2018 academic year is recorded as 2018).

The CJTG growth rate is determined by calculating the percentage change in total CJTG funding from the previous year, including Wales and Northern Ireland. This growth rate is applied to the Welsh data but not to Northern Ireland's data, as Northern Ireland's figures come directly from institutional financial statements. A growth rate is applied to the Wales data because the Welsh Further Education has to be converted from academic to calendar year.

The final UK Further Education income estimate is then obtained by combining the adjusted Wales data, Northern Ireland's unaltered income data, and the CJTG figures for England and Scotland (with Wales and NI removed).

For further education, only a total income figure is collected. This means figures are collected for expenditure (staff costs, operating expenses, or other detailed expenditures).

Higher and Further Education Processing & Output

Once both data sets are available, the processing involves these steps:

a) Grossing[6] Expenditure Allocation for FE: First, the proportions of higher education expenditure (for example, the percentage represented by staff costs) are calculated relative to higher education total income. These percentages are then applied to the further education income figure, essentially "modelling" a breakdown for further education expenditures that is consistent with higher education patterns. For example, if staff costs represent 66% of total income for higher education, it is assumed that the same will be true for further education. So, further education staff costs are assumed to be 66% of the further education total income figure. The same is calculated for Other operating expenses, Depreciation, Interest and other finance costs, Total expenditure for further education.

b) Final Aggregation: The HE data is then combined with the FE dataset (from HE proportions) to give total figures for each variable below.

c) Data Transfer: The variables are then transferred to CORD for the next stage of processing. The output variables that are transferred to CORD are shown in Table 1.

[6] See Annex A for explanation on grossing methodology.

Table 1: Output Variables for Higher & Further Education

Variable Name	Full name	Industry	Periodicity
Tot_Inc	Total income	85 (Education	Annual
Tot_Exp	Total expenditure		
Dep	Depreciation		
Fund_Grants	Funding body grants		
Tuition_Fees	Tuition fees and education contracts		
Research_Grants	Research grants and contracts		
Other_Inc	Other income		
Endowment_Inc	Investment income		
Staff_Costs	Staff costs		
Other_Operating	Other operating expenses		
Interest_Other_Finance	Interest and other finance costs		
Res_Ops	Residences operations		

In summary, UK higher education data is collected annually via HESA's Finance record, with detailed breakdowns of income and expenditure provided in specific tables. The data is adjusted by a fixed industry proportion to prevent double counting with other data sources, and a series of calculations are then performed to derive final consumption expenditure. Further education data, collected from various government sources, is integrated with the higher education data using modelled expenditure shares. Then, this is uploaded to CORD.

Higher and Further Education Recommendations

Recommendation 2: Use of HESA Data for Further Education

The ONS should incorporate expenditure data for Further Education (FE) institutions to improve the accuracy and completeness of financial estimates for the education sector.

One potential source for this is the Higher Education Statistics Agency (HESA), which maintains a publicly available dataset on institutional finances through its Consolidated statement of comprehensive income and expenditure. This data includes both income and expenditure variables under headings that align with current ONS NPISH HE and FE inputs, such as:

- Income: Tuition fees and education contracts, funding body grants, research grants and contracts, other income, investment income, donations and endowments, and total income.

- Expenditure: Staff costs, restructuring costs, other operating expenses, depreciation and amortisation, interest and other finance costs, and total expenditure.

Users can download the complete dataset or filter it by year, region, or institution. If desired, ONS can construct a classification to distinguish between universities and colleges using provider information (e.g., from the OfS register), or simply aggregate them for a holistic education sector view.

ONS could choose to separate out colleges and universities if needed - for example, by maintaining a list of which providers are classed as FE colleges versus universities. Alternatively, the data could be combined to reflect the education sector as a whole.

While establishing a new process for using this data may require some initial effort, doing so would likely lead to long-term time savings and a more reliable, transparent approach to measuring the role of higher and further education.

2.1 b Trade Unions

Trade Union - Data Collection

Total Expenditure for Trade Unions is sourced from the Annual Report for the Certification Officer "Summary of Statistics" section. This gives a figure for the total expenditure for all trade unions in the UK each year.

The other expenditure data variables (Remuneration and Expenses, Salaries and Wages, Employers' Social Contributions, Intermediate Consumption) is sourced from the annual financial returns published by the UK Certification Officer for the same six trade unions each year. These returns include financial details for trade unions operating in England, Scotland, and Wales. However, Northern Ireland trade unions are currently not included, and no adjustments are made to compensate for this missing data.

Since 2022, the methodology has focused on the top six trade unions by average reported income between 2004 and 2019. Prior to this, less detailed data was collected from the top 30 trade unions.

The six trade unions used in NPISH calculations are:

- UNISON
- Unite The Union[7]
- GMB
- Royal College of Nursing
- Union of Shop Distributive and Allied Workers
- National Association of Schoolmasters Union of Women Teachers

However, due to the historical basis of selection, these six may not reflect the largest trade unions in recent years. For instance, the National Education Union, formed in 2017, has consistently been among the top six based on income but is not included in the current methodology.

To obtain the latest data, the Certification Officer's website is searched using the format:

> *"Trade Union Name: [Year] Annual Return"*

[7] Unite the Union's annual return has not been submitted since 2020, so growth rates applied to calculate figures.

For each trade union, the AR21 form is downloaded and the ‘Analysis of Administrative Expenses and Other Outgoings’ section is located. This section contains total expenditure and staff costs required for processing.

Northern Ireland is not included in the estimates because the Certification Office, which provides official data on trade unions, does not publish figures for trade unions in Northern Ireland. In 2018, Northern Ireland accounted for only 0.7% of total UK trade union membership, which is equivalent to approximately £7.7 million. Given the small size of this proportion and the lack of published data, the decision was made by the ONS not to produce a separate estimate for Northern Ireland.

Trade Union - Data Processing

The Annual Return provides the total figures for *all* unions (i.e. the full population) for income expenditure (see Annex A).

However, the figures reported in these financial returns cannot be directly used for National Accounts. This is because it includes financial costs and adjustments that do not align with National Accounts principles, which focus on measuring actual economic activity. Trade union financial reports include various accounting adjustments - such as depreciation, tax payments, pension provisions, and interest expenses - which do not directly relate to the cost of providing trade union services. These items must be excluded to ensure that the variables align with National Accounts definitions.

Each trade union has a different financial structure and reporting approach, meaning that the specific exclusions vary. Some unions may report property revaluations or investment gains, while others may include tax recoveries or pension fund adjustments. Since these elements can increase or decrease total funds without representing the union’s actual operating costs, they must be adjusted when calculating total expenditure.

This point is confirmed by the Certification Officer’s Annual Report, which clarifies:

> “The total income and total expenditure figures are not confined to normal revenue income and expenditure. The figures cover all items which increased or decreased a union’s total funds during the year. They are inclusive of recognised gains and losses, including revaluation of property and assets and other changes in the value of assets, which are not offset by an equal change in liabilities. Tax recoveries and provisions no longer required are included in total income, and tax paid is included in total expenditure” (p.25).

Trade unions’ reported income and expenditure figures often include non-operational items—such as asset revaluations, tax provisions, and investment gains or losses—which

do not reflect their core economic activity. These need to be adjusted or removed to ensure consistency with National Accounts principles.

We understand that National Accounts experts have previously determined which financial adjustments should be excluded for each trade union to allow accurate estimation of their contribution to the economy.

This process ensures that only operational expenses, such as salaries, office costs, and other direct service-related expenditures, are included in the final dataset. See Table 2 for the calculation formulas used in processing trade union expenditure data.

The MAC paper notes that adjustments were made by removing non-National Accounts consistent items, such as depreciation, from the total expenditure figures reported in trade unions' annual accounts. The focus was on isolating expenditure components that align with National Accounts concepts - specifically, intermediate consumption (P.2) and compensation of employees (D.1, further split into wages and salaries, and employers' social contributions). However, while the paper outlines the general approach to these adjustments, it does not provide a detailed list or rationale for each individual expense line excluded, such as Public Relations, Marketing, or the HMRC Apprenticeship Levy.

Table 2: Equations for calculating Trade Union expenditure (total expenditure – varying financial costs)

Union name	**UNISON**	**Unite The Union**	**GMB**	**Royal College of Nursing**	**Union of Shop Distributive and Allied Workers**	**National Association of Schoolmasters Union of Women Teachers**
Expenditure variable	**Total Expenditure -**	**Total Expenditure -**	**Total Expenditure -**	**Total Expenditure -**	**Total Expenditure -**	**Total Expenditure -**
Subtracted variable	Depreciation	Depreciation	Depreciation	Depreciation	Depreciation	Depreciation
	Interest Paid	Profit on disposal of properties	Costs of Amalgamation	Bank Loans (inc Overdrafts)	Taxation	Taxation
	Actuarial loss on pension scheme	Pension Adjustment	Bank Loans (inc Overdrafts)	Public Relations and Marketing	Profit on sale of Motor Vehicles	Sponsorship
	Taxation	irrecoverable VAT on properties	Other Loans		Net Interest Expenses	Interest
	Bank Loans (inc Overdrafts)	Profit on disposal of Investment portfolios				Pension Liability
	Other Loans	Release of specific tax/ legal provisions				Pension Revaluation

	HMRS Apprenticeship Levy	Other exceptional items				Mortgages
		Cost of empty property leases				Management Fee
		Eastbourne Lost Contribution				Investment Cost and Fees
		Impairment of investments				CBF Investment Losses Realised - Charity
		Gain on investments sold to fund pension deficit				CBF Investment Losses Unrealised- Charity
		Reversal of impairment of investments				CBF- Bad Debts
		Interest Paid				CBF Management Fees
		FRS 17 Adjustment				Loss on Investment
		Taxation				Loss on Asset Disposal
		sundry expenses				Profit on asset disposal
		impairment of properties				Pension Finance Charge
		non- operating items				Sundry
		Net Losses on disposal and revaluation of investment				Unrealised profit on investment property
						Other Outgoings for CBF- charity
						FRS 17 finance charges
						FRS 17 Adjustment
						FRS 17
						Net Losses on disposal and revaluation of investment

After the above adjustments, the following transactions are derived in Table 3.

Table 3: Trade Union Variables Calculation

Name	Transaction	Calculated/From
Total Expenditure	P.1	Annual Report for the Certification Officer **(for all Trade Unions in UK)**
Remuneration and Expenses	D.1	Annual Returns from each Trade union account
Salaries and Wages	D.11	Annual Returns from each Trade union account
Employers' Social Contributions	D.12	D1 minus D11 (Remuneration and Expenses minus Salaries and Wages)
Intermediate Consumption (explained more below)	P.2	Total running costs of the individual union (TU_Expenditure; Total expenditure minus various financial costs adjustments) minus staff pay and expenses (D.1).

As shown in Table 3, total expenditure data for all trade unions in the UK is sourced from the Annual Report of the Certification Officer. However, this approach appears inconsistent with the adjustments applied to sample data, where non-operational expenditure items are removed to align with National Accounts principles. The MAC paper does not explicitly state whether the total trade union expenditure figures published by the Certification Officer have been adjusted to exclude non-operational items. Based on the information available, it seems likely that the total expenditure figure remains unadjusted and may still include items that are inconsistent with National Accounts methodology.

Trade Union Recommendations

Recommendation 1. Review Trade Union Unadjusted Total Expenditure Justification

The ONS review the current methodology of using the total expenditure figure for all trade unions, as sourced from the Annual Report of the Certification Officer. This approach appears to conflict with the adjustments applied to the sample data, where

non-operational expenditures are removed to ensure consistency with National Accounts principles. The ONS should assess whether adjustments to exclude non-operational items can and should be applied to the total expenditure figures for trade unions. If such adjustments are not feasible or logical, the rationale for relying on the unadjusted figure should be clearly documented and justified.

As for further education data, grossing methods are applied to the sample (six unions) of trade union data, to estimate the final figures to represent the entire trade union sector.

1. Summing Total Expenditure for the Six Trade Unions
    - The total expenditure of the six trade unions is calculated by summing all the adjusted reported financial data.
2. Calculating Proportions of Key Financial Components
    - The share of each major expense type (e.g., wages, staff costs, and intermediate consumption) is calculated as a percentage of the total expenditure of the six trade unions.
    - Example: If staff wages (D.11) account for 40% of total expenditure in the sample, this percentage is assumed to hold for the entire sector.
3. Applying These Proportions to the Total UK Trade Union Expenditure
    - The total expenditure for all trade unions is taken from the Certification Officer's Annual Report.
    - The calculated proportions (from step 2) are applied to this total expenditure to estimate the values for all trade unions.
    - This step is known as grossing, which means extrapolating from a sample to estimate the whole population. However, the proportions are only transferred to CORD apart from for Total Expenditure.

Trade Union Output

The final grossed values are uploaded into the CORD. These values are classified under SIC 94 (Activities of Membership Organisations) and are either the ungrossed total expenditure or proportions for other variables.

Table 4: Output Variables for Trade unions

Name	Transaction	Min Non Min	Type	Periodicity	Industry
Total Expenditure	P.1	Non_Min	UG (Ungrossed)	Annual	94 - Activities of Membership Organisations
Remuneration and Expenses	D.1	NA	PROP (Proportion)		
Salaries and Wages	D.11	NA	PROP (Proportion)		
Employers' Social Contributions	D.12	NA	PROP (Proportion)		
Intermediate Consumption	P.2	NA	PROP (Proportion)		

In summary, trade union financial data is collected from the UK Certification Officer, using annual returns (AR21) from the top six trade unions based on historical income. This dataset excludes Northern Ireland. Financial costs are deducted to calculate total expenditure, and key variables such as staff remuneration, wages, and intermediate consumption are derived. The data is then grossed, though only Total Expenditure (P.1) is grossed, while other variables remain as proportions in the ONS system (CORD). The final dataset is categorized under SIC 94 (Activities of Membership Organisations) and used in NPISH economic reporting.

Trade Union Recommendations

Recommendation 2. Improving the Trade Union Static Sample

Firstly, in the short term, the ONS should review and update its current trade union sample to ensure it reflects today's largest unions by income. The existing sample of six unions is based on data from 2004 to 2019 and no longer captures newer or growing unions, such as the National Education Union. Updating the sample while keeping its size fixed would ensure that the most economically significant trade unions are represented. The same source can be used - the Annual Report for the Certification Officer.

Recommendation 3. Move to a Dynamic Trade Union Sample

In the medium to longer term – the ONS should consider moving to a dynamic sampling approach. Each year, the sample should be refreshed to include the trade unions that collectively account for a substantial share, such as 90%, of total reported income, based on the latest Certification Officer returns (see pages 25–26). This would ensure that the sample remains relevant and reflective of the trade union sector's current structure.

The remaining portion of trade union income (i.e., the residual 10%) can then be estimated using the same proportional distribution observed among the top unions. This would allow the ONS to produce more representative figures while avoiding the burden of processing every single return.

Under this approach, the sample would be refreshed annually, based on the latest data, rather than relying on a static list. For instance, the 2023–24 annual returns show that the top unions listed in Table 5 account for approximately 69% of total reported income.

However, data gaps remain a challenge - most notably, Unite the Union has not submitted financial accounts since 2020. Given its size (with 1.25 million members in 2020/21), including Unite would likely raise the sample coverage to at least 90% of total trade union income.

As the UK's national statistical institute, the ONS should use its authority to encourage organisations like Unite to comply with reporting expectations, to ensure their economic activity is properly measured. Where this is not possible, the ONS should clearly explain how missing data impacts the accuracy of published statistics.

Table 5: Sample of Trade Unions with Returns Received from 1 April 2023 to 31 March 2024

Trade Union	Total Income (£000s)	% of Total Trade Union income
All unions	1429847	100%
UNISON: The Public Service Union	351385	25%
British Medical Association	146865	10%
GBM	94457	7%
Royal College of Nursing of the United Kingdom	67260	5%
National Education Union	78881	6%
Union of Shop Distributive and Allied Workers	64504	5%
Prospect	52182	4%
National Association of Schoolmasters Union of Women Teachers	37241	3%
Communication Workers Union	36281	3%
Public and Commercial Services Union	25495	2%
University and College Union	27305	2%
Total	981856	69%

* Unite the Union's annual return was not received during this period, so its figures could not be included. If it was included, >90%

2.1 c Political Parties

Political Parties Data Collection

Political party financial data is collected from the Electoral Commission, which publishes annual financial statements for all registered political parties in Great Britain and Northern Ireland. The data is extracted using the following selection criteria:

- Political Parties in Great Britain, Northern Ireland, and None (unspecified regions)
- Registered parties
- All available years

- Central Party and Accounting Units[8] (sub-divisions of parties that handle finances separately)

The data is exported to excel.

Political Parties Data Collection Processing

Next, the total expenditure for all political parties is summed for each year. Similarly, total income for all political parties is aggregated for each year. The output of this is two variables: aggregate income and expenditure.

Political Parties Data Collection Output

The processed political party data (aggregate income and expenditure variables) is categorized under SIC 94 (Activities of Membership Organisations) and uploaded to CORD. The output classification follows:

Table 6: Political Parties Output CORD

Industry	Periodicity	Transaction	Name
94	A	Tot_Exp	Total Expenditure
94	A	Tot_Inc	Total Income

Political Parties Data Recommendations

The ONS has not yet explored alternative methods for estimating political party contributions. It would be beneficial to assess whether more effective approaches are available and could be used, as outlined below.

1. Expand Political Party Data Collection Using a Trade Union-Style Methodology

A sampling approach similar to Trade Unions (see previous section) should be implemented. Instead of using only total income and expenditure, more variables

[8] These are constituent or affiliated units of a political party, including constituency parties, which have separate finances from the main party, e.g. Scottish Labour Party or SNP Westminster Parliament Group. In 2022, ten accounting units in the UK reported income or expenditure of more than £250,000.

should be collected for the top political parties from their annual accounts. This would allow for more accurate understanding of political parties' economic contribution.

The first step would be to locate the Political parties' financial accounts, which are available on the Commission's website. The ONS would then filter by the relevant year, Great Britain & Northern Ireland, registered parties and central parties and accounting units. Political parties can register 'accounting units' with the Electoral Commission.

The next step would be to sort the results by 'max value', which would present the results from highest value of total income to lowest. This can be exported to a CSV/Excel file.

Next, as it is currently, the total expenditure for all political parties can be summed for each year. Similarly, total income for all political parties can be aggregated for each year. The output of this is two variables: aggregate income and expenditure. These variables would give you an understanding of *all* the political parties total income and expenditure, so you can (1) identify the top political parties that collectively account for at least, for example, 80-90%+ of the total political party income, (2) get detailed income and expenditure data figures, and (3) use a grossing method to apply this pattern to the remainder of income/expenditure, assuming it follows the same pattern.

The ONS can access the financial accounts of the major political parties by downloading them from the website linked above. From these documents, the key variables (see below) can be identified and recorded in an Excel spreadsheet. As the accounts are provided in PDF format and there are some minor differences in how each party presents its financial information, this data would need to be collected manually. Some professional judgement may be required by ONS staff to ensure consistency. However, this process is relatively straightforward and should not be particularly time-consuming.

Key variables to be captured could be the same as those captured in the NCVO data for the sum of costs method, as outlined below.

- Wages and Salaries (D.11)
    - In 'Employees' section – in 'Wages and salaries'
- Employers' Social Contributions (D.12)
    - In 'Employees' section – 'Social security costs', 'Other pension costs'
- Intermediate Consumption (P.2)
    - Expenditure – 'Total Expenditure'
    - Pension costs – as above
    - Wages and salaries – as above
    - Social security costs - as above

    - Depreciation – ‘Depreciation and amortisation’ (Conservatives, Labour, SNP) or ‘Depreciation’ (Liberal Democrats)
    - Interest payments – ‘Total Interest Costs’ (SNP), ‘Interest payable’ (Labour), ‘Interest Charge’ (Conservatives), ‘Bank interest’ (Liberal Democrats)
    - Grant Expenditure = not directly stated in SNP or Conservative expenditure, ‘Grants to party bodies’ (Liberal Democrats), ‘Grants and payments to CLPs’ (Labour party),
- Currently, political parties do not feed into Payments for Non-Market Output (P.131) or Market Output (P.11)
    - Payments for Non-Market Output (P.131) – **r**eceipts such as membership fees and income related to non-market activities.
    - Market Output (P.11) - outputs sold at market prices (e.g., charity shop sales, commercial income or conference income).

Some of these costs would need to be examined by National Accounts experts to ensure they are consistent with National Accounting standards.

These figures can then be used to produce full-sector estimates through grossing techniques, applying sample proportions (e.g., wages as a percentage of total expenditure) to estimate values for the wider sector. This would be following the same ‘grossing up’ method as elsewhere in NPISH.

Finally, the processed data should be integrated into the CORD upload, ready for the next stage (the sum of costs method).

It’s worthwhile to note that political party income can fluctuate significantly depending on whether it’s an election year. Further analysis is needed to assess whether parties consistently report their finances at the same level of detail each year, and to explore whether a methodology can be developed to account for these variations. That said, this remains a strong option for the ONS to pursue as the current method lacks detail and it would be useful to capture this fluctuating income. While political parties may not constitute a large share of NPISH, it is still important to accurately capture their activity in National Accounts.

2.1 d Charities

Charites Data Collection

Charity data used in the NPISH system is sourced from the National Council for Voluntary Organisations (NCVO), delivered annually via commercial contract. NCVO collates charity-level data as part of their UK Civil Society Almanac. The data covers charities registered with the Charity Commission for England and Wales and is delivered to the NPISH team as a stratified sample, structured by income band.

NCVO has made significant changes to its data collection methodology in recent years, with implications for how charity sector data feeds into NPISH estimates. These are outlined in three sections below:

- *Pre-2023 Previous Method*
- *2023 Sample Reduction*
- *2024 Introduction of AI method*

Pre-2023 Previous Method

The NCVO data process for measuring voluntary sector finances has four stages:

1. Data for the whole population of general charities is obtained from the publicly available Charity Commission register.

2. Data entry at Queen's University on a sample; the publicly available dataset lacks detailed financial information, which are only available on annual PDF reports. The NCVO manually input a random sample of charities stratified by income band of the data. Detailed financial data is obtained for 10,000 charities by taking their annual financial accounts held in PDFs by The Charity Commission and manually inputting them into a database. This data collection is currently outsourced to students at Queens University Belfast. Variables collected by the team at Queens include text description, current value, last year's value, financial year start and end, type of financial record (income, expense, asset, etc.), and error flags for any discrepancies.

3. Data processing to achieve accurate financial classification. First, the sample of 10,000 charities is stratified by the income of the organisation into six different income bands:
    - Band 1: Under £10k
    - Band 2: Between £10k and £100k
    - Band 3: Between £100k and £1M

- Band 4: Between £1M and £10M
- Band 5: Between £10M and £100M
- Band 6: Above £100M

The 10,000 sample counts ensure there is enough organisations in each income band that they can be further broken down by ICNPO code classification or by region of the organisation. However, within the largest income band, data is attempted to be collected for all charities, as there are less charities at this income level. Additionally, due to more detailed financial reports, data from bands 3-6 provide more insights as additional data is collected by the Charity Commission for charities in these income bands.

NCVO classify this dataset using the detailed annual reports entered by Queen's University. This is done in four main stages:

- Machine Learning: A model analyses descriptions of financial records to classify them.
- Keyword Search: A basic keyword match helps classify records unclassified by the previous stage.
- Previous Year Match Algorithm: Correlates data from the last year for verification and to classify data not classified in the current year.
- Manual Classification: Corrects algorithmic errors or inputs any missing classes.

4. Publication of the almanac and sharing subsets of data with various organisations - including the ONS. Annex A provides a list of the variables collected from charities data and provided to the ONS. Although not all of these variables are used for the NPISH calculations, it is assumed that they are needed for the financial accounts.

The largest charities, defined as those with annual income exceeding £100 million, are included in the sample every year due to their outsized influence on aggregate totals. The rest of the sample is rotated biennially. While the data is representative of England and Wales, a grossing process is later applied to adjust for UK-wide coverage (see next section).

One of the strengths of the NCVO dataset is its categorisation of income into three major types that align well with National Accounts needs:

- **Voluntary Income (IV):** This includes grants and donations that are freely given with little or no benefit in return. Typical examples include individual donations, legacies, and unrestricted grants.

- **Charitable Activities Income (IC):** This reflects income earned from delivering services as part of the charity's mission—such as membership subscriptions with benefits, or fees for services.

- **Income from Generating Funds (IG):** This includes revenue from activities undertaken to raise money, such as charity shops, fundraising events, or selling merchandise.

Each income variable is further broken down by source sector (e.g. individuals, central government, local authorities, private sector), providing additional granularity that supports subsequent classification and transformation into National Accounts concepts. For example, income recorded as "IC110" refers to earned income from charitable activities sourced from central government.

In addition to financial and classification variables, the NCVO sample includes both "current" and "previous" year accounts for each charity. However, these restated accounts are not always consistent year to year, and internal analysis has shown that current and previous values for the same financial year may differ. As a result, only the "current" accounts are used in most calculations, and market tests are conducted separately by year rather than on a multi-year rolling basis. This decision, while conceptually at odds with ESA 2010's preference for a "sustained multi-year period" assessment, was made due to the limitations of the rotating sample and data consistency issues, as according to the MAC documentation.

Lastly, the NCVO publishes summary totals of income per income band for all UK charities. These totals are used to calculate a grossing factor for each band by comparing the total UK income to the sample income from England and Wales. These band-specific grossing factors are applied to the entire sample to upscale the results to UK-wide estimates.

NCVO manually extract accounts from a rotating sample of charities. In previous years, this has been a sample of 10,000 but in 2023 the sample size was reduced.

2024 Sample Size Reduction

For the 2023 data cycle, the NCVO significantly reduced its sample size for charity sector data collection, from approximately 10,000 to 2,000 organisations. This substantial cut has major implications for the quality and reliability of the data available to the ONS in producing NPISH estimates.

The impact is especially pronounced because the usable NCVO sample undergoes two key filtering stages before contributing to NPISH outputs:

- General exclusions, which remove charities outside the scope of the analysis.
- The market test, which excludes charities earning more than 50% of their income from market-based activities.

With a smaller base sample, these filters result in even fewer eligible charities making it into the final NPISH calculations.

Stakeholders have flagged several risks arising from this reduced sample size. A smaller dataset increases sampling error and reduces granularity, particularly for sub-groups such as income bands or regions. Even minor misclassifications, especially of large charities, can disproportionately affect output estimates. Furthermore, year-on-year changes in estimates may now reflect sample composition changes rather than real shifts in sector activity.

There have also been concerns about data inconsistencies and potential input errors, especially when financial data has been manually entered by students. For example, implausible year-on-year income changes (sometimes exceeding 1,000%) have been observed. These are unlikely to reflect genuine sector developments and are suspected to be due to human error, such as misplaced decimal points or mislabelled entries.

Such anomalies not only affect the reliability of the dataset but also risk undermining confidence in its suitability for informing national estimates. The combination of reduced sample size and data quality concerns highlights the importance of robust quality assurance and alternative data collection strategies going forward.

2024 Introduction of AI method

The NCVO is transitioning to a new method starting with 2024 data (published in 2025). This involves using natural language processing and AI to extract data directly from charity PDF accounts, instead of students at Queen's University. Key features of this new approach include:

- Return to a larger sample size, estimated at approximately 10,000 charities, though final numbers may adjust based on representational needs across income bands and regions.
- Automated classification of financial records using a machine learning algorithm that assigns representative codes (e.g., IC, IG, IV) to various income sources.
- Continued provision of the same key financial variables to ONS in Excel format, ensuring backward compatibility and continuity in the NPISH estimation process.

The switch to AI-driven data extraction may improve long-term data consistency and coverage. However, the transition period carries risks;

- It is unclear how comparable the new dataset will be to historical figures, especially if classification schemes or AI logic diverge from past practices.
- Quality assurance mechanisms will need to be robust, especially given past issues with misclassification and outliers in manual data.
- The market test application will remain dependent on accurately classified income streams (e.g., IC, IG), meaning any algorithmic misclassifications could distort NPISH inclusion.

While the new method promises scalability and reduced human error, the impact on NPISH outputs will depend on how well the AI model replicates the nuance and judgment previously applied by human coders. As such, ongoing validation and calibration against known benchmarks will be critical, particularly during the initial years of implementation.

Charities – Recommendations

Recommendation 1: Consider Universal Charity Data Sources

The ONS should consider actively identifying and testing sources of charity data that offer coverage of the full universe of registered charities, such as the full charity register for England and Wales, plus the registers available for Scotland and Northern Ireland. The NCVO dataset will still be essential as a supplementary source - particularly for some variables such as wages - but should not serve as the primary input if a dataset with the full population is available. Expanding to a fuller data source will help safeguard the quality, completeness, and representativeness of NPISH estimates.

Charities – Data Processing

Once collected, the NCVO sample data undergoes extensive processing in R to align with National Accounts standard. An R codebase automates the transformation of NCVO charity-level data through a series of steps, outlined below then discussed in detail in subsequent stages:

- *Step 1. Data preparation and initial filtering*
- *Step 2. Identify relevant income (IC and IG)*
- *Step 3. Reduce income by fixed proportions*
- *Step 4. Apply the market test*
- *Step 5. Apply alternative market test if necessary*
- *Step 6. Compare market test results & assess results*

- *Step 7. Classifying charities by income*
- *Step 8. Assign SIC Codes via ICNPO Mapping*
- *Step 9. Conduct outlier analysis and weighting*
- *Step 10. Grossing to UK Level*

Charity Processing Step 1. Data preparation and initial filtering

Firstly, only variables relevant to NPISH processing are retained from the NCVO delivery. This includes identifiers, income and expenditure variables, income source breakdowns, and categorical indicators such as ICNPO codes (used for industry mapping) and General Charity (GC) exclusion flags. The full list of retained variables is in Annex C.

The dataset is filtered to retain only 'general charities' (GC exclusion = 0).

This variable identifies whether the charity should be included in the NPISH sector or excluded based on its institutional type. As detailed in the MAC documentation, only those charities marked with GC = 0 are included in NPISH processing. This is because the NCVO sample includes organisations such as religious bodies, NHS charities, housing associations, and others that are either excluded from the NPISH sector entirely or covered via different data sources within the accounts.

The GC exclusion methodology was reviewed during the R system rebuild [9] and re-aligned to historical inclusion rules, simplifying from a more complex conditional logic to a single rule: only charities with a GC code of 0 are retained. As outlined in the MAC documentation, this change significantly increased the number of excluded records, but improved alignment with previous estimates.

[9] When the new system was first built into R, from SPSS and Excel, many new methodologies were built in as per requirement.

Table 7: General Charity (GC) Organisation Type Classification Codes

Marker	Organisation Type
0	General Charity
1	Independent school, college, university, vocation academy
2	NHS administered charity or independent hospital
3	Religious body or place of worship
4	Mutual organisation
5	Trade associations and professional bodies
6	Central or local government administered and regulated
7	Housing Association
8	Benevolent institutions
9	Inactive organisation
10	COIF organisation
11	Duplicate

However, the logic for excluding all organisations with non-zero GC markers is not always clear. Some exclusions are well justified, such as NHS independent hospital (GC = 3) or local government administered (GC =1), which are captured as a different institutional unit in the National Accounts. However, for others, such as religious bodies (GC = 3), it is less obvious. These organisations could potentially meet the NPISH charity criteria if

they are legally independent, free from government control, and primarily non-market in nature (i.e., charging below-market prices). From discussions with ONS, it is apparent that there is uncertainty regarding the original rationale behind the GC marker classifications, suggesting that a review may be needed to reassess whether some excluded organisations should in fact be considered for NPISH inclusion under the current SNA/ESA definitions.

Charity Recommendations

Recommendation 2: Review GC marker & engage with Charity Commission

The ONS should review the application of the GC marker in determining which charities are included in the NPISH sector.

The origin of the GC marker was initially unclear. Recent clarification from NCVO indicates that they assign this classification. The ONS should engage with both NCVO and the Charity Commission to understand the underlying methodology, assess whether GC marker data is consistently available across the full charity population, and determine its suitability for national accounts classification.

This review should include a re-evaluation of the rationale for excluding or including charities with GC markers. In particular, for organisation types such as religious bodies which may otherwise meet the NPISH criteria under current SNA/ESA definitions.

It also highlights a broader issue: the need for closer ONS collaboration with data-providing organisations to fully understand the derivation and use of variables, and to be promptly informed of any changes to source data that could impact methodology or outputs.

Recommendation 3: Inclusion of Religious Bodies in NPISH Estimates

Although religious bodies are included in NPISH according to the ONS's own published definition, this report highlights that they are currently excluded from the GC marker and not otherwise accounted for within NPISH estimates. It is recommended that the ONS review this inconsistency and develop a methodology to ensure religious bodies are appropriately captured within NPISH.

Scottish charities are also excluded, as the NCVO sample primarily covers England and Wales. For each financial year, the sample is then merged with three additional reference files:

- ICNPO-to-SIC mapping, used to assign each charity to an industry classification;
- BandMax, defining income group thresholds;
- BandIncome, containing NCVO-published total UK income by band.

At this stage, two datasets are created: one for the current financial year and one for the restated accounts of the previous year. This enables a two-year market test to be applied later in the process.

Market Test Calculation

The central feature of the charity processing is the market test, used to determine whether a charity is classified as NPISH or not. The market test follows ESA 95 and ESA 10 guidance:

> *"The ability to undertake a market activity will be checked notably through the usual quantitative criterion (the 50 % criterion), using the ratio of sales to production costs (as defined in paragraphs 20.30 and 20.31). To be a market producer, the public unit shall cover at least 50 % of its costs[...]" (ESA10, p421)*

The result is a market test which is simply defined as follows:

$$\text{mmmmmmmmmm mmmmtimm} = \frac{IIIIIIIImmmmm}{EEEEEEmmIIEEEEmmEEmmmm} * 100$$

The test assesses whether a unit's income from market sources is sufficient to cover at least 50% of its production costs. Charities meeting or exceeding this threshold (pass the market test) are considered market producers and classified as non-NPISH and reassigned to the private non-financial corporations (PNFC) sector. Those below (fail the market test) are classified as NPISH.

Charity Processing Step 2. Identify relevant income (IC and IG)

However, *not all income* received by a charity is considered market income under ESA definitions. Donations, grants, and transfers are explicitly excluded. The income types are used in the market test are:

- Income from generated funds (IG): e.g. trading activities, fundraising events, merchandise sales
- Income from charitable activities (IC): e.g. fees for services, memberships with benefits, rent for charitable purposes

Charity Processing Step 3. Reduce income by fixed proportions

Furthermore, these two income types (IG and IC) are adjusted by fixed proportions to account for income sources deemed not economically significant:

- TRS (0.79): Applied to *IG*, to remove trading subsidiary income that would otherwise be captured under PNFCs, to remove double counting the trading subsidiaries' income.
- GOV (0.46): Applied to *IC*, to remove income from government contracts and grants, which are not treated as market transactions under ESA.

Charity Processing Step 4. Apply the market test

Taking this into account, the full market test is defined as:

$$\text{mmmmmmmmm mmmttmm} = \frac{(\text{Income from generated funds} * \text{TRS}) + (\text{Income from charitable funds} * \text{GOV})}{\text{Total Expenditure}} * 100$$

Where:

- TRS = 0.79
- GOV = 0.46

The market test calculates a new percentage (called MKT) that shows how much of a charity's income comes from market activities – for current data and the previous year's data. For example, a result of 40% indicates that only 40% of income is from market sources (e.g. trading or sales), with the remaining 60% from non-market sources such as grants or donations. Since the threshold is 50%, this charity would not pass the test and would remain classified as NPISH.

If expenditure is zero or missing, the denominator is replaced with total income. If total income is also zero, the result is set to zero by default.

Charity Recommendations:

Recommendation 4: Remove the Trading Subsidiary (TRS) Fixed Proportion

The current method applies a fixed adjustment (TRS = 0.79) to income from generated funds (IG) in order to exclude trading subsidiary income from the NPISH sector. This was originally intended to prevent double counting, as NPISH trading subsidiaries are captured separately in the PNFC sector via the Inter-Departmental Business Register (IDBR) and Annual Business Survey (ABS).
However, following recent analysis and discussions with NCVO, there is now strong evidence that this adjustment is no longer required:

- Most income from trading subsidiaries is transferred to parent charities via Gift Aid, which is recorded as voluntary income (IV), not income from generated funds (IG).
- NCVO has confirmed that the '330 – Trading Subsidiaries' variable has been discontinued and such income is now more accurately captured under broader business income classifications.
- As Gift Aid is treated as a charitable donation, it does not inflate IG and therefore does not risk misclassifying NPISH output.

Based on this evidence, the MAC has recommended setting the TRS proportion to 1 (i.e. removing the adjustment entirely) from 2006 onwards, when Gift Aid became

widely adopted. Pre-2006, the existing 0.79 factor should be retained due to limited historical data and the need for continuity.

While this recommendation aligns with the evidence and has been accepted in principle, implementation has been deferred due to knock-on effects on other areas of the National Accounts. ONS should aim to introduce this change when systems and dependencies allow.

Charity Recommendation 5: Replace the Fixed Government Income (GOV) Proportion with an Annual Sample-Based Estimate

The GOV proportion is applied to income from charitable activities (IC) in the market test to exclude income from government grants and contracts, which are not considered market transactions under ESA 10. The original fixed proportion of 0.46 was based on a sample of the UK's largest charities, where it was estimated that 54% of income from charitable activities (IC) came from government sources.

However, updated analysis by ONS and NCVO has shown that this fixed value is outdated:

- Since 2012, NCVO data provides annual breakdowns of income by government source (e.g., IC110, IC121, IC125, IC132, IC180), enabling more precise estimates.
- These categories align with ESA 10 definitions of D.631 (social transfers in kind), capturing central, local, devolved, and parish council income.
- As a result, the ONS can now calculate GOV proportions annually from 2012 onward, reflecting real-world changes in government funding patterns.

The MAC paper calculates indicative numbers for the annual proportion the ONS would apply to IC, as shown in Table 8. The newer method shows a slightly lower average proportion of income from government sources, which results in a higher GOV adjustment, thus increasing the share of income treated as market-based.

Table 8: Existing vs New GOV proportion

Existing vs New GOV proportion							
	Existing Method	New Method					
year	all	Pre 2012	12/13	13/14	14/15	15/16	16/17
Government (%)	56	56	54.4	54.9	50.9	48.8	56.2
Annual proportion (%)	44	44	45.6	45.1	49.1	51.2	43.8

Source: MAC paper

The new GOV estimates capture the cyclical nature of public spending, confirmed by NCVO and reflected in sectoral trends. This strengthens the case for adopting a dynamic estimate over a static figure.

This approach improves the precision of the market test while maintaining continuity in the historical series. It also aligns with ESA 10 guidance, which explicitly excludes government payments from market sales unless granted to competing producers.

We recommend that the ONS begin implementing annual GOV proportions for post-2012 data to improve the accuracy of the market test and reflect real changes in government funding to the sector. In the short term, priority should be given to assessing the feasibility of integrating these annual estimates into existing workflows and systems. Additionally, the ONS should allocate appropriate time and resources to explore the implications of this methodological shift and determine the most effective and sustainable approach.

Charity Processing Step 5. Apply alternative market test if necessary

To improve the reliability of the market test, additional checks flag charities with unusual spending patterns. These include cases where a charity is spending much more or much less than it earns—defined as spending below 80% or above 120% of its income. When a charity is flagged in this way, an alternative version of the market test (MKTALT) is used.

This version uses *income* rather than *expenditure* as the basis for comparison. The idea is to provide a more balanced result in years when the charity's spending doesn't reflect its usual activity, which could otherwise distort the outcome of the standard test.

The formula for the alternative market test is:

mmaammmmmllmmmmEEaamm mmmmmmmmmmmm mmmmttmm

$$= \frac{(\text{Income from generated funds}) + (\text{Income from charitable funds} * \text{MKV1})}{\text{Total Income}} * 100$$

Where MKV1 = 0.79, a fixed adjustment used to discount income from trading subsidiaries.

However, there is a small coding error in the current implementation: MKV1 is mistakenly applied to charitable income, not generated funds. In fact, income from charitable activities should be adjusted using a different factor (MKV2 = 0.46) to account for government grants and contracts, which are not considered market income. This issue is noted in Charity Recommendation 5 below.

Charity Recommendations

Recommendation 5: Correct Error in Alternative Market Test Code

The current R implementation of the alternative market test (MKTALT) applies the incorrect fixed proportion to the charitable income component of the formula. Specifically, the adjustment factor MKV1 = 0.79, intended for income from *generated funds*, is incorrectly applied to *charitable* income streams.

Update the alternative market test formula in the R code as follows:

mmaammmmmllmmmmEEaamm mmmmmmmmmmmm mmmmttmm

$$= \frac{(\text{Income from generated funds } * \text{TRS}) + (\text{Income from charitable funds} * \text{GOV})}{\text{Total Income}} * 100$$

This recommendation is urgent and the ONS should apply it immediately.

Charity Processing Step 6. Compare market test results & assess results

Following the calculation of MKT and MKTALT for both current and previous years, each charity is assessed using the merged results. Charities with market test results ≥50% in either year are classified as non-NPISH, while those consistently below the threshold across both years are classified as NPISH. Where test results differ between years, the unit defaults to non-NPISH.

The first step is to compare the results of the standard and alternative market tests to check whether a charity should be flagged for potential reclassification.

- A Non-NPISH flag is set if the standard market test (MKT) is below 50%, but the alternative market test (MKTALT) is above 50%.
- Conversely, a NPISH flag is set if MKT is above 50% and MKTALT is below 50%.

To ensure robustness, both conditions must be met to assign a flag. If neither flag is triggered, the charity is considered consistent across both tests.

Next, a Market Test Change flag (MTChange) is created to identify any charity where one of the above flags is active. This indicates that the standard and alternative tests gave conflicting results and that further review is needed.

Where a change is detected (MTChange = 1), a new variable called Market Test Merge is generated. This variable stores the value from the alternative test (MKTALT). If no change is detected (MTChange = 0), the standard test value (MKT) is used instead.

If the alternative test result is not available (e.g., missing data), and MTChange = 1, then the Market Test Merge is also set to missing, even if a standard result is present. This ensures internal consistency in the decision-making logic.

The merged results are then linked across two years of data: the current year's merged market test result is kept as MarketTest_Merge, and the previous year's result is renamed MKT_pre.

Using these two values, a final variable called MT_result is created, which determines whether a charity is included in NPISH (MT_result = 2) or classified as non-NPISH (MT_result = 1).

The rules are as follows:

- Non-NPISH (MT_result = 1) if:
    - Both current and previous years are ≥50%, or
    - The previous year is missing but the current year is ≥50%, or
    - The results differ between years (i.e., one is ≥50% and the other is <50%)
- NPISH (MT_result = 2) if:
    - Both years are <50%, or

- The previous year is missing and the current year is also <50%

This conservative classification method ensures that any change between years results in the charity being considered non-NPISH to avoid misallocation.

For reference, based on this process, approximately 65% of charities in the 2020 and 2021 datasets were classified as NPISH, while the remaining 35% were excluded.

Charity Processing Step 7. Classifying charities by income

Once charities have been filtered and processed through the market test, each record is classified into income bands and assigned to a Standard Industrial Classification (SIC) code. These steps are essential for aggregating results by income size and industry in line with National Accounts requirements.

Each charity is grouped into one of five income bands, based on annual income thresholds published by NCVO. These groupings allow for differential weighting and analysis by organisational size and are used throughout the grossing and aggregation stages of processing.

The bands are defined as follows:

- Band 1: Income less than £100,000
- Band 2: £100,000 to less than £1,000,000
- Band 3: £1,000,000 to less than £10,000,000
- Band 4: £10,000,000 to less than £100,000,000
- Band 5: £100,000,000 or more

These boundaries are reviewed annually by NCVO and applied consistently across the dataset to maintain comparability over time.

Charity Processing Step 8. Assign SIC Codes via ICNPO Mapping

Each charity is also assigned a Standard Industrial Classification (SIC) code using a lookup table that maps NCVO's ICNPO (International Classification of Non-Profit Organizations) codes to UK SIC codes. This mapping ensures that charities are correctly placed within the industrial structure used in National Accounts, as shown in Table 9.

Table 9: ICNPO SIC mapper

SIC Category	SIC	ICNPO	ICNPO Category
P - Education	85	2100 2200 2300 6300	2100 - Primary and Secondary Education 2200 - Higher Education 2300 - Other Education 6300 - Employment and Training
Q - Human Health and Social Work Activities	88	4100 4200 4300 6100 7100 9100	4100 - Social Services 4200 - Emergency and Relief 4300 - Income Support and Maintenance 6100 - Economic, Social and Community Development 7100 - Civic and Advocacy Organizations 9100 - International activities
S - Other Service Activities	94	7300 8100 8200 10100 11100 11200 12100	7300 – Political Organisations 8100 - Grant-making foundations 8200 – Other philanthropic intermediaries and voluntarism promotion 10100 - Religious congregations and associations 11100 - Business associations 11200 - Professional associations 12100 - Not Elsewhere classified
Q - Human Health and Social Work Activities	86	3100 3300 3400	3100 - Hospitals and Rehabilitation 3300 - Mental Health and Crisis Intervention 3400 - Other Health Services
R - Arts, Entertainment and Recreation	90	1100	1100 - Culture and Arts
Q - Human Health and Social Work Activities	87	3200	3200 - Nursing Homes
L - Real Estate Activities	68.1-68.2	6200	6200 – Housing
M - Professional, Scientific and Technical Activities	75	5200	5200 - Animal Protection

M - Professional, Scientific and Technical Activities	69.1	7200	7200 - Law and Legal Services
R - Arts, Entertainment and Recreation	93	1200	1200 – Sports
N - Administrative and Support Service Activities	81	5100	5100 - Environment
M - Professional, Scientific and Technical Activities	72	2400	2400 – Research
R - Arts, Entertainment and Recreation	91	1300	1300 - Other Recreation and Social Clubs

Charity Recommendations

Recommendation 7: Develop an ICNPO–SIC Classification Mapper for Charities

Charities often lack clarity on how their activities are classified within the statistical frameworks used by NCVO and the ONS, particularly regarding their assigned ICNPO and SIC codes. This can lead to misreporting, inconsistency across datasets, and confusion when charities engage with government or statistical outputs.

To address this, the ONS should develop and publish an interactive ICNPO–SIC mapping tool, designed specifically for use by charity regulators and the voluntary sector. This tool would allow individual charities to input a description of their main activities and receive guidance on their corresponding ICNPO and SIC classifications.

The tool could be deployed as a lightweight web application or Excel-based utility, aligned with the ICNPO–SIC mapping used internally by the ONS. Ideally, it should also include examples and definitions for each ICNPO and SIC category, with links to more detailed guidance for users seeking further clarification.

This recommendation supports long-term improvements in data coherence, engagement with the third sector, and alignment between charity reporting and statistical production.

Charity Processing Step 9. Conduct outlier analysis and weighting

Before final aggregation, the dataset undergoes an outlier analysis and weighting process to reduce the influence of extreme values that could distort industry-level estimates. This is especially important given the diverse size and income profiles of charities in the NCVO sample.

For each variable in each financial year, the following steps are applied:

- Calculate the mean, median, and standard deviation of the variable across all charities in that year.
- Compute a z-score for each observation:Z = (Value – Mean) / Standard Deviation
- Identify potential outliers by selecting the top 10 highest values for each variable. A charity is flagged as an outlier (e.g. outlier_E = 1) if its value is both in the top 10 and more than two standard deviations above the mean.

Outlier flags are carried forward across years: if a charity is marked as an outlier for a variable in one year, that flag persists in subsequent loops. This prevents repeated overwriting and ensures consistent treatment over time.

After flagging, a replacement step is applied:

- For any flagged value, the original data point is replaced with the mean for that variable, calculated within the same financial year and SIC industry group.
- This replacement is applied to all variables processed in the loop, ensuring that the most extreme values do not skew the final aggregates used in National Accounts.

This method preserves the integrity of the dataset while limiting the impact of highly atypical values, particularly those from very large or unique organisations that are not representative of their SIC group as a whole.

Charity Processing Step 10. Grossing to UK Level

As the NCVO sample covers only charities in England and Wales, a grossing process is applied to scale results up to the UK level.

For each year, total income by income band is calculated from the sample. NCVO provides UK-wide income totals for each band via its Almanac.

A grossing factor is calculated for each band as:

Grossing Factor = UK Total / Sample Total

Each charity's variables are multiplied by the appropriate factor based on their income band and year. This ensures the final dataset reflects UK-level estimates.

Charity Data Output

The fully grossed data is then exported to CORD for use in the NPISH unbalanced system.

Table 10: CORD Output Variables for Charity

Variable Name	Full name	Industry	Periodicity
OSW	Wages and salaries	Dependent on ICPNO code	Annual
OSS	Social security costs		
OSP	Pension costs		
E	Expenditure		
OD	Depreciation		
OI	Interest payments.		
EG	Expenditure - Grants		
IG	Income - Generating funds		
IC	Income - Charitable activities		

Charity Recommendations

Recommendation 8: Investigate use of Charity Register Data, Supplement with NCVO Where Necessary

ONS should aim to make greater use of the full Charity Register dataset to improve the accuracy and completeness of charity sector estimates. The publicly available register, from the Charity Commission for England and Wales, contains rich administrative data that covers the full universe of registered charities.

The Charity Register is available as a full downloadable CSV from the Charity Commission website.

Filtering by financial year and applying the General Charity Exclusion (GC = 0) criteria can be done in R.

Variables Available from the Register

The Charity Register includes several variables that align closely with those used in both the market test and CORD final output, including:

- IG: Income from generated funds (e.g. trading, investments) — Part B
- IC: Income from charitable activities — Part B
- E: Total expenditure — Part A
- I.total: Total income — Part A

For sum-of-costs components used in the unbalanced system, the following are also available:

- E: Total expenditure— Part A
- OD: Depreciation— Part B
- OI: Interest payments— Part B
- EG: Expenditure on grants— Part B
- IG: Income from fundraising/trading— Part B
- IC: Income from charitable activities — Part B

However, the register does not contain direct information on staff-related costs, such as OSW (wages and salaries), OSS (social security costs), or OSP (pension costs). To address this gap, the register's employee count variable (Part B) could be leveraged, in combination with NCVO data and sectoral wage benchmarks, to develop a modelling approach for imputing labour costs. In the interim, the NCVO dataset should continue to be used for these components.

Another potential methodological improvement offered by the register is its inclusion of disaggregated variables for income from government contracts and grants. These can be combined to calculate specific GOV proportions for each charity, replacing the

current uniform adjustment factor. This would increase the precision of the market test, reducing reliance on static or sample-based estimates and enabling more accurate classification of organisations based on actual funding composition.

By adopting a “register-first” approach — using Charity Register data wherever feasible and supplementing only where necessary with NCVO — ONS can significantly improve the NPISH estimates. This approach enhances alignment with administrative sources, reduces reliance on sampling assumptions, and ultimately supports a more robust and transparent national accounting framework for the voluntary sector.

Recommendation 9: Publication of ICNPO Codes on the Charity Register

The ONS should formally request that the Charity Commission for England and Wales publishes the International Classification of Non-Profit Organizations (ICNPO) codes as part of the publicly available charity register.

These codes are already assigned internally by the Commission to classify charities by type, meaning that publication would require minimal additional effort. Making ICNPO codes publicly accessible would significantly enhance the transparency and usability of the register for statistical, research, and policy purposes. It would also improve the consistency and efficiency of data processing within the NPISH methodology.

Recommendation 10: Publishing SIC Codes on the Charity Register

The ONS and the Charity Commission for England and Wales should jointly consider whether Standard Industrial Classification (SIC) codes could be published on the publicly available charity register.

The SIC taxonomy is already in use within the ONS system, so publication would be relatively straightforward to implement. Making these codes public would add significant analytical value and support better alignment between administrative data and economic classifications in the National Accounts.

NPISH Local Output

Following this, all four data sources - Trade Unions, Political Parties, Higher & Further Education, and Charities - are aggregated to produce the total NPISH Local estimate.

Once finalized, the dataset is prepared for transition to the NPISH Unbalanced System (Stage 2), where it undergoes further adjustments and is integrated with internal ONS National Accounts data.

Table 11: NPISH Local Output

Institution Type	NPISN Local Output Variables
Higher & Further Education	• Total income • Total expenditure • Depreciation • Funding body grants • Tuition fees and education contracts • Research grants and contracts • Other income • Investment income • Staff costs • Other operating expenses • Interest and other finance costs • Residences operations
Trade Unions	• Total Expenditure • Remuneration and Expenses (Proportion) • Salaries and Wages (Proportion) • Employers' Social Contributions (Proportion) • Intermediate Consumption (Proportion)
Political Parties	• Total Expenditure • Total Income
Charites	• Wages and salaries • Social security costs • Pension costs • Expenditure • Depreciation

	• Interest payments. • Expenditure - Grants • Income - Generating funds • Income - Charitable activities

2.2 NPISH Unbalanced System

2.2a Input:

At the second stage of NPISH, the NPISH Local data (from Stage One) is integrated into the NPISH Unbalanced System, where additional adjustments are made using internal ONS data sources.

The internal ONS data sources are the following:

- Tax and Subsidies
- Gross Fixed Capital Formation
- FISIM (Financial Intermediation Services Indirectly Measured)
- Insurance Team
- Research & Development
- Capital Stocks
- Deflators (NPISH uses government deflators to produce their volume)

Due to data lags and missing data, unavailable data is forecasted in CORD using a statistical model called ARIMA X13 – SEATS. This forecasting brings the data into the current year. The following data is forecasted due to data lags: NCVO and Trade unions data and all transactions linked to these are forecasted.

2.2b Processing:

Next, the below three steps are followed:

Step 1. Apply Sum of Costs approach (P132) to estimate NPISH non-market output.

Step 2. Deflate Current Price data to obtain volume measures.

Step 3. Aggregate to total by industry and institutional classification.

The sum-of-costs method is used by the ONS to estimate the economic contribution of NPISH. This approach mirrors the method used to calculate government output and is designed to value the services NPISH institutions provide on a non-market basis—i.e., where services are delivered for free or at prices not considered economically significant.

Since NPISH organizations lack clear market prices for their services, the best way to measure their economic contribution is by summing their costs - such as staff wages, rent, equipment, and other operating expenses. Then, subtracting certain market-related transactions, such as any revenue from the sale of goods or services (e.g. selling items in charity shops, charging for event tickets) payments for non-market output (e.g. membership fees), and income from commercial activities (e.g. renting out property, running a café).

The equation used in this method is:

$$\mathrm{P.132} = \mathrm{P.2} + \mathrm{D.1} + (\mathrm{D.29} - \mathrm{D.39}) + \mathrm{P51c} - \mathrm{P.11} - \mathrm{P.12} - \mathrm{P.131}$$

Final Consumption Expenditure = Intermediate Consumption + Compensation of Employees + (Taxes minus Subsidies on Production) + Consumption of Fixed Capital - Adjustments for Market Transactions (Market output, Output for own final use (computer software, R&D) - Payments for non-market output

Where:

- **Intermediate Consumption (P.2)** includes day-to-day operating expenses like office supplies, utilities, and outsourced services.
- **Compensation of Employees (D.1)** represents salaries, wages, and social contributions—an essential cost in a sector reliant on human labour.
- **Taxes and Subsidies on Production (D.29 - D.39)** adjust for government-imposed production taxes and offsets from subsidies.
- **Consumption of Fixed Capital (P.51c)** accounts for the depreciation of buildings, vehicles, IT systems, and other long-term assets.
- **Market Output (P.11)** is subtracted to exclude the value of services sold at commercial rates, such as tuition fees.
- **Own-use Output (P.12)** is deducted to remove internally produced goods or services used by the organisation itself.
- **Payments for Non-Market Output (P.131)** are small fees or charges that do not fully reflect production costs and are therefore also removed from the total.

Table 12 lists each variable in the sum of costs, and definition, rationale, and an NPISH-specific example. The variables are colour coded to show where they are coming from:

- Transactions in **blue** are **calculated in the Unbalanced System**.
- Transactions in **pink** are **calculated and pulled from the Local**. Some are mapped to a different transaction name when pulled into the Unbalanced.
- Transactions in **green** are **pulled from other systems** and are generally prorated[10] to industries in the NPISH Unbalanced.

Table 12: Details on key NPISH variables in Sum-of-costs equation

Variable	Definition	NPISH Example	Variable components
P.132	**Final Consumption Expenditure**; the cost-based estimate of NPISH non-market output	Total estimated value of services provided by a charity	*Derived from the full sum-of-costs formula; total value after adjustments*
+ P.2	**Intermediate Consumption;** the cost of goods and services used up during production	Utilities, office supplies used by a trade union	**P.2 = P.2excD.44 + D.44 + P.13FISIM – RD.PURCHASED.CHARITIES – D.72** + HESA other operating + NCVO expenditure (minus various) + TU Proportion + PP proportion + Insurance Property Income + Financial Intermediation Services Indirectly Measured. + Insurance claims received - R&D purchased by charities - Insurance claims received.

[10] Since this data is often broad and covers multiple industries, it needs to be adjusted or distributed to fit the specific NPISH industries. This process, called prorating, involves breaking down the total data and assigning the correct portions to different industries within the NPISH Unbalanced System.

+ D.1	**Compensation of Employees;** total labour costs, including wages, salaries, and associated social contributions	Staff salaries- & pension contributions at a political party	D.1 = D.11 (wages/salaries) + D.12 (employer contributions) (HESA Staff Costs × 0.8) + NCVO OSW + TU D.11 + (PP D.1 × 0.9) Employers' social contributions (D.12) D.12 = D.12excD.122 + D.122 D.12excD.122 = (HESA Staff Costs × 0.2) the remaining portion + NCVO OSS + OSP social security and pension costs + TU D.12 Trade Union + PP D.1 – D.11 PP proportions Subtracting D.11 prevents double counting
+ D.29	**Taxes on Production;** taxes incurred during the production process	Business rates on a charity's operational premises	Tax and Subsidies Satellite Team D.29: Taxes on Production (added).
-D.39	**Subsidies on Production;** financial supports that offset production costs	Operating grants from government	Tax and Subsidies Satellite Team D.39: Subsidies on Production (subtracted).
+ P.51c	**Consumption of Fixed Capital;** depreciation of fixed assets over time	Depreciation of vehicles, computer equipment, or buildings used by a charity	Gross Fixed Capital Formation (GFCF) team. (P.51c): depreciation of fixed assets over time.
- P.11	**Market Output;** the value of outputs sold at market prices- transactions that occur	Higher education tuition fees	HESA Tuition Fees + NCVO IG × 0.79 + IC × 0.46 – IC × 0.27. 79% of NCVO generating funds

	under commercial conditions.		19% of NCVO charitable income (-27% to avoid double counting) No TU or PP element.
- P.12	**Output for Own Final Use;** internally produced outputs consumed by the organisation	An NPISH might develop bespoke software for managing volunteer coordination or conduct in-house research projects	Own-account software pulled from GFCF Satellite by ind. R and D own-account output by charities pulled from R&D Local by industry. R and D own-account output by universities pulled from R&D Local by industry.
- P.131	**Payments for Non-Market Output;** fees and charges for servicesthat are provided below economically significant prices—meaning the revenue does not fully cover the cost of provision.	Membership fees or nominal service charges collected by an NPISH	Proportion of NCVO IC × 0.27 No HESA, TU or PP element.

Step 2. Deflate Current Price data to obtain volume measures.

Once the current price data has been collected and processed, it must be adjusted to account for inflation. This ensures that the estimates reflect real economic activity, rather than being influenced by changes in price levels. This adjustment process is known as deflation and is conducted using a general government GDP deflator within the CORD system.

The deflation process involves converting current price data (nominal values) into volume estimates (real values) at the industry level. This is done using the following formula:

*GDP Deflator = Nominal GDP/Real GDP *100*

To apply the deflator, the current price data is multiplied by the deflator value, effectively adjusting the figures to remove the effects of inflation.

The data is then aggregated and prepared for the next stage. This is done by summing all industries (SICs). Quarterly data is also converted to annual.

2.2c Output

This processed data is structured into a database used for the Supply Use Tables (SUT), which track industry contributions to the economy, and Compensation of Employees (COE), which monitors wages and salaries.

The following variables are transferred:

- For the SUT, P.132 (final consumption expenditure of NPISH) is disaggregated by industry.
- For COE, variables D.11 (wages and salaries) and D.12 (employers' social contributions) are also broken down by industry.

2.3. NPISH Balanced System: Final Reporting & Integration

The NPISH Balanced System is the final stage in processing NPISH data, ensuring accuracy and consistency before it is used in official economic reports. This stage, as before, involves three key steps: input, processing, and output,

The final stage ensures that figures from the Unbalanced System are validated, adjusted, and formally integrated into the UK National Accounts.

2.3.a Inputs

Two inputs are gathered from the previous stage, Stage 2 Unbalanced System:

- Unbalanced NPISH Estimates
- Deflators from Unbalanced NPISH system

And, one external ONS data source:

- Balanced Data from Supply Use Tables (SUTs)

2.3.b Processing

Once the inputs are collected, the system follows three key steps to ensure accuracy and consistency:

i. Checking Consistency Between Unbalanced and Balanced Data
ii. Generating Quarterly NPISH Data
iii. Applying Seasonal Adjustments

i. Checking Consistency Between Unbalanced and Balanced Data

At this stage, it is ensured that the figures from the Unbalanced NPISH System align with the wider Balanced National Accounts framework. Any discrepancies are reviewed and adjusted to ensure consistency.

For example:

- If NPISH income or expenditure figures appear significantly different from previous years, further investigation is conducted.
- Comparisons are made with historical trends and other economic indicators

ii. Generating Quarterly NPISH Data

The National Accounts require quarterly data. Annual NPISH figures are broken down into quarterly estimates, allowing policymakers and analysts to monitor trends on a more frequent basis. This process is done in CORD, although exactly how is unclear. satel

iii. Applying Seasonal Adjustments

For NPISH data, the Non-Seasonally Adjusted (NSA) values are identical to the Seasonally Adjusted (SA) values. This means that no seasonal adjustments are needed, as NPISH data does not exhibit significant seasonal patterns that require correction.

However, as part of the standard National Accounts process, this step is still included to verify that NSA and SA values match. It serves as a quality check rather than a necessary adjustment, ensuring that NPISH data is correctly processed within the broader economic reporting framework.

2.3.c Output

Once the processing steps are complete, the finalized NPISH data is prepared for use in official outputs:

- GDP and Blue Book Estimates (Quarterly & Annual)
- Sector Financial Accounts (SFA)
- Department for Digital, Culture, Media & Sport (DCMS) Reporting

3. Recommendations

3.1 Further Recommendations

A key recommendation emerging from this review is that the ONS should engage more proactively with sector regulators to improve the quality and breadth of data collected from non-profit institutions. By strengthening communication with regulators, the ONS can encourage the inclusion of a small number of additional variables - potentially just two or three - that would enable the use of the full register of charities. This shift would not only reduce dependence on sample datasets but also support the development of a more robust and comprehensive dataset which can be used to further research, such as a satellite account.

A second key recommendation is that, in order to make the recommendations in this report feasible, it is essential that the ONS NPISH team is given the time, capacity, and resources required to work collaboratively with regulators and implement the necessary data processing changes. This effort should be viewed as an investment in long-term data quality and sustainability.

3.2 Broader Benefits of the Recommendations

The proposed improvements would also directly support the production of the Quarterly Sector Financial Accounts (SFA). Enhanced data quality and coverage would lead to more accurate sector-level estimates, thereby improving the reliability of nowcasting and forecasting for the NPISH sector. More consistent and representative data would strengthen the quarterly rounds of national accounts by reducing the need for imputation, smoothing, or manual adjustments, ultimately leading to timelier and more credible economic indicators.

By laying the groundwork for improved real-time data availability and accuracy, these recommendations would help ensure that the NPISH sector is better reflected in economic policymaking and analysis.

3.3 Implications for the production of sub-national NPISH estimates

While the ONS NPISH methodology is designed for UK-wide estimates, there is significant scope for developing subnational NPISH statistics. This technical report can be used as a practical guide for statistical producers in these jurisdictions, particularly the Scottish and Welsh Government National Accounts team and the Northern Ireland Statistics and Research Agency (NISRA), to build their own national NPISH estimates.

Our understanding from methodology documents and discussions that Scotland and Northern Ireland currently estimate their NPISH contributions by applying a proportion of the UK total. However, the underlying data does not consistently capture their activity; for example, Scottish and Northern Ireland charities are not included in the primary data sources, and Northern Ireland trade union data is excluded. Therefore, it would be beneficial for Scotland and Northern Ireland to develop their own NPISH estimates.

By following the steps outlined in this report - sourcing relevant local data, applying National Accounts classifications, and conducting grossing and adjustments - Scotland and Northern Ireland can develop more tailored estimates of NPISH activity within their regions. Where available, local administrative data sources, such as OSCR (the Scottish Charity Regulator) data for Scotland and the Northern Ireland Charity Commission register, could be used in place of or alongside UK sources like NCVO or the Certification Officer.

Wales is consistently included in the underlying data sources, but similar steps could be followed for Wales, with the recognition that the geographical distinctions in the E & W charity register could be more challenging. This technical paper can also provide a framework for additional work for English regional estimates, again recognising that the geographical delineation within England for charitable operations will be ever more challenging.

Developing regional NPISH estimates would provide several key benefits. Subnational statistics would give devolved governments a clearer picture of the scale, scope, and economic contribution of the non-profit sector in their areas, supporting more targeted and evidence-based policymaking.

We recommend that the Scottish Government, Welsh Government and NISRA consider using this technical report as a starting point for piloting subnational NPISH estimates, working closely with the ONS NPISH team and local data providers to maximise the availability and quality of regional data.

3.4 Priority of Recommendations

While all the recommendations set out in this report are important for improving the measurement of NPISH in the UK National Accounts, it is recognised that some can be implemented more quickly and with minimal additional resources. Similarly, some of the recommendations will have a larger material impact on the NPISH outputs, and therefore should be prioritised as will deliver the most significant improvements in the accuracy of NPISH estimates.

In the short term, the ONS should prioritise recommendations that involve simple technical corrections and improvements to existing processes. Specifically, correcting the coding error in the alternative market test for charities can be implemented immediately

and would resolve an identified inaccuracy without requiring major system changes or additional data collection.

Following this, the ONS should focus on recommendations that are likely to have the greatest material impact on the NPISH output. Given that charities represent the largest component of NPISH - accounting for over half of the sector - recommendations relating to the NCVO data and other charity improvements should be treated as a priority.

Other recommendations, such as refreshing the trade union sample or exploring more detailed political party data, are important but have a comparatively smaller impact given the size of these sectors within NPISH. These can be pursued in parallel or as medium-term goals once the most significant issues have been addressed.

For Higher and Further education, which makes up just under half of NPISH, recommendations are split into more urgent short-term tasks and medium-term recommendations. This approach balances the need for improvement with ONS with resource capacity, prioritizing the recommendations that will have the most significant impact on NPISH outputs.

In summary:

- Immediate priority: Implement recommendations that correct known errors and require minimal resources (e.g., code corrections).
- Short term priority: Focus on improving the charity data and processes, given their dominant share of NPISH and the potential for substantial improvements in data quality and national accounts outputs.
- Medium priority: Pursue broader improvements such as updating the trade union sample, refining political party data, and addressing more complex Higher and Further Education recommendations that require additional exploration and resources.

Annex A: Grossing: Estimating Financial Totals from Sample Data

The ONS often works with detailed financial data from only a sample of organisations within a wider sector. To produce national estimates that represent the full population, a process called grossing is used. This allows the data from a smaller group to be scaled up to reflect the entire sector.

The steps are as follows:

1. Calculate Total Expenditure for the Sample
    - Financial data from a subset of organisations is collected and cleaned.
    - The total expenditure for this group is calculated by summing all relevant financial components.
2. Determine the Proportions of Key Financial Categories
    - The share of each key financial component (such as wages, grants, or operational costs) is calculated as a percentage of the total expenditure within the sample.
    - For example, if employee costs make up 35% of the total expenditure in the sample, that proportion is assumed to apply to the sector as a whole.
3. Apply These Proportions to the Total Sector Expenditure
    - An external data source (e.g. from regulatory reports or administrative data) is used to obtain the overall expenditure for the entire sector.
    - The proportions from the sample are then applied to this total to estimate values for each financial component across all organisations.
    - This approach enables the ONS to estimate detailed financial breakdowns without full data coverage for every entity.

It is good practice to collect data covering as much of the sector as possible before applying grossing. A common benchmark is to aim for at least 90% coverage of total income or expenditure.

While 90% may sound ambitious, it's often achievable because a large share of financial activity tends to be concentrated among a relatively small number of large-medium organisations. As coverage increases, the marginal benefit of adding smaller units decreases, making the method both efficient and robust. This method ensures consistency and completeness in national accounts, even when detailed data is only available for part of the sector, and efficient, with diminishing returns from trying to capture the smallest units.

Annex B: Copy of Summary of statistics – Trade unions from Certification officer [Annual Report 2023/24]

Summary of statistics – Trade unions

Notes – see previous page

		GROSS INCOME				GROSS EXPENDITURE	TOTAL FUNDS		GROSS ASSETS				
Unions with 100,000 members or more	Number of members (a)	From members £000s	From investments (b) £000s	Other income (c) £000s	Total income (c) £000s	Total expenditure (c) £000s	Beginning of the year £000s	End of the year £000s	Fixed assets £000s	Investment assets £000s	Other assets £000s	Total Assets £000s	Total liabilities £000s
UNISON: The Public Service Union	1,376,696	172,546	806	178,033	351,385	187,183	105,666	269,868	94,274	17,037	212,503	323,814	53,946
GMB	570,107	68,723	731	25,003	94,457	79,193	161,291	176,555	38,744	51,780	89,987	180,511	3,956
Royal College of Nursing of the United Kingdom	538,982	62,504	985	3,771	67,260	66,780	60,809	61,289	0	35,509	41,577	77,086	15,797
National Education Union	497,400	69,598	1,857	7,426	78,881	76,116	105,409	108,173	40,282	28,648	52,663	121,593	13,419
Union of Shop Distributive and Allied Workers	356,652	37,707	444	26,353	64,504	39,235	64,606	89,875	17,482	84,698	5,433	107,613	17,738
National Association of Schoolmasters Union of Women Teachers	296,964	34,146	1,048	2,047	37,241	25,912	67,529	78,858	15,872	33,961	19,481	69,314	-9,544
Public and Commercial Services Union	191,289	24,593	847	55	25,495	37,221	69,937	58,210	21,841	2,885	37,010	61,736	3,526
Communication Workers Union	186,305	29,259	98	6,924	36,281	33,011	29,482	32,753	20,237	9,510	18,773	48,520	15,767
British Medical Association	170,633	52,217	113	94,535	146,865	164,844	220,143	202,164	14,339	201,546	78,973	294,858	92,694
Prospect	154,715	23,194	1,430	27,558	52,182	34,742	45,374	62,814	16,431	41,791	12,864	71,086	8,272
University and College Union	125,016	26,565	483	257	27,305	26,921	39,596	39,979	12,658	1,531	37,109	51,298	11,319
Total for above unions with 100,000 members or more	4,464,759	601,052	8,842	371,962	981,856	771,158	969,842	1,180,538	292,160	508,896	606,373	1,407,429	226,890
Total for 108 other listed unions with less than 100,000 members	1,028,961	224,892	3,111	219,988	447,991	378,809	706,107	775,299	235,357	460,671	197,785	893,813	130,860
Total for all unions	5,493,720	825,944	11,953	591,950	1,429,847	1,149,967	1,675,949	1,955,837	527,517	969,567	804,158	2,301,242	357,750
Total for all unions (previous year)	5,353,382	797,078	53,680	568,921	1,419,679	973,602	1,168,879	1,614,952	543,922	969,647	755,029	2,268,604	621,439

Unite the Union's annual return was not received during the period and, therefore, the union's figures could not be included.

Annex C: Variable List of NCVO data given to ONS

Variable Name	Variable Description
Regno	charity registration number.
Charity name	name of the charity as on the register.
account_type	current or previous, refers to the current or previously reported data for the financial year listed.
account_id	combines the charity's regno and it's financial year end.
financial_year	financial year that the charity's financial year end falls into.
ICNPO	International Classification of Non-profit organisations code.
gc_exclusion	stands for General Charity exclusion and is a code which NCVO use to exclude registered charities that do not comply with the inclusion criteria that they defined with ONS.
aKey – unique identifier for each account.	unique identifier for each account.
I-total	Income total
E	Expenditure
EG	Grants
EFI	Expenditure_investment management
IC	Charitable activities
IG	Generating funds
IV620	Voluntary income - Legacies
OD	Depreciation.
OSP	Pension costs
OSS	Social security costs
OSW	Wages and salaries
OI	Interest payments.
IGI730	Investments - Interest on deposits
IV	Voluntary income
IGI710	Investments - Rent from property
AL	Creditors due after one year
ACL	Creditors due within one year
A	Net assets
ACCC	Cash in hand or at the bank
AFN	Investment assets
IGI720	Investments - Dividends etc

Atotal	Assets total
IV110	Voluntary income - Central Government
IV121	Voluntary income - Local Government
IV125	Voluntary income - Regional Government
IV132	Voluntary income - Town and Parish Councils
IV140	Voluntary income - NHS Trusts
IV161	Voluntary income - European Government
IV162	Voluntary income - International Govt Agencies
IV163	Voluntary income - Foreign Governments
IV171	Voluntary income - Public Corporations
IV172	Voluntary income - Arts Council
IV175	Voluntary income - Universities
IV180	Voluntary income - DeVolved Government
IV200	Voluntary income - National Lottery
IV300	Voluntary income - Business Sector
IV500	Voluntary income - Nonprofit Sector
IV600	Voluntary income - General Public
IC100	Charitable activities - Government Sector
IC110	Charitable activities - Central Government
IC121	Charitable activities - Local Government
IC125	Charitable activities - Regional Government
IC132	Charitable activities - Town and Parish Councils
IC140	Charitable activities - NHS Trusts
IC161	Charitable activities - European Government
IC162	Charitable activities - International Govt Agencies
IC163	Charitable activities - Foreign Governments
IC171	Charitable activities - Public Corporations
IC172	Charitable activities - Arts Council
IC175	Charitable activities - Universities
IC180	Charitable activities - Devolved Government
IC200	Charitable activities - National Lottery
IC300	Charitable activities - Business Sector
IC500	Charitable activities - Nonprofit Sector
IC600	Charitable activities - General Public

Annex D: Variable List of NCVO data retained by ONS

Variable Name	Variable Description
Identifiers & Meta Variables	
aKey	Unique NCVO database key for the charity account
account_type	Type of charity accounts (e.g., accruals, receipts and payments)
account_id	Internal NCVO account identifier
regno	Registered charity number (Charity Commission ID)
name	Name of the charity
financial_year	Financial year end (e.g., 2021, 2022)
Categorisation / Grouping Variables	
gc_exclusion	General Charity (GC) exclusion flag (0 = include, 1 = exclude)
gc_exclusion_category	Reason for GC exclusion (e.g., housing, religion)
ICNPO	ICNPO (International Classification of Non-Profit Organisations) code
ICNPO_category	Descriptive name of the ICNPO category
Headline Financial Totals	
I.total	Total income (all sources combined)
E	Total expenditure
A	Total assets
AL	Long-term assets
ACL	Current liabilities
ACCC	Creditors due within one year
AFN	Assets falling due after more than one year
A.TOTAL.NOTRPI	Total assets (not adjusted for inflation) – usually excluded from analysis
Income Variables	
IG	Generated income (e.g., trading, fundraising, charity shops)
IC	Earned income from charitable activities (e.g., service fees)
IV	Voluntary income (e.g., donations, legacies, grants)
IV620	Voluntary income – miscellaneous
IGI710	Generated income – trading subsidiaries
IGI720	Generated income – fundraising events
IGI730	Generated income – other fundraising (e.g. raffles, charity shops)
EFI	Fundraising costs/income

Voluntary Income Breakdown	
IV110–IV600	Sub-categories of voluntary income – e.g., donations, legacies, sponsorships
Charitable Income Breakdown	
IC100–IC600	Sub-categories of charitable income – e.g., fees for services, grants, memberships
Expenditure Variables	
EG	Grants made to other organisations or individuals
OD	Depreciation
OSP	Pension costs
OSS	Social security costs
OSW	Wages and salaries
OI	Interest payments