

Regional Household Income

This article presents estimates of regional gross disposable household income (GDHI) at current prices for 1995 – 2005 published in March 2007.

In-brief: 1995 – 2005

NUTS1 (Nine English government office regions, Wales, Scotland and Northern Ireland)

- In 2005 London had the highest gross disposable household income (GDHI) per head of population (£15,900) 20 per cent above the UK average. The North East had the lowest (£11,400) 14 per cent below the UK average.
- Total GDHI rose in all the regions between 2004 and 2005 but there were differences in the rate of increase. The highest growth rate was 5.2 per cent in Northern Ireland; the lowest was 4.3 per cent in the South East, while the UK average was 4.6 per cent.

NUTS2 (Mainly groups of counties and unitary authorities)

- Inner London retains the highest GDHI level (£17,200 per head), approximately 30 per cent above the UK average (£13,300) in 2005. The lowest level (£11,300), 15 per cent below the UK average, was in the West Midlands in the namesake NUTS1 region West Midlands.
- Thirteen of the thirty seven areas were above the average UK GDHI per head including all those within London and the South East. All areas in the North East, East Midlands, Wales, Scotland and Northern Ireland were below the UK average.
- West Wales and the Valleys had the highest growth rate of household income per head, 5.0 per cent, while Inner London, in spite of having the highest GDHI per head, had the lowest growth rate, 2.7 per cent.

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NUTS3 (Principally individual counties and unitary authorities)

- In 2005 Inner London West had the highest GDHI per head (£22,400), 69 per cent above the UK average. Blackburn with Darwen in the North West had the lowest (£9,900), 25 per cent below the UK average.
- West and South of Northern Ireland had the highest GDHI level growth rate of 6.0 per cent, followed by the Perth and Kinross and Stirling in Scotland and Powys in Wales with 5.8 per cent in 2005. Luton in the East of England and Berkshire in the South East, had the lowest growth rate of 3.6 per cent.

The geographic distributions of GDHI per capita across NUTS1, 2 and 3 areas of the UK are illustrated in the following maps.

Contents

I Introduction

II Latest Year Estimates

III Composition of Household Income

IV Revisions and Data Updates

V Methods and Development

VI Future Work Plans

VII Regional Diversity

Appendix A – Background Notes and References

Index of Tables :

Annex A Regional Gross Disposable Household Income Tables

Annex B – Impact Analysis

I Introduction

- GDHI is the amount of money that households have available for spending or savings, hence 'disposable income'. This is money left after expenditure associated with income, e.g. taxes and social contributions, property ownership and provision for future pension income.
- The household sector covers people living in traditional households as well as those living in institutions. The latter includes people living in retirement homes and prisons. The sector also includes sole trader enterprises and non-profit institutions serving households (NPISHs), e.g. charities and most universities.
- This publication of estimates of regional gross disposable household income (GDHI) includes revisions for 1995 to 2004 and first estimates for 2005 at NUTS1, NUTS2 and NUTS3. It follows the publication of regional GDHI estimates in May 2006.
- The complete data set released includes time series for 1995 – 2005 and component detail for NUTS2 areas. Time series for the balances of primary and secondary incomes and GDHI are available for NUTS3 areas.
- The regional estimates are consistent with the *Blue Book 2006* and regional gross value added (GVA) published December 2006.
- The figures are in current prices and do not, therefore, allow for changes in prices over time (inflation) or differences in price levels (purchasing power) between regions at a point in time. Regional price estimates are not available.
- Figures in this article are headline data derived by using a five-year moving average which removes some year-to-year and regional volatility due to sampling and non-sampling errors in the raw data sources. Data are published smoothed (i.e. headline) and raw.
- Throughout the publication *per head* values are given, these refer to the total population of an area and should be read as *per head of population*, unless otherwise stated.

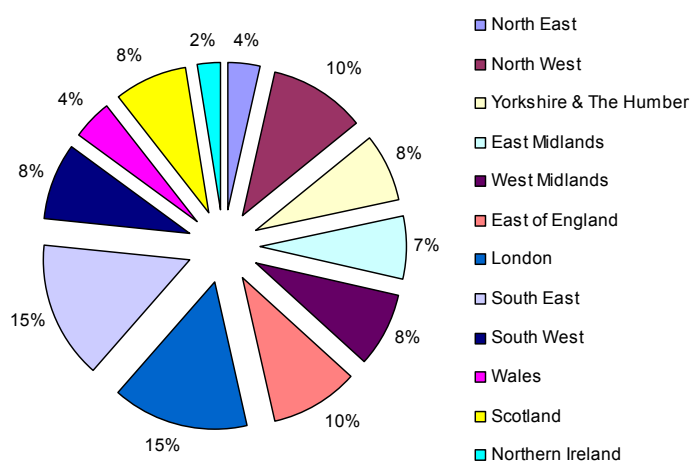
II Latest Year Estimates

Regional estimates of gross disposable household income (GDHI) at current prices for 2005 were published in March 2007 for the first time and are available at three different regional levels: NUTS1, 2 and 3.

NUTS1

The chart below shows the distribution of total gross disposable household income at NUTS1 level across the United Kingdom in 2005.

Figure 1: Regional Share of UK Household Income, 2005

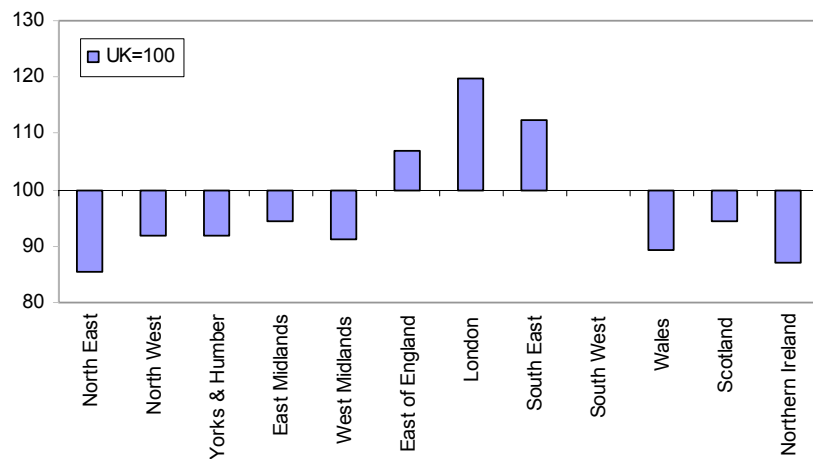


London and the South East's share of the United Kingdom's disposable income were 15 per cent each. England's share was 85 per cent; Scotland's 8 per cent; Wales' 4 per cent and Northern Ireland's 2 per cent of total UK GDHI. Less than 0.2 per cent of GDHI was outside the UK continental shelf; referred to as Extra-regio it includes embassies and the armed forces.

Compared to 1995 the region's shares remained virtually unchanged. The most notable difference in share was in London, where the share increased from 14 per cent in 1995 to 15 per cent in 2005.

The chart below shows the GDHI per head indices in comparison with the UK figure of 100. London, South East and East of England were above the UK average; the other regions and countries were below in 2005. Only the South West per head index of 100 matches the UK average in 2005.

Figure 2: Regional Household Income Per Head Indices, 2005



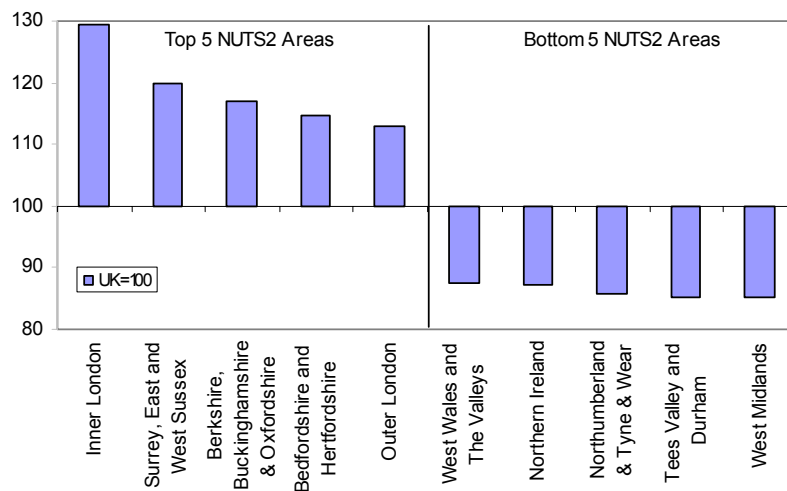
NUTS2

The estimates published at NUTS2 are the lead series within the regional household income estimates and they are given precedence in this publication. It is a legal requirement under European legislation for member countries to provide household income figures at a NUTS2 level to Eurostat (the statistical body of the European Commission).

- Accounting for £16 billion (55 per cent), the main contributor to North East GDHI was Northumberland and Tyne and Wear.
- In the North West, Greater Manchester contributed the highest share, as did East Anglia in the East of England. They both contributed £30 billion each.
- West Yorkshire contributed £25 billion (41 per cent) to Yorkshire and the Humber's GDHI.
- Derbyshire and Nottinghamshire accounted for most of the East Midlands household income at £25 billion (46 per cent).
- Within the NUTS1 region of West Midlands, the NUTS2 namesake area (West Midlands) contributed the highest share (45 per cent) to West Midlands GDHI with £29 billion.
- Outer and Inner London are both notable because their contribution to UK GDHI as NUTS2 areas is higher than most other NUTS1 regions at 8.5 and 6.4 per cent respectively. Outer London's £68 billion household income accounted for 57 per cent of London's GDHI. Inner London contributed £51 billion, accounting for the remaining 43 per cent of the capital's household income.
- With £41 billion, Surrey, East and West Sussex was the largest contributor to South East household income and accounted for 34 per cent.
- Gloucestershire, Wiltshire and North Somerset (£30 billion) accounted for 45 per cent of South West GDHI.
- West Wales and The Valleys had the largest share (62 per cent) of Welsh GDHI at £22 billion.
- In Scotland, the main contributor was South Western Scotland (£28 billion) with 43 per cent.

When total GDHI absolute values are expressed using a per head index the picture drawn above changes significantly. This is because each area has a different sized population. For example, in the North West, Cheshire had a higher value at 105 than Greater Manchester at 89 (with the UK at 100) in 2005 even though the latter is the main contributor to the region’s GDHI. The chart below shows the NUTS2 areas with the five highest and lowest per head indices.

Figure 3: NUTS2 Household Income Per Head Indices, 2005



NUTS3

The estimates published at NUTS3 level are less stable. The smoothing technique (5-point-moving average) removes some year-to-year and regional volatility due to sampling and non-sampling errors in the raw data sources. The unadjusted series are also published.

- Outer London West and North West had the largest GDHI accounting for 3.5 per cent of the UK GDHI (£28 billion) in 2005. Inner London East followed with a total GDHI of £26 billion; then Inner London West (£25 billion); Outer London East and North East (£22 billion), and Essex County Council (£20 billion).
- Areas with the lowest contribution to UK GDHI in 2005 were in Scotland. These were Orkney Islands (£220m), Shetland Islands (£260m) and Eilean Siar (Western Isles) at £300m.
- In comparison, the next lowest GDHI area (Isle of Anglesey with £810m) was more than three times the size of Orkney Islands’ household income.

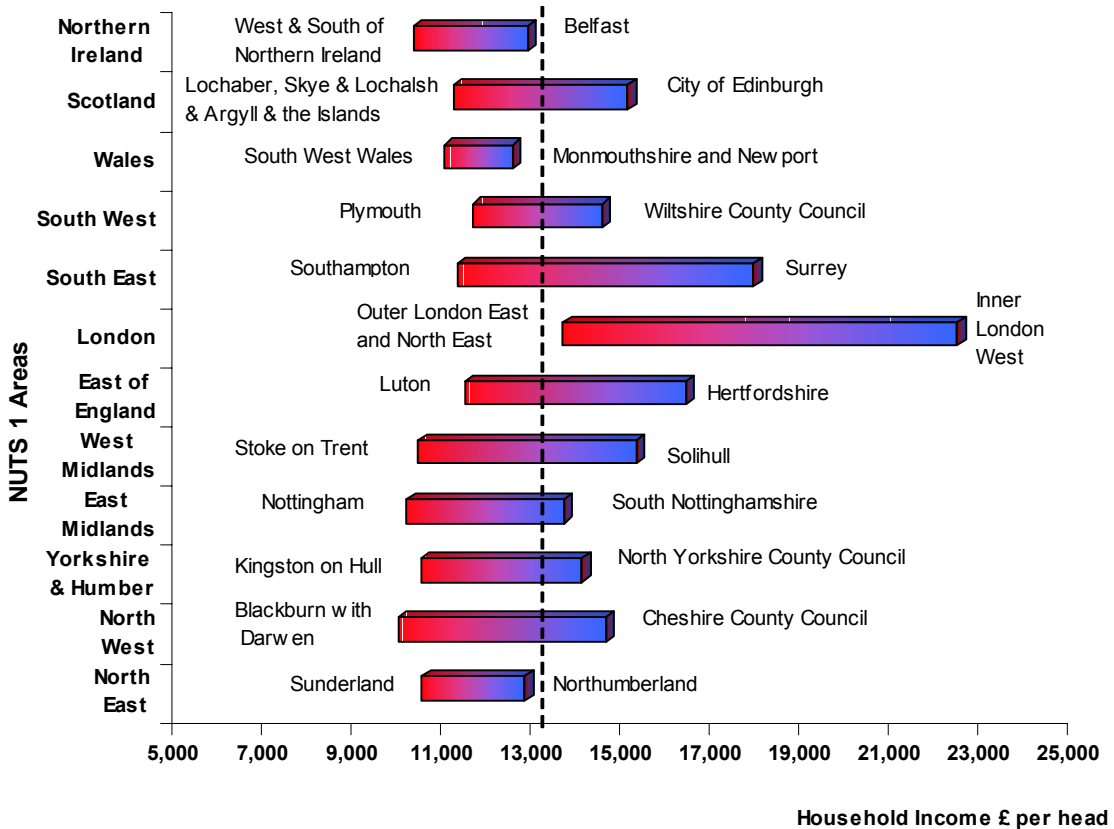
The chart below shows the spread of disposable household income within the regions.

- In 2005 London shows the greatest difference between the area with the largest amount of disposable household income and the area with the least. Inner London West (£22,400 per head), which includes Westminster, the City of London, and Kensington and Chelsea, had 65 per

cent more disposable household income than Outer London East and North East, (£13,600 per head), which includes, Bexley, Enfield, and Barking and Dagenham.

- This compares to Wales, which shows the smallest difference between the area with the greatest and the least disposable household income per head. In 2005 Monmouthshire and Newport had the largest disposable household income per head, £12,500, which was 14 per cent greater than the, lowest, South West Wales with £11,000 per head.

Figure 4: NUTS3 Household Income Highs and Lows, 2005



Inner London West had the highest per head index 69 points above the UK (set at 100) in 2005. This result was the lowest since the beginning of the time series in 1995, when Inner London West's per head index was 176. The area's index reached its highest level (197) in 1999 and 2000.

Inner London West and Inner London East had similar levels of total GDHI, £25.5 billion and 25.9 billion respectively. However, using a per head index, Inner London East was only 6 points above the UK average because it has a different population size.

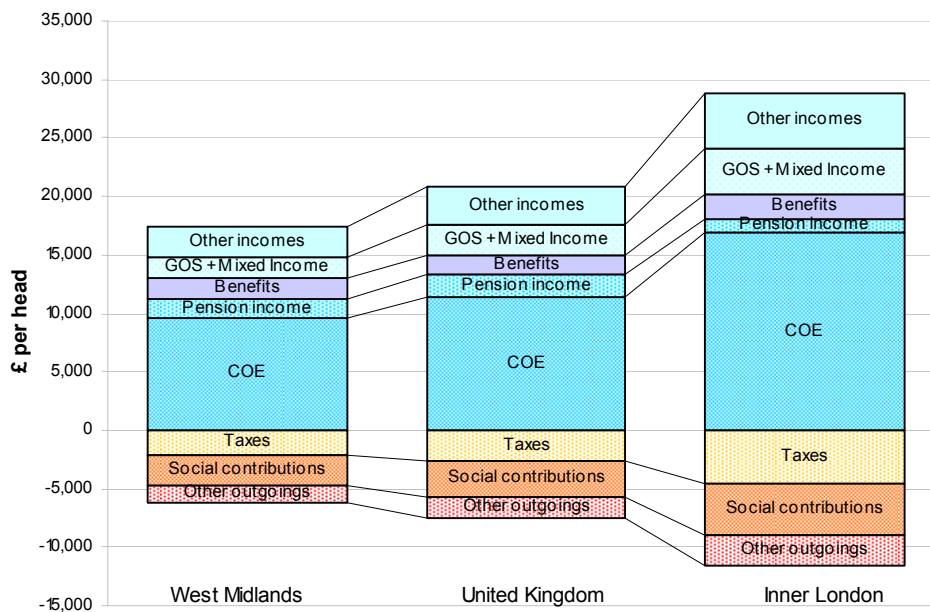
III Composition of Household Income

Compensation of employees (COE) is the main source of household primary income (70 per cent). Primary incomes are a result of either productive activity (e.g. employment) or the ownership of productive assets (e.g. company shares).

Other sources of primary income than COE (i.e. income from employment) are gross operating surplus (GOS) and mixed income (MI), which accounted for 16 per cent (with an equal share each). Property income, which accounted for 15 per cent in 2005, relates to the direct and indirect ownership of assets for which payouts are received in one way or another.

COE is essentially earnings from employment (wages and salaries, and employers' social contributions); GOS (rental income from buildings) and MI (income from self-employment); and property income comprises dividends, interest, rental income from land; etc. For more details about the composition of household income see section *Methods and Developments*.

Figure 5: Composition of Household Income of Selected Regions, 2005



The chart above illustrates the composition of household income in West Midlands, the NUTS2 area with the lowest GDHI per head, and Inner London, the area with the highest, compared to the UK average in 2005.

The West Midlands GDHI per head value in 2005 was 15 per cent below the UK average. This was driven mainly by the contribution of COE to its total income, which was also 15 per cent below the UK average. In comparison Inner London's COE per head was 49 per cent above the UK average (£11,400).

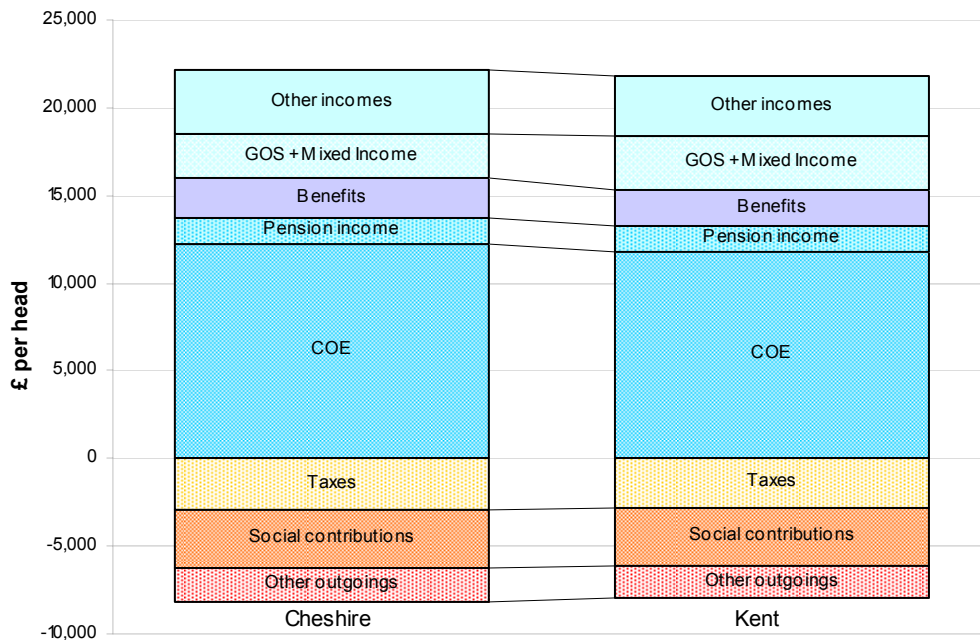
Income from gross operating surplus (GOS) and mixed income (MI) was also above average in Inner London; at £4,000 per head it was 57 per cent above the UK level. In West Midlands, on the other hand, income from GOS and MI accounted for £1,800 per head in 2005, 29 per cent below the UK average £2,600.

When compared to the UK (£2,000), both Inner London and West Midlands had a below average pension income (40 and 22 per cent respectively).

Social contributions and taxes are the main components of uses, or outgoings. Inner London’s social contributions (£4,500) and its taxes (£4,600) were above the UK average in 2005, 43 and 72 per cent above respectively. By comparison, these were below the UK average in West Midlands (14 and 22 per cent lower respectively).

UK regions can also be found with closely matched GDHI per head and very similar composition of household income. Figure 6 below compares the two NUTS2 areas Cheshire and Kent. Cheshire had a 2005 gross disposable household income per head of £14,000 while Kent’s was £13,900 – both areas were 5 per cent above the UK average.

Figure 6: Composition of Household Income of Selected Regions, 2005



Cheshire’s per head value for COE (£12,300) was 8 per cent above the UK average. This is slightly above the COE value per head in Kent (£11,800), which was 4 per cent above the UK average.

However, Kent received slightly more income from gross operating income (rental income) and mixed income (self-employment) than Cheshire, £3,000 and £2,500 per head respectively in 2005.

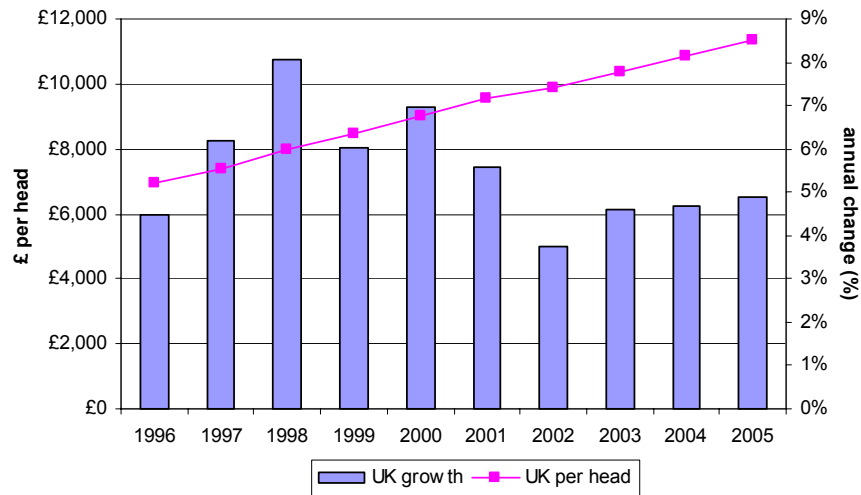
Both NUTS2 areas received a very similar level of social benefits (sum of benefits and pension income) in 2005, £3,700 in Cheshire and £3,500 in Kent – both close to the UK average. Pensions accounted for about 60 per cent of social benefits received in both areas with a similar ratio of private and state retirement pension.

Partly as a result of higher earnings from employment, per head values for social contributions and taxes were slightly higher in Cheshire than in Kent.

Compensation of Employees

Between 1995 (the start of regional household income time series) and 2005 (the latest year estimates) Compensation of employees (COE) per head at current prices grew at an average rate of 5.5 per cent. Growth was around 5 per cent in 1996, it increased over time to 8 per cent in 1998 and 7 per cent in 2000. Since 2001, growth has been lower, 6 per cent in 2001 to 5 per cent in 2003, 2004 and 2005.

Figure 7: United Kingdom Compensation of Employees



Of all NUTS2 areas, Inner London has had the greatest growth in earnings from employment (COE) with an average growth of 6.7 per cent per head, in current prices, over the last ten years. However, while its growth has a similar pattern to the UK average, it is also more erratic. In 1996 its growth was 4 per cent; it increased to 8 per cent in 1997 and continued with high growth (12 to 10 per cent between 1998 and 2000).

This was followed by lower level growth in 2001, 5 per cent, and its lowest rate of 3 per cent in 2002 although it picked up again slightly in 2004 and 2005 at 5 per cent and 4 per cent, respectively.

Due to overall long term high growth, Inner London's COE per head figure (£16,900) was 49 per cent above the UK average (£11,400) in 2005. The gap was widest in 2000, 50 per cent higher than the UK average, while in 1995 the gap between Inner London (£8,900) and the UK (£6,600) was 33 per cent.

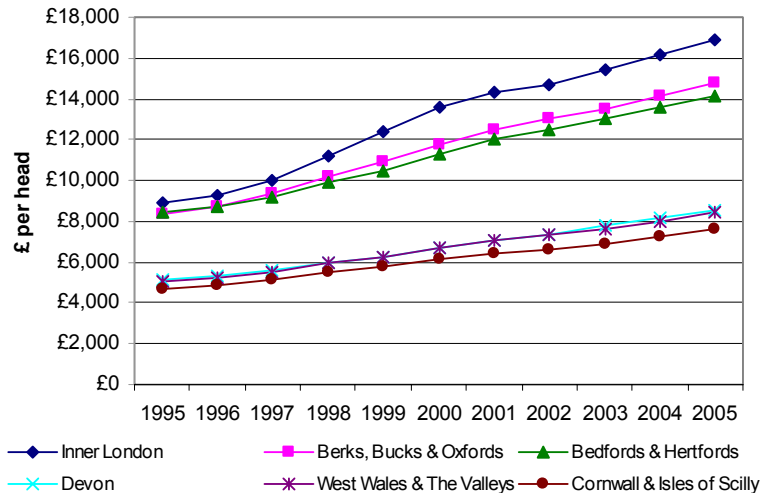
Since 1995, all NUTS2 areas of London and the South East had COE per head figures above the UK average. This is also true for Cheshire in the North West, Bedfordshire and Hertfordshire, and Essex in the East of England, Gloucestershire, Wiltshire & North Somerset in the South West and North Eastern Scotland.

In comparison, Cornwall and the Isles of Scilly has had the lowest COE per head estimates of all NUTS2 areas. In 1995 Cornwall and the Isles of Scilly was 30 per cent below the UK level (£4,700). This gap widened over time to 33 per cent in 2005.

The above examples show the range of COE per head both above and below the UK average. Within the 37 NUTS2 areas, the majority of 23 areas were below the UK average in 2005.

The chart below shows the performance of COE per head of the three NUTS2 areas with the highest COE per head and of the three NUTS2 areas with the lowest COE per head figures in 2005 to illustrate regional diversity over time.

Figure 8: Compensation of Employees Per Head across NUTS2 Areas



Social Benefits

Social benefits are the main source of secondary resources, i.e. income for households following re-distribution. In 2005 social benefits worth about £214 billion were distributed nationally.

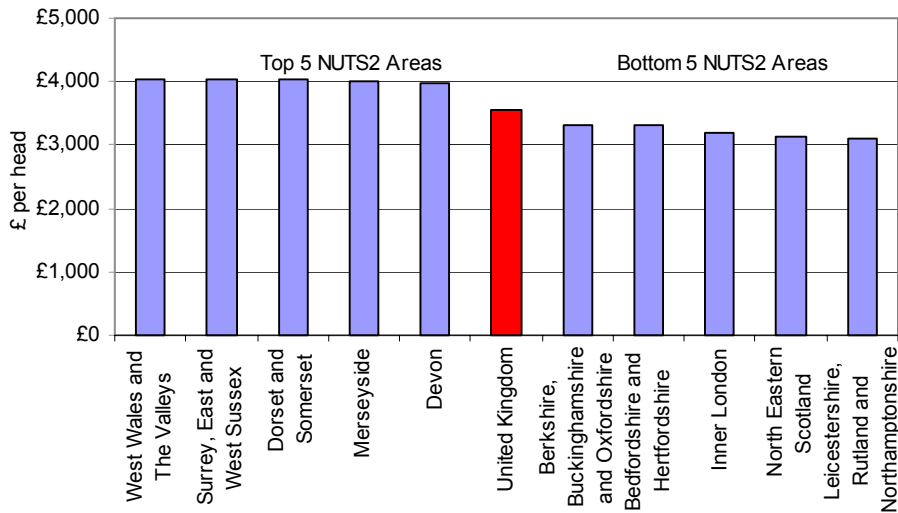
There are four different types of social benefits. Of these, social assistance in cash (e.g. Income Support, Child Benefit) and social security benefits (e.g. Retirement Pension, Incapacity Benefit), are the main contributors. They account for about 36 and 29 per cent respectively.

The other two are private-funded social benefits (from insurance companies and pension funds) and social benefits from unfunded schemes including public sector pension schemes. These account for about 23 and 12 per cent respectively.

Most NUTS2 areas follow the UK average relatively closely. Surrey, East and West Sussex in the South East received the highest level of social benefits (mainly from private pensions) per head (£3,100) in 1995. This area was still one of the highest recipients in 2005 (£4,000) and was about 14 per cent above the UK average (£3,500). So was West Wales and the Valleys (£4,000). However, their high level of social benefits was driven by the receipt of state benefits.

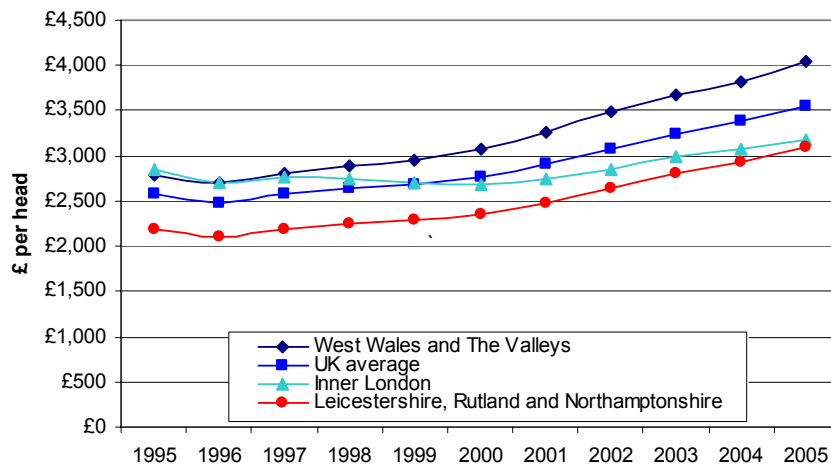
At the same time, Leicestershire, Rutland and Northamptonshire in the East Midlands received the lowest social benefits (£3,100) about 13 per cent below the UK average.

Figure 9: Social Benefits Comparison, 2005



In 1995 Inner London’s social benefits amounted to £2,900 per head, which was one of the highest among all NUTS2 areas. However, the increase was less than at the UK level and the gap between Inner London and the UK average closed completely in 2000. Since 2000 growth in Inner London continued to be lower than that in the UK, its per head level in 2005 was £3,200, ten per cent below the UK average. In other areas, the amount of social benefits received per head generally increased.

Figure 10: Social Benefits Per Head across NUTS2 Areas

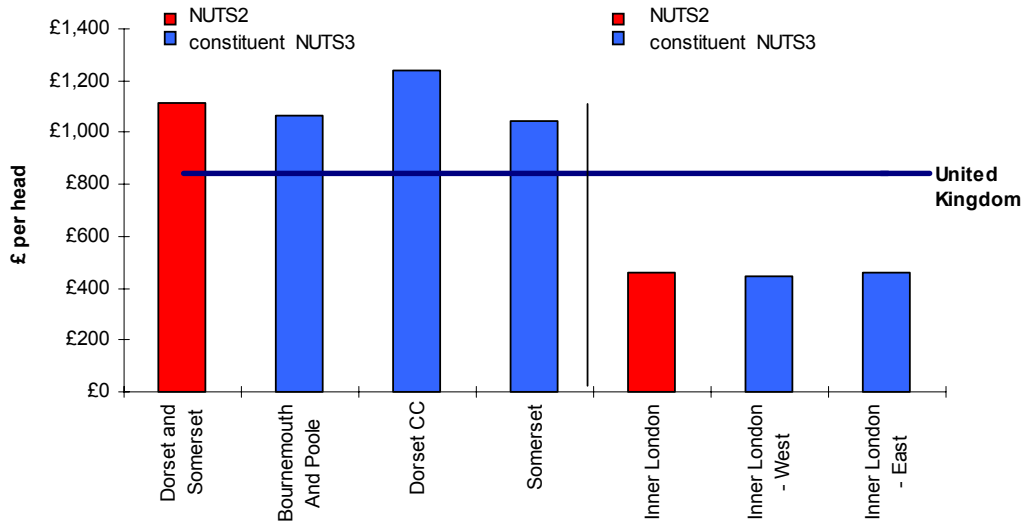


Pensions are an important source of income and a main driver behind the level of social benefits in many regions. The importance of this kind of benefit is determined by the population diversity of the region. Pension income will generally be higher in areas with a high elderly population.

Within income from pensions, Dorset and Somerset had the highest level of state pension per head in 2005 (£1,100). Inner London, on the other hand, had the lowest level (£500). The chart below shows that within the NUTS2 area Dorset and Somerset, Dorset County Council, had the highest state pension level per head. In Inner London, both Inner London East and Inner London West had about the same levels of state pension per head in 2005, well below the UK average.

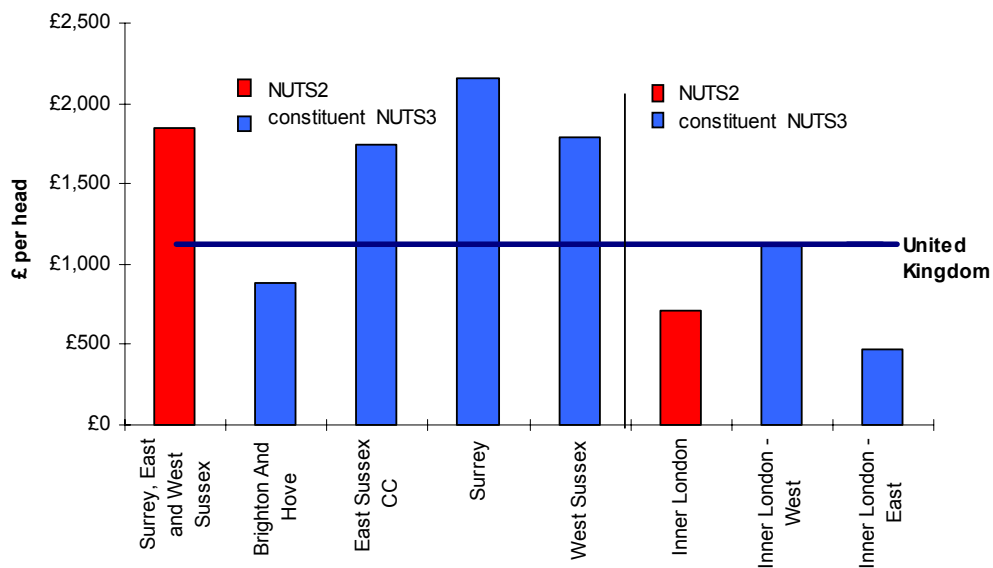
Dorset County Council had the highest proportion of people of retirement age in 2005 at 27 per cent in Dorset and Somerset while Bournemouth and Poole and Somerset population share of senior citizens was 23 per cent each. This compares to Inner London West and East where 11 and 12 per cent of the population were of retirement age in 2005 respectively.

Figure 11: State Pension Comparison NUTS2 and NUTS3 Areas (2005)



The high level of social benefits in Surrey, East and West Sussex are mainly driven by the high number of private pension receipts in this area. In particular, Surrey had a high level of private pensions per head of population. Levels were also high in East and West Sussex (both areas were higher the UK average) but they were much lower in Brighton and Hove.

Figure 12: Private Pension Comparison NUTS2 and NUTS3 Areas (2005)



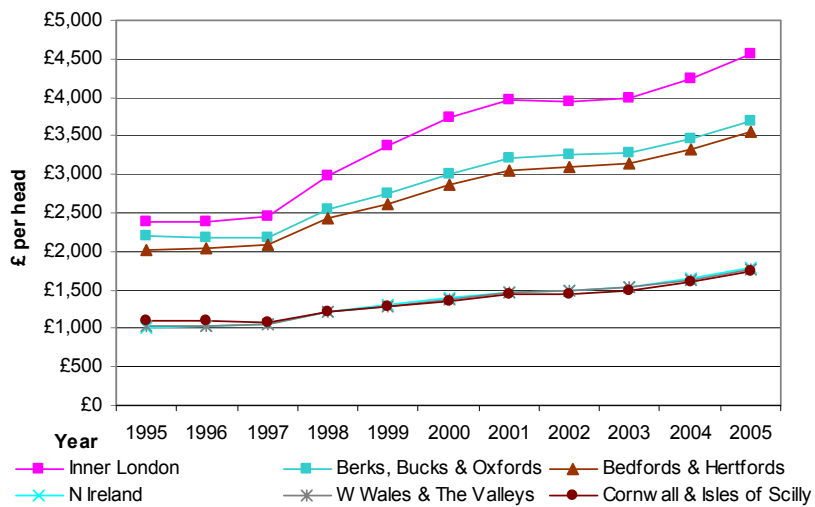
East Sussex County Council had the highest share of people of retirement age at 26 per cent. Despite having the highest per head amount of private pensions received in 2005, Surrey's share of senior citizens was only 19 per cent. Brighton and Hove had the lowest share at 17 per cent and in West Sussex 23 per cent of total population were of retirement age.

Inner London showed an even distribution of state pensions between Inner London West and East in 2005. For private pensions the picture is different. Inner London West reached the UK average, while Inner London East was well below the national average.

Taxes

Current taxes are mainly taxes paid on income (82 per cent in the UK in 2005), council tax and other direct taxes such as duty paid on motor vehicles. As taxes are collected for re-distribution, current taxes are part of the *secondary distribution of income* account. For the purposes of tax analysis in this article, National Insurance contributions have been excluded as they form part of social contributions. For further information on the accounts, see the *Methods and Developments* section.

Figure 13: Tax Burden Per Head across NUTS2 Areas

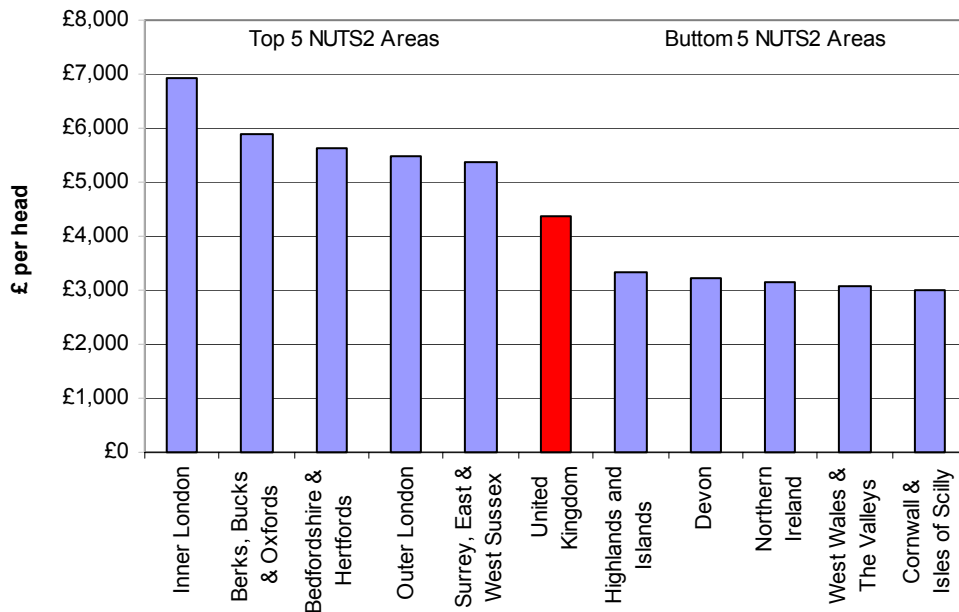


Across the UK, the tax burden increased closely in line with income from employment. Some variations in the distribution of the tax burden across the UK are due to differences in levels of council tax.

Inner London has the highest tax burden per head within NUTS2 areas. In 1995 this was 58 per cent above the UK average (£1,500) and has increased to 70 per cent over the last couple of years. When taxes paid are compared to income received in Inner London, 18 per cent of the primary incomes (COE, income from self-employment, properties and other assets) were paid through taxes in 2005. This compares to Cornwall and Isles of Scilly, Devon and Northern Ireland, all paying 14 per cent of primary income on taxes.

Berkshire, Buckinghamshire and Oxfordshire has had the second highest tax burden and experienced less erratic movements than Inner London over the course of eleven years (1995 to 2005) with a tax burden between 39 and 45 per cent above the UK average.

Figure 14: Current Tax Burden Comparison, 2005



Out of the 37 NUTS2 areas 25 had a tax burden below the UK average in 2005. Cornwall and the Isles of Scilly has had the lowest tax burden per head since 2000. In 1995 its tax burden was 28 per cent lower than the UK average. Since then the gap widened to 36 per cent, first reached in 2000, and it remained virtually unchanged in line with the growth of the average per head tax burden across the United Kingdom. In 2005, taxes paid per head amounted to £1,700 in Cornwall and the Isles of Scilly, the lowest in the UK, followed by West Wales and The Valleys, and in Northern Ireland (£1,800 per head each).

Redistribution

As described above the main, or primary, sources of income for households are derived through earnings from employment and ownership of assets (e.g. stocks and shares). Additional, or secondary, income comes mainly from private pensions and state benefits (referred to as social benefits), after the partial redistribution of the primary income through the taxation system and pension investments, including National Insurance contributions.

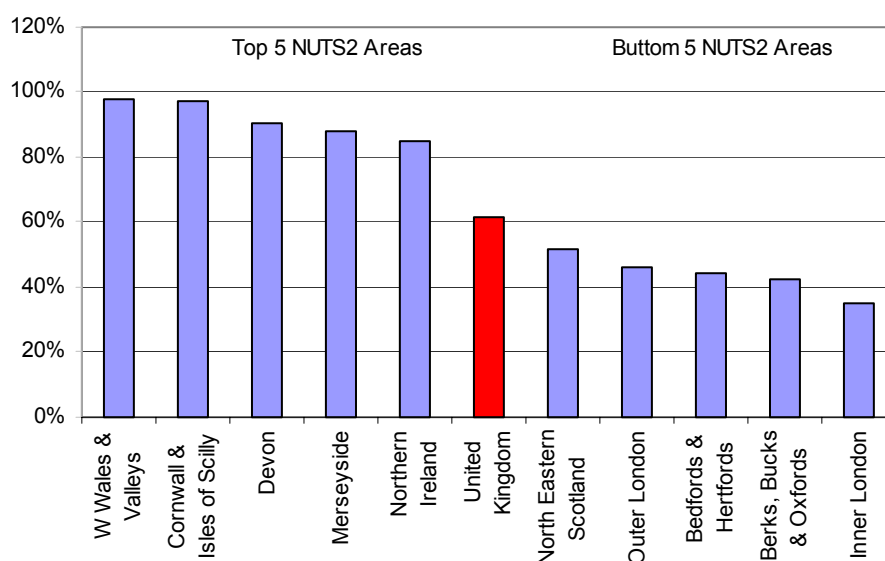
At the NUTS2 level the majority of areas contribute a greater amount of their primary incomes through taxation and in social contributions (e.g. national insurance contributions and payments to pension schemes) than income received from secondary sources

There are, however, a number of NUTS2 areas where the level of social benefits received is greater paid through taxation and in social contributions. There were four areas in 1995 reducing to two from 1999

onwards. The first estimates for 2005 show that all areas received less social benefit than taxes and social contributions paid.

The chart below compares the impact of redistribution. Cornwall and the Isles of Scilly and West Wales had the highest social benefits to taxes and social contributions ratio since 2001. These NUTS2 areas received just less social benefit than was paid in taxes and social contributions. In 2004, however, these two areas were still net recipients.

Figure 15: Impact of Redistribution Comparison, 2005



West Wales and the Valleys benefited the most, in percentage terms, from the redistribution of income in 2005. In 2005 it received 2.2 per cent per head (£90) less from secondary sources of income than it paid out in taxation and social contributions. This contrasts to Inner London where £5,800 per head (35 per cent) more was paid in tax and social contributions than received from secondary sources of income.

In 1995, four regions received more income from redistribution than paid through taxes and social contributions: Merseyside, Cornwall and the Isles of Scilly, Devon and West Wales and the Valleys. Merseyside and Devon turned into net contributors in 1999 and 2000 respectively.

Compensation of employees received in these areas has been below the UK average and so have the taxes and social contributions paid. Receipts of social benefits, on the other hand, have been above the UK average. As outlined above the composition of social benefits received can vary significantly and is linked with various factors such as population structure (e.g. age).

In 2005, West Wales and the Valleys social benefits per head amounted to £4,000 – the same amount was received in Surrey, East and West Sussex. However, the latter NUTS2 area paid £3,000 per head (58 per cent) more through taxation and social contributions than received in social benefits. Surrey, East and West Sussex have been one of the highest net-contributors (since 1995 – the first year of the time series) – contributing about 5.2 per cent of the UK’s total social contributions and taxes. In return their share of social benefits received fell from 5.1 per cent in 1995 to 4.9 in 2005. West Wales and the Valleys experienced a slight increase in their share of the UK’s social benefit received from 3.5 per cent

in 1995 to 3.6 per cent in 2005. However, their contribution of taxes and social contributions paid in the whole of the UK declined from 2.4 per cent in 1995 to 2.2 per cent in 2005.

Cornwall's and the Isles of Scilly's share of taxes and social contributions to the UK total remained unchanged between 1995 and 2005, however, their share of social benefit received increased from 0.8 per cent in 1995 to 0.9 per cent in 2005. Despite that slight increase, Cornwall and the Isles of Scilly have paid £100 per head more in social contributions and taxes than social benefits received.

IV Revisions and Data Updates

The estimates published here include revisions to estimates for the period 1995 to 2004.

The main reasons for revisions since that date include:

- Changes to national control totals (Blue Book 2006).
- Replacing previously used estimates with data from a better data source that has become available.
- Changes to the underlying methodology to take account of improved or more appropriate indicator data.

Revisions to National Controls

In the compilation process of regional household income estimates all components are consistent with the figures published in *Blue Book 2006*.

Blue Book 2006 revisions go back beyond the first year, 1995, of the regional household income estimates available and are only minor. Total gross disposable household income has been revised down slightly, less than one per cent, for all years between 1995 and 2004 except 1999.

Revisions to HMRC Data

Latest data for 2003/04 has replaced provisional estimates from HMRC pay-as-you-earn (PAYE) records and 2004/05 first estimates has replaced forecasts. However, no estimates for 2005/06 are available yet. Hence, the household income data for 2005 is marked provisional.

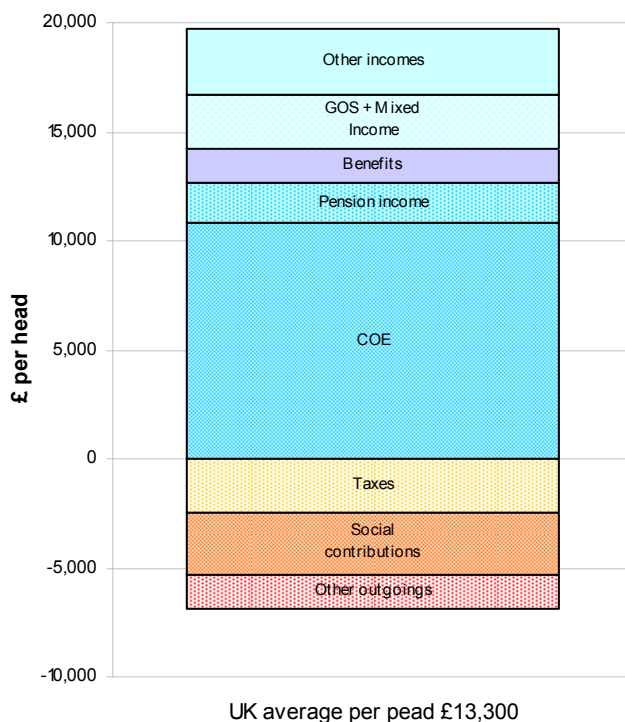
Other Revisions

Additional revisions are due to new data availability and re-assessment of quality adjustments previously made. For example, replacing previously used estimates with data from a better data source back to 2001, e.g. using a 100 per cent of the HMRC self-assessment data for sole trader and Partnership incomes instead of ten per cent sample. Methodological improvement to make better use of data from administrative data sources such as income tax credits and child benefit from HMRC.

V Methods and Development

The regional household income series headlined in this publication have been calculated using a five-point moving average. These adjusted series remove some year-to-year and regional volatility due to sampling and non-sampling errors in the raw data sources. The unadjusted series are also published. This is consistent with the approach taken for compiling and publishing regional GVA estimates.

Figure 16: Composition of UK Household Income, 2005



Within the chart 'Composition of UK Household Income (2005)' all incomes received are listed above 0 and outgoings, most of which are considered non-discretionary payments, are shown below 0. The sum of both (above and below 0) represents the UK average household income of £13,000 in 2005.

Other incomes

These incomes comprise 'property income' and 'other current transfers'. See below for the definitions of 'property income' and 'other current transfers'.

Property income

Return on the ownership of financial assets, made up primarily of rent (on land, not buildings), interest and the distributed income of corporations (mainly dividends and repatriated profits). Property income, attributed to holders of life insurance policies, is also included. The income from investment gains made on insurance funds is not directly accessible by households, but does technically belong to them as owners and holders of the insurance policies.

Other current transfers

These include a variety of different transfers (ie payments with nothing received in exchange) serving different purposes. This mainly refers to claims made under non-life insurance policies and transfers from the rest of the world (e.g. gifts), Non-Profit Institutions Serving Households NPISH (e.g. grants) and central government.

Mixed income

Essentially, that part of income from self-employment relating to sole traders.

Operating surplus

Household sector's rental income from buildings, including the imputed rent of owner occupied dwellings.

Imputed rent values the amount owner-occupiers would have to pay for the service of living in their homes if someone else owned them. In effect, it assumes that owner occupiers are the producers of housing services which they consume themselves. It is not related to mortgage repayments.

Social benefits

Another important source of household income; including a number of components of which, state and private retirement pensions are major ones. For illustration purposes in 'Composition of UK Household Income (2005)', social benefits have been split into pension income and other benefits. Examples of other social benefits are Child Benefit, Disability Living Allowance, unemployment and jobseeker benefits, and incapacity benefits.

Pension income

The sum of National Insurance (State) retirement pension and privately-funded pension.

Compensation of employees

Income from employment comprises wages and salaries, and employers' social contributions. For example, contributions to pension funds and non-traceable/non-cash related bonuses.

Various uses are illustrated below zero in the 'Composition of UK Household Income (2005)' chart above.

Taxes

Comprise taxes on income and other current taxes on wealth, such as council tax and motor vehicle duty.

Social contributions

National Insurance contributions by employees, employers and social contributions by the self- and non-employed.

Other outgoings

These are payments made on interest, rent, insurance policy and charity donations. Property income in this context relates to payments made by households to other sectors on interest (e.g. mortgages) and rent (e.g. agricultural land). Other current transfers are non-life insurance premiums paid and miscellaneous transfers, e.g. gifts or grants abroad.

Data Sources

The main data sources for the compilation of estimates of regional household income are Her Majesty's Revenue and Customs (HMRC) pay-as-you-earn (PAYE); HMRC self-assessment (SA) and survey of personal incomes (SPI); HMRC taxes data and various benefit data sets.

These data are available by region and are used as indicator series to apportion the National Accounts household accounts components. The methods and data used are consistent with the guidance set out in the European System of Accounts 1995.

The overall method for compiling the regional household income is the same as that employed in previous years and described in the May 2002 article. However, ONS have made a number of nominal improvements to the processes used to calculate these regional economic data since 2002.

VI Future Work Plans

Estimates of regional, NUTS1, 2 & 3 - GVA for 1989 - 2005 (and 2006 at NUTS1), are planned for publication in December 2007.

It is planned that estimates of regional gross disposable household income (GDHI) for 1995 - 2006 will be published at the end of March 2008.

VII Regional Diversity

Scotland, Wales, Northern Ireland and the regions of England are all different in character, industrial structure and economic performance. The table below shows some of the differences.

Scotland has the largest area, but a small population; London has by far the smallest area, but the second largest percentage of the population - over 12 per cent. (The South East has the largest population - nearly 14 per cent.)

At the other extreme, Northern Ireland has the smallest population, nearly 3 per cent of the UK total. These large variations in the regions' populations are reflected in the size of regional GVA and incomes.

The wide variation in the size of the regions makes it difficult to compare the regions' economic performance using cash totals. Comparisons are therefore usually expressed in terms of amounts per head of the population. However, it is important to note that the growth in totals may be quite different to the growth per head in regions where the population has increased or decreased. Furthermore, the level per head is determined both by the average amount of cash of the working population and by the proportion of dependants.

Northern Ireland households have a high proportion of children (24 per cent of the population were aged 16 or under in 2005 compared with 20 to 21 per cent in other regions). This will tend to depress amounts per head. Ideally the age structure of the population should, therefore, be taken into account when comparing figures on a per head basis.

Key Regional Statistics – Percentages of the UK

Region	Area 2005	Population ¹ 2005	Economically Active ² 2005	Gross Value Added ³ 2005	Gross Disposable Household Income ⁴ 2005
United Kingdom (=100 per cent)	244167 sq km	60.2m	30.1m	£1,064.3bn	£799.5bn
North East	3.5	4.2	4.0	3.4	3.6
North West	5.8	11.4	11.1	10.0	10.4
Yorkshire & the Humber	6.3	8.4	8.3	7.3	7.7
East Midlands	6.4	7.2	7.3	6.7	6.7
West Midlands	5.3	8.9	8.7	8.0	8.1
East of England	7.8	9.2	9.5	9.9	9.8
London	0.7	12.5	12.7	17.0	14.9
South East	7.8	13.6	14.1	15.6	15.3
South West	9.8	8.4	8.5	7.9	8.4
England	53.4	83.8	84.2	85.7	85.1
Wales	8.5	4.9	4.6	3.8	4.4
Scotland	32.3	8.5	8.6	8.1	8.0
Northern Ireland	5.8	2.9	2.6	2.3	2.5

1. Mid-year 2005 population estimates

2. Labour Market statistics 2005

3. Excluding Extra-regio and the statistical discrepancy

4. Excluding Extra-regio

Appendix A – Background Notes and References

Derivation of Gross Disposable Household Income

Total gross disposable household income is derived from the balances of *primary* and *secondary income*.

$$\begin{aligned} & \text{Balance of Primary Income} \\ & + \text{Balance of Secondary Income} \\ & = \underline{\underline{\text{Gross Disposable Household Income}}} \end{aligned}$$

Primary income account

The account shows the income received by households for their role in the production process, and also property income (rent, dividends and interest) received and paid. The main source of household income is compensation of employees (wages and salaries and employers' social contributions).

The balance of *primary income* is the difference between *total primary resources* and *uses*.

$$\begin{aligned} & \text{Total Primary Resources} \\ & - \text{Total Primary Uses} \\ & = \underline{\underline{\text{Balance of Primary Income}}} \end{aligned}$$

Total primary resources: Compensation of employees (wages and salaries); operating surplus (mainly rental, imputed or otherwise, in the household sector); mixed income (income from self-employment); and property income receipts.

Total primary uses: property income paid.

The secondary distribution of income account

Shows how the balance of primary income of households is modified by redistribution of payments of current taxes; payments of social contributions and receipts of benefits (other than in kind); and net other current transfers.

The balance of *secondary income* is derived as the difference of *total secondary resources* less *uses*.

$$\begin{aligned} & \text{Total Secondary Resources} \\ & - \text{Total Secondary Uses} \\ & = \underline{\underline{\text{Balance of Secondary Income}}} \end{aligned}$$

Total secondary resources: social benefits received; other current transfers received (financial gifts, non-life insurance claims etc.)

Total secondary uses: current taxes on income and wealth (income tax, council tax) and social contributions paid (employees pension / social security contributions).

European System of Accounts 1995 (ESA95)

The estimates of Household Income published in this article are consistent with the *European System of Accounts 1995* (ESA95). ESA95 is based on the *System of National Accounts 1993* (SNA3) which was sponsored by all major international organisations and is being adopted world-wide. The European system, which has been adopted by European Union Member States, is consistent with SNA93 but is more specific and prescriptive in certain parts.

Introducing the European System of Accounts 1995, National Accounts Concepts, Sources and Methods (1998), and *Regional Accounts Methods* give more detail of the changed system of accounts, and the particular effects on the UK.

The headline GDHI series have been calculated using a five-point moving average technique. These adjusted series remove some year-to-year volatility in the unadjusted series. The unadjusted series are also provided for information on the National Statistics website.

Unadjusted household income estimates and components at the NUTS2 level are to be supplied to Eurostat. These data are not directly used to inform funding decisions but may be used to support arguments in the debate around the relative welfare of regions in the UK and the EU area.

The estimates of regional household income and GDHI are published at current prices and do not take into account the impact of price inflation or price differentials at either a national or regional level.

In 2005 ONS produced "Relative regional consumer price levels in 2004". However, these data cannot be meaningfully compared to those produced in 2003, nor can they be used as a time series to infer regional inflation rates of deflators.

Geography

The Nomenclature of Units for Territorial Statistics (NUTS) provides a single uniform breakdown for the production of regional statistics for the European Union. There are three levels of NUTS in the UK:

NUTS1: Government Office Regions and Scotland, Wales and Northern Ireland.

NUTS2: 37 areas sometimes referred to as sub-regions.

NUTS3: 133 areas, generally groups of unitary authorities or districts, also known as local areas.

Some areas appear at more than one level, for example, Northern Ireland appears at NUTS levels 1 and 2.

Extra-regio

The contribution to GDHI by employees of UK embassies abroad and UK forces stationed overseas is included in Extra-regio, as these cannot be assigned to specific regions they are assigned as "Extra-regio GDHI".

Accuracy

As with the national accounts, the regional (NUTS1, 2 & 3) estimates, are calculated as reliably as possible.

There is no easy way to measure the reliability of the estimates but ONS carries out consistency checks on data inputs, apply methods consistently and make use of local knowledge for England, Scotland, Wales and Northern Ireland.

The estimates are partly based on sample surveys and the quality of the results therefore varies according to sample size. This means that the results for smaller regions are subject to a greater degree of uncertainty than those for larger regions.

For up to date details of the availability of regional economic statistics please contact: Customer Contact Centre, Office for National Statistics, 1 Drummond Gate, London SW1V 2QQ, tel: 0845 601 3034, e-mail: info@statistics.gov.uk.

Details of the policy governing the release of new data are available from the press office.

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

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Glossary of Abbreviations

COE	Compensation of employees
GOS	Gross operating surplus
GVA	Gross value added
HMRC	Her Majesty's Revenue and Customs
MI	Mixed income
NUTS	Nomenclature of Units for Territorial Statistics
ONS	Office for National Statistics

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Index of Tables:

Annex A - Regional Gross Disposable Household Income Tables

- NUTS2:1** Headline gross disposable household income (GDHI) by NUTS2 area at current basic prices
- NUTS2:2** Headline gross disposable household income (GDHI) per head by NUTS2 area at current basic prices
- NUTS2:3** Headline gross disposable household income (GDHI) per head indices by NUTS2 area at current basic prices
- NUTS2:4** Headline gross disposable household income (GDHI) by NUTS2 area and component at current basic prices
- NUTS2:5** Gross disposable household income (GDHI) by NUTS2 area at current basic prices
- NUTS2:6** Gross disposable household income (GDHI) per head by NUTS2 area at current basic prices
- NUTS2:7** Gross disposable household income (GDHI) per head indices by NUTS2 area at current basic prices
- NUTS2:8** Gross disposable household income (GDHI) by NUTS2 area and component at current basic prices
- NUTS3:1** Headline gross disposable household income (GDHI) by NUTS3 area at current basic prices
- NUTS3:2** Headline gross disposable household income (GDHI) per head by NUTS3 area at current basic prices
- NUTS3:3** Headline gross disposable household income (GDHI) per head indices by NUTS3 area at current basic prices
- NUTS3:4** Headline gross disposable household income (GDHI) by NUTS3 area and component at current basic prices
- NUTS3:5** Gross disposable household income (GDHI) by NUTS3 area at current basic prices
- NUTS3:6** Gross disposable household income (GDHI) per head by NUTS3 area at current basic prices
- NUTS3:7** Gross disposable household income (GDHI) per head indices by NUTS3 area at current basic prices
- NUTS3:8** Gross disposable household income (GDHI) by NUTS3 area and component at current basic prices

Annex B – Impact Analysis

Annex B: 1 May 2006 dataset

Annex B: 2 Impact of new national controls (Blue Book 2006)

Annex B: 3 Impact of HMRC wages and salaries

Annex B: 4 Cumulative impact of all social benefit, state and private pension datasets

Annex B: 5 Impact of HMRC self-assessment income of sole trader and partnerships datasets

Annex B: 6 Impact of remaining datasets used in the estimation of GDHI

Annex B: 7 March 2007 dataset

Annex C – Revision Analysis

RN 2:4 Revisions – Headline gross disposable household income (GDHI) by NUTS2 area and component at current prices

RN 2:8 Revisions – Gross disposable household income (GDHI) by NUTS2 area and component at current prices

RN 3:1 Revisions – Headline gross disposable household income (GDHI) by NUTS3 area at current prices

RN 3:2 Revisions – Headline gross disposable household income (GDHI) per head by NUTS3 area at current prices

RN 3:3 Revisions – Headline gross disposable household income (GDHI) per head indices by NUTS3 area at current prices

RN 3:4 Revisions – Headline gross disposable household income (GDHI) by NUTS3 area and component at current prices

RN 3:5 Revisions – Gross disposable household income (GDHI) by NUTS3 area at current prices

RN 3:6 Revisions – Gross disposable household income (GDHI) per head by NUTS3 area at current prices

RN 3:7 Revisions – Gross disposable household income (GDHI) per head indices by NUTS3 area at current prices

RN 3:8 Revisions – Gross disposable household income (GDHI) by NUTS3 area and component at current prices

Annex A - Regional Gross Disposable Household Income Tables

Annex B – Impact Analysis

Annex C – Revision Analysis