

Statistical bulletin

# Family spending in the UK: financial year ending March 2016

An insight into the spending habits of UK households, broken down by household characteristics and types of spending.



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# 1 . Main points

- Average weekly household spending remained level at £528.90 in the financial year ending 2016, coinciding with a slowdown in consumer confidence.
- Low-income households continued to spend a higher proportion of their expenditure on food and energy when compared with households with a higher income.
- UK households spent more than £45.00 a week on restaurants and hotels for the first time in 5 years.
- Average weekly spending on alcohol, tobacco and narcotics fell below £12.00 for the first time.
- Over half of money spent on communication was spent on a mobile phone-related cost.

## 2 . Things you need to know about this release

Figures in this bulletin are averaged across all UK households, unless stated otherwise.

This bulletin uses the mean when referring to averages. Therefore, total average weekly household expenditure is equal to the total weekly expenditure of households divided by the number of households.

This bulletin compares spending over time in 2 different ways, where figures are either adjusted for inflation or not adjusted for inflation. Where figures are not adjusted for inflation, differences in spending could be because of differences in price level between the years. When comparing spending that has been adjusted for inflation, differences in price between years are not a legitimate reason for differences in spending, as this has already been taken into account. Where possible, we adjust for inflation when comparing levels of spending over time. However, for more detailed expenditure items this is not possible and we therefore compare unadjusted figures. Please see the Quality and methodology section for more information on comparisons over time.

Changes and differences said to be statistically significant are significant at the 95% confidence level, unless stated otherwise.

This bulletin considers expenditure by UK constituent country and English region. We combine 3 years of data when presenting spending broken down by country and region in order to improve the robustness of results.

Spending is presented using classification of individual consumption by purpose (COICOP) categories, unless otherwise stated. COICOP is an internationally recognised classification system consistent with that used by UK National Accounts. It does not include all types of payments; for example, capital mortgage repayments are excluded. Due to high interest in this topic, this bulletin also considers housing costs outside the COICOP classification system. Further information on COICOP can be found on the [United Nations Statistics Division website](#).

We use equivalised disposable income decile groups when looking at expenditure and income together. Disposable income is defined as gross weekly cash income less the statutory deductions and payments of Income Tax and National Insurance contributions. It is used alongside expenditure as it is the amount households have available to spend or save. Equivalisation takes into account that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. Please see the Quality and methodology section for more information on equivalisation. For ownership of durable goods, gross income decile groups are used. The standard concept of gross income is gross weekly cash income current at the time of interview; that is, before the deduction of Income Tax actually paid, National Insurance contributions and other deductions at source.

Results presented in this bulletin cover the financial year ending 2016 (2015/16); that is, April 2015 to March 2016. The move to financial year comes following user demand. [Financial year ending 2015 \(2014/15\) tables](#) are also available to provide comparability.

In [response](#) to a recent Office for National Statistics [consultation](#), this edition of Family Spending is published as a statistical bulletin for the first time. Our users are central to the way we develop this bulletin in the future. Please [let us know](#) what you think of this new format.

Family Spending has been designated by the [UK Statistics Authority](#) as National Statistics, in accordance with the [Statistics and Registration Service Act 2007](#) and signifying compliance with the [Code of Practice for Official Statistics](#).

### 3 . Total spending remained unchanged when compared with a year ago

Total average weekly household expenditure remained level at £528.90 in the financial year ending 2016 (2015 /16) when compared with the same period a year ago, where figures are adjusted for inflation.

Figure 1 shows average weekly household spending, over a longer time period.

#### Figure 1: Total household expenditure, UK, financial year ending 2002 to financial year ending 2016

When considering spending that has been adjusted for inflation, Figure 1 shows that in recent years spending has increased from its lowest level of £507.20 seen in 2012. However, average spending has not returned to the pre-economic downturn levels of spending seen before 2007. It is useful to consider average expenditure alongside other economic indicators in order to understand the wider picture of the UK economy in 2015/16.

Gross domestic product (GDP) showed [output grew steadily in 2015/16](#) and the [employment rate](#) increased to 74.2% in Quarter 1 (January to March) of 2016, up from 73.4% in Quarter 2 (April to June) of 2015. Alongside this, [average earnings](#) and median household [disposable income](#) also grew when adjusted for inflation. However, despite an increase in median disposable income overall, disposable income grew at a slower rate for the richest fifth of households between 2014/15 and 2015/16. The median income for the richest fifth of households has actually fallen by 3.4% in real terms since the economic downturn of 2007/08.

Inflation shows the rate prices of goods and services bought by households rise or fall. Prices, and therefore inflation, directly influences the amount households spend. During 2015/16, inflation measured by the Consumer Prices Index [was very low](#) and even entered a period of deflation. This means that overall, goods and services were the same price or even cheaper than they were in the previous year.

We can also look at consumer confidence. Since the economic downturn, [consumer confidence](#) has been on an upward trend and began to accelerate at a quicker rate in 2013 and 2014. However, during the 2015/16 period, growth in consumer confidence began to level off. [Further breakdown](#) of consumer confidence figures suggests that this could have been driven by falling expectations of the country's general economic situation.

These indicators suggest that despite economic growth and higher real disposable income, the average household was not influenced to spend either more or less on goods and services in 2015/16 after adjusting for inflation. This may reflect a relative weakness in consumer confidence, which may have held back spending. It may also reflect the different growth rate of real disposable household income across the income distribution.

## Household expenditure by category

Transport and housing (net), fuel and power were the highest expenditure classification of individual consumption by purpose (COICOP) categories. The average weekly amount spent on transport in the financial year ending 2016 (2015/16) was £72.70. The largest contributing factor to this was motor fuels such as petrol and diesel. Although overall spending on transport remained unchanged compared with a year ago, there were changes in lower level categories.

Compared with previous years, expenditure on motor fuels decreased in 2015/16, where figures are not adjusted for inflation. [Fuel prices fell](#) in this time period following a global fall in the price of crude oil. In 2015/16, there was an increase in spending on second-hand cars or vans following an increase in [sales](#). There was also an increase in spending on new cars or vans bought using a loan or hire purchase scheme. The increase in loans was noted by the Bank of England in the last quarter of 2015 as they [observed a rise](#) in the number of people buying goods and services on credit. The increase in the amount spent on cars is supported by what we see in [Table A45](#). This shows that 78% of UK households owned a car or van in 2015/16, compared with 76% in the previous year.

The average weekly amount spent on housing, fuel and power was £72.50. We consider housing in more detail in [Section 5](#) of this bulletin.

**Table 1: Average household expenditure by COICOP category and total household expenditure**

COICOP category	UK, financial year ending 2016	
	£ per week	% of total expenditure
Transport	72.70	14
Housing (net) <sup>1</sup> , fuel and power	72.50	14
Recreation and culture	68.00	13
Food and non-alcoholic drinks	56.80	11
Restaurants and hotels	45.10	9
Miscellaneous goods and services	39.70	7
Household goods and services	35.50	7
Clothing and footwear	23.50	4
Communication	16.00	3
Alcoholic drinks, tobacco and narcotics	11.40	2
Health	7.20	1
Education	7.00	1
<b>Total COICOP expenditure</b>	<b>455.30</b>	<b>86</b>
Other expenditure items	73.60	14
<b>Total expenditure</b>	<b>528.90</b>	<b>100</b>

Notes:

1. Excluding mortgage interest payments, council tax for households in Great Britain and domestic rates for households in Northern Ireland

2. Totals may not add up due to the independent rounding of component categories.

Source: Office for National Statistics

Figure 2 shows the detailed level of spending within each COICOP category.

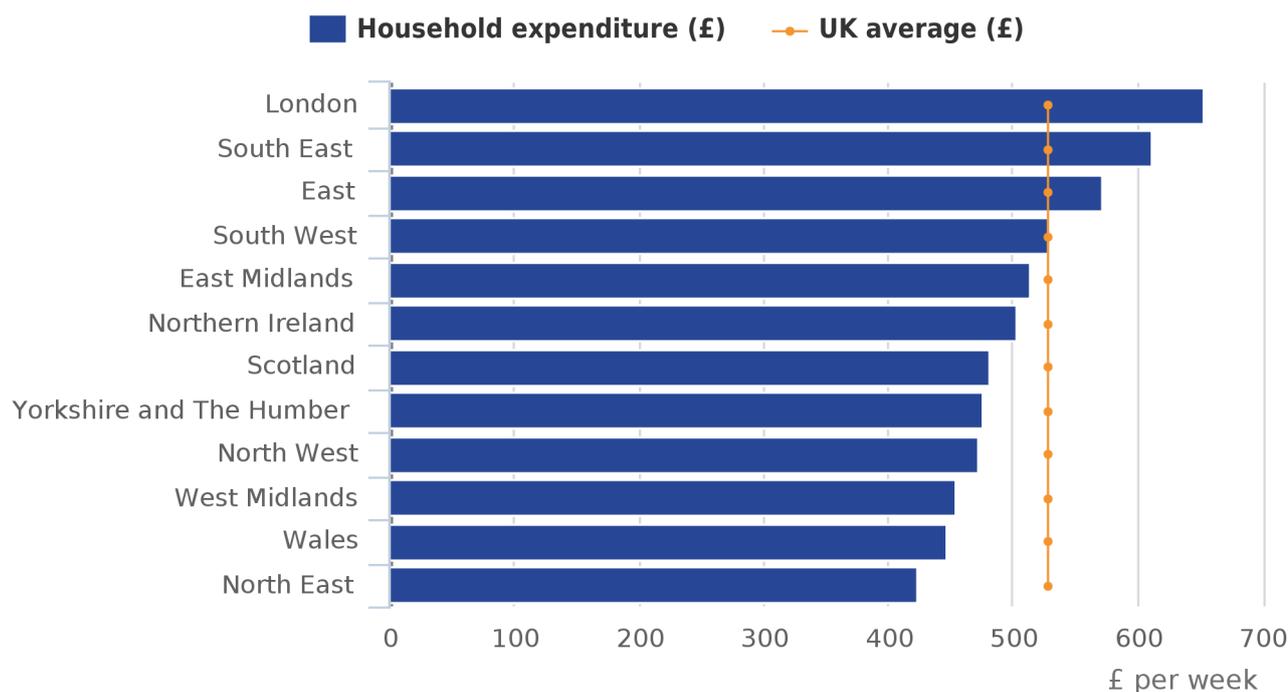
## Figure 2: Household expenditure in the UK, financial year ending 2016

### Household expenditure by region

As well as looking at average spending by category, we can look at regional average spending as shown by Figure 3. We combine 3 years of data when presenting spending broken down by country and region. On this basis, the average weekly household expenditure in the UK combined over financial years ending 2014, 2015 and 2016 was £527.20.

**Figure 3: Household expenditure by region**

UK, financial year ending 2014 to financial year ending 2016



Source: Office for National Statistics

Figure 3 shows that average spending varied throughout the different regions of the UK. London had the highest average weekly household expenditure of £652.40, whilst the North East's average weekly spending was more than £200 lower at £423.50. This is driven by housing costs, which are discussed in [Section 5](#). For the majority of regions, transport, or housing (net), fuel and power was the highest expenditure category. However, there were some exceptions. For the North East, the North West, and Yorkshire and The Humber, households spent the most amount of money on recreation and culture. Spending on recreation and culture is explored in more depth in [Section 6](#).

## 4 . Lower income households continued to have less money to spend on non-essential items

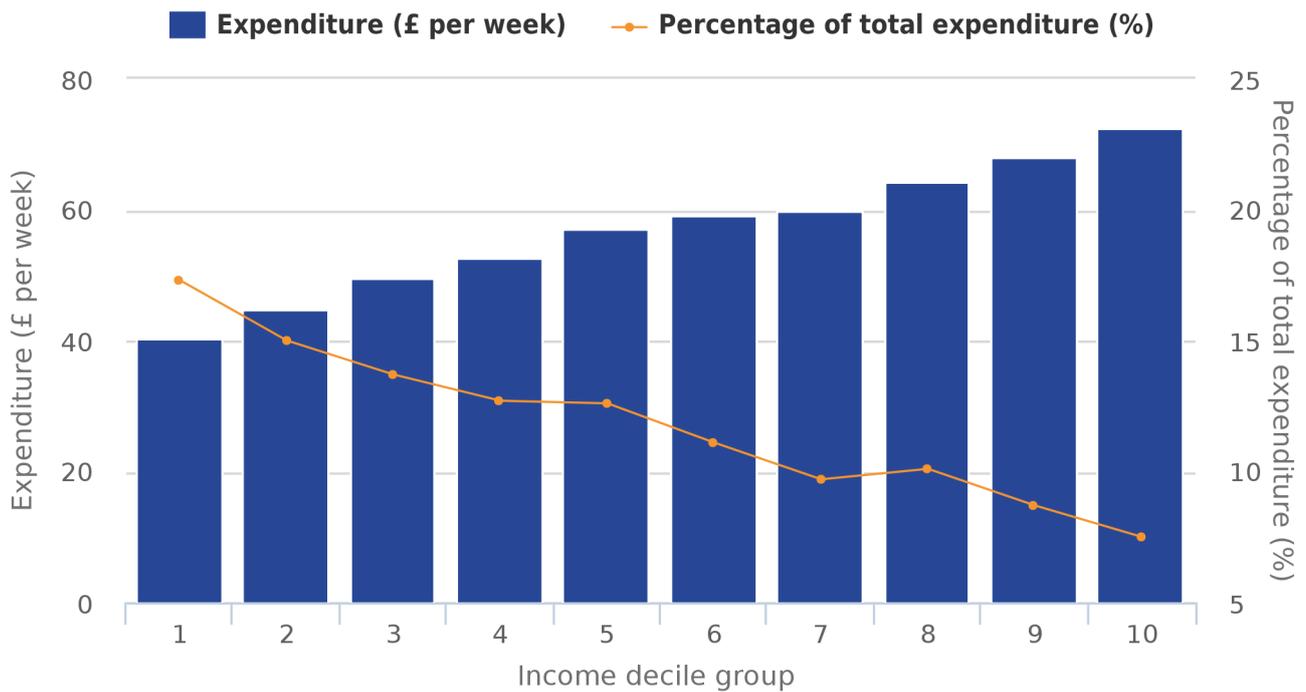
The UK average weekly spending on food and non-alcoholic drinks consumed at home was £56.80. [Table 4.1](#) shows that after adjusting for inflation, spending on food and non-alcoholic drinks has remained the same since 2011. Furthermore, spending on food and non-alcoholic drinks has made up 11% of total expenditure since 2008. Whilst all households have to spend a certain amount on food and drink, there is a limit to how much food households consume and the amount they are willing to spend overall.

We can also look at spending on food and non-alcoholic drink where figures have not been adjusted for inflation. This shows that spending on this category has decreased in the financial year ending 2016 (2015/16) because [food prices](#) fell. One of the causes of lower food prices is the emergence of discount supermarkets in the UK, which has led to [greater competition](#).

It is interesting to compare expenditure on food and non-alcoholic drinks over different income groups. Figure 4 shows that lower income households spent a higher proportion of their total expenditure on food and non-alcoholic drinks; this is similar to patterns seen in previous years. In 2015/16, households with the lowest income spent 17% of total expenditure on food and non-alcoholic drinks. In comparison, households with the highest income spent 8% of total expenditure on this category, leaving these households more money to spend elsewhere, such as on eating out.

**Figure 4: Expenditure on food and non-alcoholic drinks (absolute expenditure and as a percentage of total expenditure) by OECD-modified equivalised disposable income decile group**

UK, financial year ending 2016



Source: Office for National Statistics

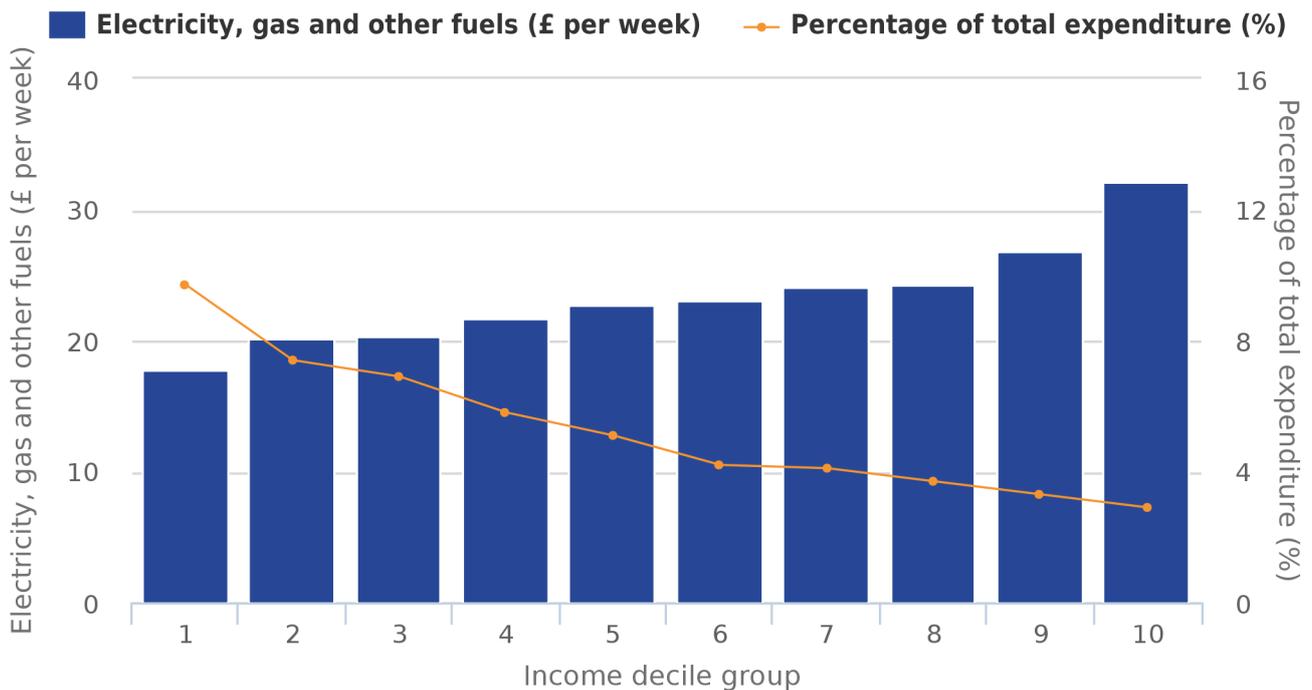
We are also able to look at the proportion of total food expenditure that was spent on different types of food over the income groups. Households in the lowest income group spent 5% of their total food budget on milk while households in the highest income group spent 3%. There is a similar pattern for bread, suggesting lower income households assigned more of their food budget to basic groceries. In contrast, higher income households spent a higher proportion of their food budget on vegetables.

Housing fuel, like food and drink, is essential for all UK households. In 2015/16, the [price of electricity and gas](#) fell following the fall in global oil prices. In addition to this, the UK government ran a [campaign](#) encouraging users to switch energy providers in order to get the best deal. Both of these factors would influence spending on electricity, gas and other fuels.

The 2015/16 average weekly expenditure on electricity and gas was £11.50 and £10.70 respectively. This is a reduction when comparing with the previous year, where figures are not adjusted for inflation. However, similar to food and non-alcoholic drinks, those in the lowest income groups spend a greater part of their total expenditure on electricity, gas and other fuel. Figure 5 shows that those in the lowest income group spent 9% of their total expenditure on electricity, gas and other fuels. In comparison, expenditure on housing fuel made up 3% of total expenditure for those with the highest income. This is similar to patterns seen in previous years.

**Figure 5: Expenditure on electricity, gas and other fuels (absolute expenditure and as a percentage of total expenditure) by OECD-modified equivalised disposable income decile group**

UK, financial year ending 2016



Source: Office for National Statistics

Although [median household disposable income](#) rose in 2015/16, lower income households continued to spend a higher proportion of their total expenditure on food and fuel when compared with higher income households. This suggests that households with a lower income had less money to spend on non-essential items. This can be seen in [Table 3.2E](#), which shows that lower income households spent 9% of total expenditure on recreation and culture, compared with higher income households who spent 14% of expenditure on this category.

## 5. What factors influence your expenditure on housing and household goods and services?

In this section we will look at the average weekly amount spent on housing and household goods and services. In order to provide a more complete view of housing costs, we do not use the classification of individual consumption by purpose (COICOP) definition of housing as some expenditure is excluded. The housing costs discussed in this section include:

- net rent (that is, the amount payable by a household after housing benefits have been deducted)
- mortgage payments
- repairs and maintenance
- home improvements

Expenditure on housing fuel is considered in [Section 4](#).

In the financial year ending 2016 (2015/16), the average weekly amount spent on housing costs for UK households was £164.70. As shown in [Table 2.2](#), this is an increase on the previous year, where figures are not adjusted for inflation.

Similar to previous years, mortgages (27%), net rent (20%) and charges (18%), such as Council Tax and water charges, were the top 3 housing costs.

Housing costs can differ depending on tenure. In 2015/16, the breakdown of different types of households was:

- rented households (both private and social): 36%
- mortgage held: 30%
- owned the property outright: 34%

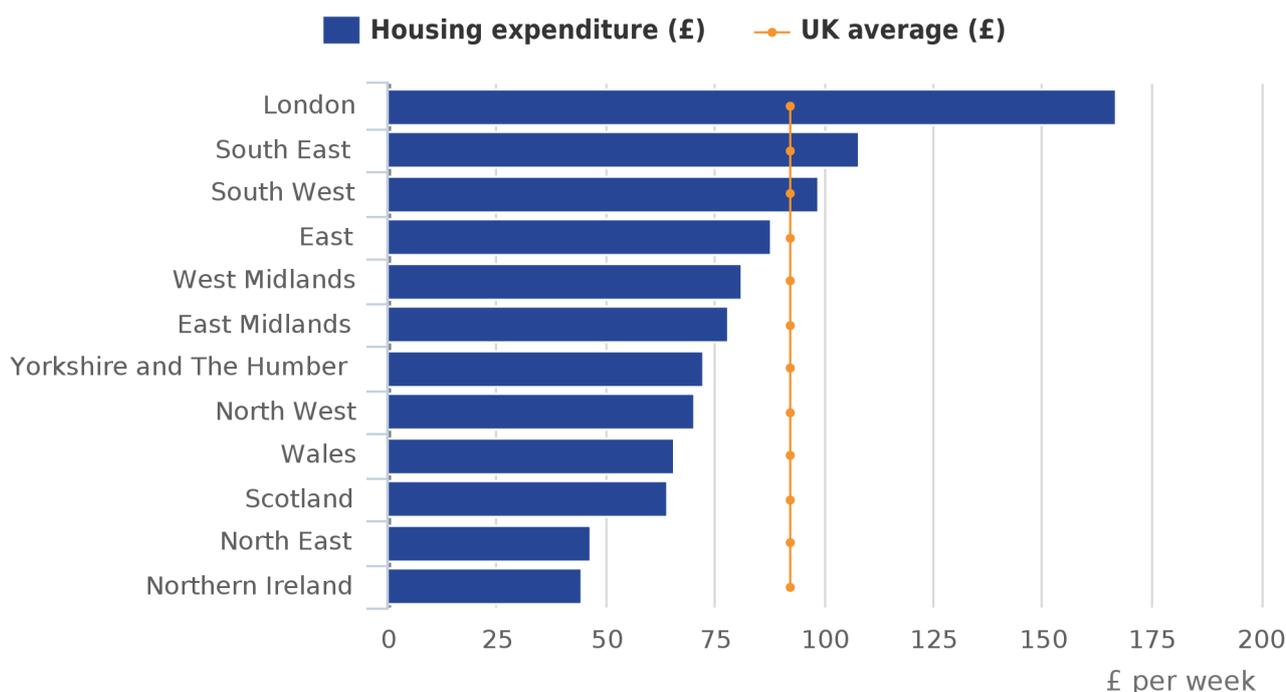
Since 2006, there has been an increase in the number of rented households in the UK and a decrease in the number of houses being bought with a mortgage. This trend was also observed by the [English Housing Survey](#). Despite various [government schemes](#) to help people onto the property ladder, this trend continued in 2015/16. In 2015/16, there were 6 rented households for every 5 households being bought by a mortgage holder.

## Housing costs for renters and mortgage holders

As shown in [Table 2.8](#), the 2015/16 average weekly net expenditure for rent was £92.00. This averages out rent across all renting households, not all UK households. This means that 19% of a renting household's total expenditure was spent on net rent, where net rent is the rent payment that the households have to meet themselves – benefits and rebates received by the households to help pay for rent have been subtracted.

**Figure 6: Expenditure on net rent by renters, by countries and regions**

UK, financial year ending 2016



Source: Office for National Statistics

Figure 6 shows that average net rent varies widely throughout the UK. The average weekly amount spent on rent in London was £167.10; this is more than double the average in the majority of other regions, excepting the East of England, South East and South West. London has the highest proportion of renters in the UK, where [nearly half of all households rent](#). Regional rent appears correlated with [regional house prices](#), where London, East of England, South East and South West have the highest house prices.

The 2015/16 average weekly mortgage payment was higher than the average rent, at £147.60. Again, this averages out mortgage payments across all households paying a mortgage, not all UK households. Although this is higher than the average net rent, it makes up 13% of total expenditure for mortgage holders. This is 6 percentage points less than the proportion of total expenditure spent on rent by rented households. This means that although average expenditure on net rent is less than the average expenditure on mortgage payments, rented households have less money to spend on other goods and services.

## **Expenditure on household goods and services**

As well as housing costs, we can look at the amount spent on household goods and services. This category looks at spending on items such as furniture, household appliances, cleaning materials and tools. In 2015/16, the average weekly amount spent on household goods and services was £35.50, level to the amount seen in the previous year after figures have been adjusted for inflation. Spending on furniture contributed the most to this cost, where on average a UK household spent £15.80 a week.

Households spent an average of £2.40 a week on household appliances. [Table A45](#) shows the percentage of households that own certain durable goods, including household appliances. In 2015/16, of all households 97% owned a washing machine and 93% owned a microwave. On the other hand, only 56% of households owned a tumble dryer and less than half of households owned a dishwasher (45%).

It is interesting to look at the ownership of these goods across income groups, as shown in [Table A46](#). There is little difference across income groups when looking at the ownership of washing machines and microwaves. There are much bigger differences across income groups when we consider ownership of tumble dryers and dishwashers. Unlike washing machines, which can be considered a [necessity](#), tumble dryers and dishwashers can be considered to be more luxury goods. Only 14% of households in the lowest income group owned a dishwasher, compared with 84% of households in the highest income group.

This section shows that where you live, whether you rent or are buying your house with the help of a mortgage and your income influence spending on housing and household goods and services.

## **6 . UK households spent more than £45.00 a week on restaurants and hotels for the first time in 5 years**

In addition to spending on food, fuel and housing, we can look at how UK households spent their money after they had paid for essential items. This is sometimes known as [discretionary spending](#).

In the financial year ending 2016 (2015/16), UK households spent an average of £45.10 on restaurants and hotels. This is an increase of £1.80 when compared with the previous year, where figures have been adjusted for inflation, and is significant at the 10% level. High levels of [employment](#) and rising [disposable income](#) might be factors influencing this increase.

This category includes spending on goods and services such as:

- restaurant and café meals (£17.30)
- alcoholic drinks consumed away from home (£7.50)
- takeaway meals (£4.70)
- accommodation services (£8.90)

Most sub-categories saw an increase in spending between the financial year ending 2015 (2014/15) and 2015 /16, figures not adjusted for inflation, where spending on restaurant and café meals had the biggest contribution. However, the average weekly amount spent on restaurant and café meals varies throughout the UK when we look at 3 years of combined data. For London, the average weekly amount was £21.50, whilst households in Wales had a weekly average amount more than £7.00 lower at £14.20. This may reflect regional price differences, in addition to varying lifestyles.

## Expenditure on recreation and culture

Recreation and culture is another discretionary spending category. The UK average weekly spending on recreation and culture in 2015/16 was £68.00, similar to the spending seen in 2014/15 (£68.90) where figures are adjusted for inflation. This category covers a wide variety of goods and services such as:

- cinema, theatre and museums and so on (£2.60)
- TV subscription and licences (£6.80)
- newspapers, books and stationery (£5.30)

### Figure 7: Expenditure on recreation and culture in the UK, financial year ending 2016

Although spending on recreation and culture can be seen as discretionary, it was the category with the third highest expenditure in the UK. In fact, recreation and culture was the category with the highest spending for the North East, the North West, and Yorkshire and The Humber. These 3 regions spent 14% of their total expenditure on recreation and culture, compared with 11% in London. This difference was driven by the North East, North West, and Yorkshire and The Humber spending a higher proportion of expenditure on package holidays abroad.

We can look at spending on recreation and culture by age, as shown in [Table A10](#). When we consider household spending by age, we look at the age of the person legally responsible for the household accommodation. We call this person the household reference person (HRP).

Table A10 shows that households where the HRP was aged 65 to 74 spent the greatest proportion of their budgets on recreation and culture when compared with the other age categories. This age group spent 18% of their total expenditure on recreation and culture, whilst the under-30s spent 9%. Households with a HRP aged 65 to 74 spent a higher proportion of expenditure on the majority of recreation and culture sub-categories when compared with other age groups. This includes major durables, leisure classes and package holidays. This may be down to this age group having more time to spend on recreation and culture after they have retired. Interestingly, this pattern is not seen in restaurants and hotels, where spending is more equal between the age categories.

## Expenditure on alcohol and tobacco

There was a significant decrease in the average weekly amount spent on alcoholic drinks and tobacco between 2014/15 and 2015/16 when we consider figures that have been adjusted for inflation. Households spent an average of £11.40 a week on this category in 2015/16; this is a decrease of a third across the decade.

Alcohol and tobacco are considered to be demerit goods. These are goods that:

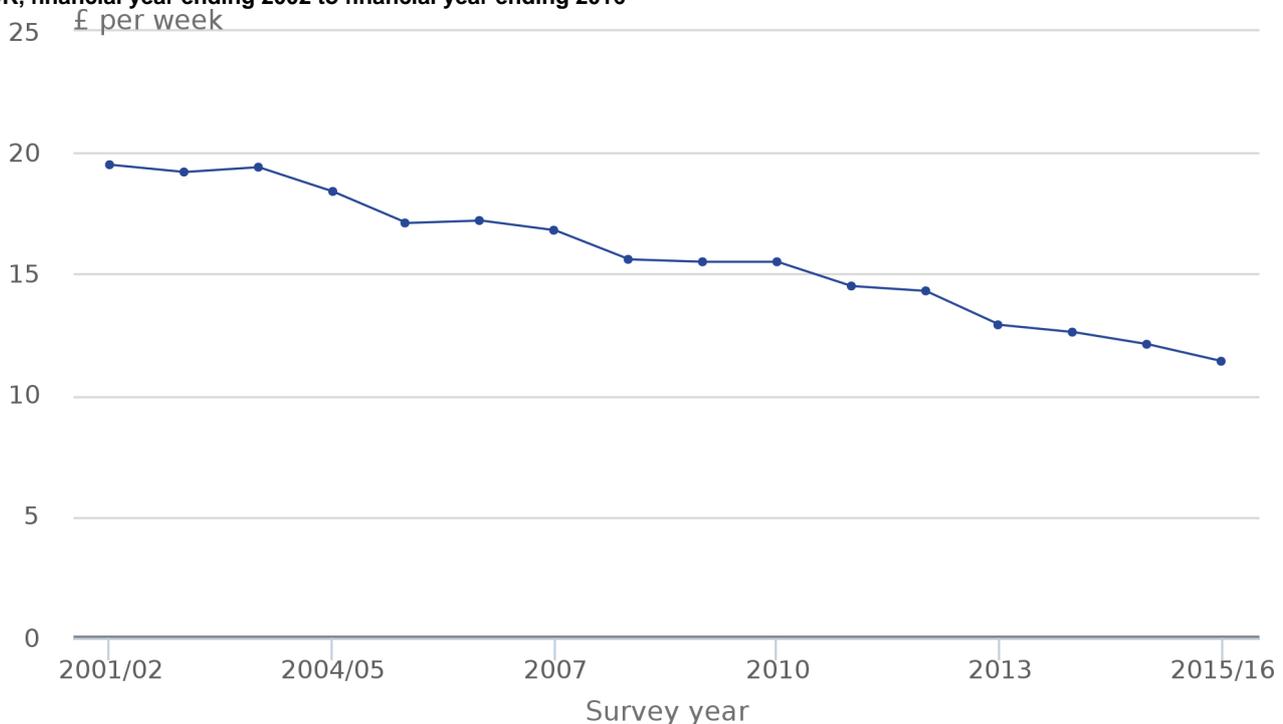
- are [harmful to the consumer](#)
- impose [costs on third parties](#)

However, the consumer may be unaware or choose to ignore the damaging effects. In order to discourage consumption of these goods, the government can introduce a variety of measures designed to discourage consumption. This can include health awareness campaigns, legislation, taxation and minimum pricing. For example, during 2015/16, smoking in cars that contain children [was banned](#) in England and Wales.

Figure 8 shows that expenditure on alcohol and tobacco has been steadily decreasing from £19.50 in 2001/02 to £11.40 in 2015/16, where figures have been adjusted for inflation. 2015/16 is the first time the weekly average amount spent on alcohol and tobacco has fallen below £12.00.

**Figure 8: Expenditure on alcoholic drinks, tobacco and narcotics at 2015-16 prices**

UK, financial year ending 2002 to financial year ending 2016



Source: Office for National Statistics

We can look at expenditure on alcoholic drinks and tobacco separately. The average weekly expenditure on alcoholic drinks in 2015/16 was £7.80. The alcoholic drinks sub-category with the largest average expenditure was wine, which made up 42% of all money spent on alcoholic drinks consumed in the home. The majority of alcoholic drink sub-categories had the same or decreased expenditure between 2014/15 and 2015/16, figures not adjusted for inflation.

Average weekly spending on tobacco in 2015/16 was £3.60; this includes £2.80 average spending on cigarettes. This is a fall of £0.30 from the 2014/15 average weekly spending on cigarettes, figures not adjusted for inflation. This decrease is likely to be caused by the continuation in the [falling numbers of smokers](#) in the UK.

Expenditure on e-cigarettes was included in the sub-category of other tobacco for the first time in 2015/16. Despite this addition, average weekly spending on other tobacco remained the same between 2014/15 and 2015 /16, where figures are not adjusted for inflation. This is because the introduction of e-cigarettes was off-set by a decrease in spending on other tobacco products that fall into this category, such as pipe tobacco.

It is interesting to look at the regional average weekly spending on alcohol and tobacco. We combine 3 years of data when presenting spending broken down by country and region. The average spending on alcohol and tobacco combined over financial years ending 2014, 2015 and 2016 was £11.90.

As [Table A35](#) shows, spending on alcohol and tobacco across the UK was very varied. Households in Scotland spent the most on alcoholic drinks, with an average of £8.90 a week; this is 1.8% of Scotland’s total expenditure. This was partly driven by expenditure on spirits and liqueurs, where Scottish households spent an average of £2.70 a week, compared with the UK average of £1.70. In contrast to this, London households spent 1.1% of total expenditure on alcoholic drinks. The [ethnic diversity](#) of London may contribute to the low levels of spending on alcohol in this region.

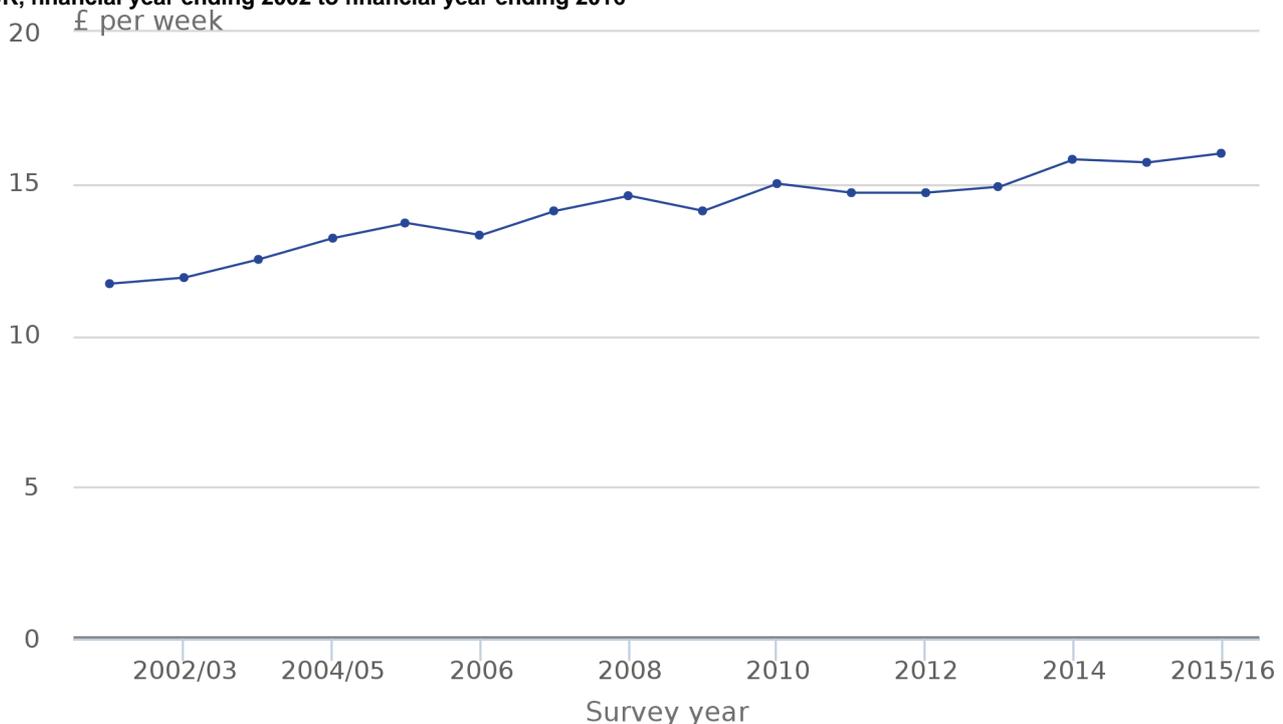
Expenditure on tobacco is even more varied across the regions. The average weekly spending on cigarettes for England is £2.90, Wales £3.00, Scotland £4.90 and Northern Ireland £6.60. This clearly shows the varied picture across the UK.

## 7 . How has the digital era affected UK households’ spending habits?

In the financial year ending 2016 (2015/16), UK households spent an average of £16.00 a week on communication. This category includes spending on things such as mobile phones, telephones and postal services. UK households have spent an increasing amount of money on communication since the financial year ending 2002 as shown by Figure 9, where figures are adjusted for inflation.

**Figure 9: Expenditure on communication at 2015 to 2016 prices**

UK, financial year ending 2002 to financial year ending 2016



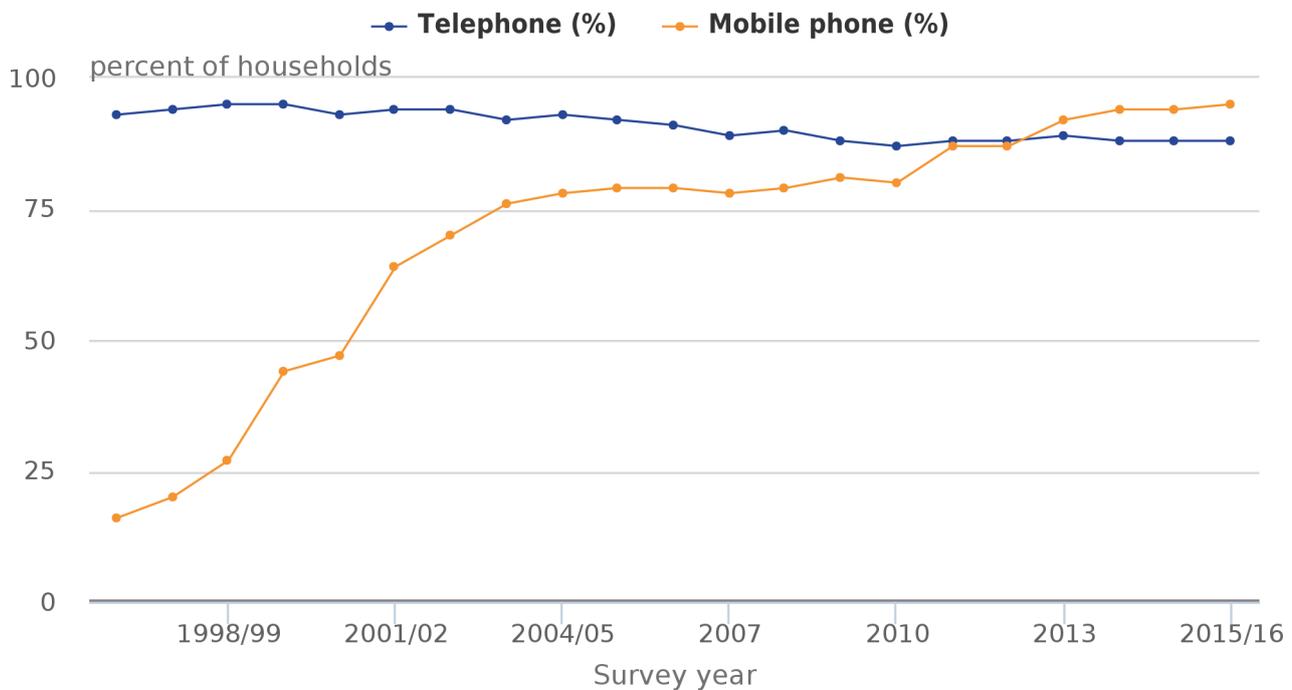
Source: Office for National Statistics

As shown in [Table A34](#), all regions spend 3% of their total expenditure on communication. Communication is the only category where the percentage of total expenditure does not vary at all between regions.

In 2015/16, over half of money spent on communication was on a mobile phone-related cost. Mobile phone ownership has dramatically increased over the last 2 decades and has overtaken landline ownership, as shown by Figure 10.

**Figure 10: Percentage of households with landline and mobile telephones**

UK, financial year ending 1997 to financial year ending 2016



Source: Office for National Statistics

Figure 10 shows that in the financial year ending 1997, only 16% of UK households owned a mobile phone. By 2015/16, this increased by 79 percentage points to reach 95%. To put this into context, 95% of UK households also have central heating, suggesting that communication devices such as mobile phones are now viewed as a necessity.

Although the UK has seen a rapid increase in mobile phone ownership over the last 20 years, internet connection has seen an even bigger and more rapid rise. As more and more services and everyday tasks become available online, it is important that households have access to the internet. In 2015/16, of all UK households 88% had internet connection, compared with 9% of households in the late 1990s.

The percentage of households with internet connection varied across the UK, as shown in [Table A48](#). For example, only 78% of households in Northern Ireland had internet connection, compared with 90% of households in London. It was also different across income groups, where 55% of households in the lowest income group had internet connection, compared with 100% of households in the highest income group. Although this is a large gap, it is narrowing. In 2014/15, only 51% of households in the lowest income group had internet connection.

The role of the internet is seen in other areas of household expenditure. DVD player and Blu-ray ownership has reduced from 90% in 2009 to 80% in 2015/16, suggesting that UK households are using alternate broadcast and recording methods such as TV on demand, [streaming](#) and digital recording of live TV. [Table A2](#) shows that in 2015/16, average weekly spending on online grocery shopping was £3.90, compared with £2.90 in 2014/15, figures not adjusted for inflation. This reflects the [increasing amount of goods and services bought on the internet](#).

There is much evidence to suggest that spending in the UK has changed following the digital era experienced in recent years. However, UK households still spend money on more traditional pastimes. This includes £0.70 per week on going to the cinema, £0.80 a week on stationery and art materials and £4.60 on their pets.

## 8 . Links to related statistics

Details of household consumption expenditure within the context of the UK National Accounts are produced as part of [Consumer Trends](#). This publication includes all expenditure by members of UK- resident households. National accounts figures draw on a number of sources including the Living Costs and Food Survey (LCF): figures shown in this report are therefore not directly comparable with national accounts data. National accounts data may be more appropriate for deriving long-term trends on expenditure.

Further information about food consumption and in particular details of food quantities, is available from the Department for Environment, Food and Rural Affairs, who produce their own [report of the survey](#).

The [Household Income and Inequality](#) and [Effects of Taxes and Benefits on Household Income](#) bulletins provide a more detailed analysis of disposable income and inequality in the UK. Our preferred measures of household income are published in these releases. Both these releases use data provided by the LCF, the same data source used in Family Spending. The income measures follow the definitions and concepts set out in the [Canberra Handbook](#) (published by the United Nations Economic Commission for Europe (UNECE)), which is the basis of internationally agreed standards in this area. This defines income as receipts (either monetary or in kind) that are received on a regular basis and are available for current consumption.

## 9 . What's changed in this release?

To ensure consistency, income only tables previously published as part of Family Spending are now published as part of the financial year ending 2016 (2015/16) [household disposable income and inequality](#) bulletin. As such they follow the definitions and concepts set out in the Canberra Handbook. In particular, the definition of disposable income is different between the 2 publications. Due to this, and other methodological differences, the 2015/16 income-only tables will not be directly comparable with tables published in previous Family Spending releases. Tables that examine expenditure and income in conjunction are unchanged in this release and are therefore consistent over time.

In previous releases, Family Spending has reported on a calendar year basis. However, this publication and subsequent Family Spending releases will report on a financial year basis (April to March). This change has been made to better align with publications from our important customers and reduce disparities in our estimates. The methodology in sampling and collecting Living Costs and Food Survey data has remained consistent to ensure that data in this release remain comparable with that of previous Family Spending releases. Furthermore, there are [extra tables](#) in this bulletin reporting important information from the financial year ending 2015 (2014/15) to enable comparisons with the previous financial year.

## 10 . Quality and methodology

The [Living Costs and Food Survey Technical Report](#) and corresponding [QMI](#), contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

## **Description of the survey**

All the findings in this bulletin are taken from data collected on the [Living Costs and Food Survey](#) (LCF). The LCF is a UK household survey, designed to provide information on household expenditure patterns and food consumption.

The LCF is a voluntary sample survey of private households. Each individual in a selected household is asked to keep an expenditure diary for 2 weeks. Further information is also obtained from a household interview. The survey is continuous, interviews being spread evenly over the year to ensure that seasonal effects are covered.

Great care is taken to ensure complete confidentiality of information and to protect the identity of LCF households. Only anonymised data are supplied to users.

## **Sampling**

The LCF sample for Great Britain is a multi-stage stratified random sample with clustering. It is drawn from the small users file of the postcode address file (PAF) – the Post Office's list of addresses. After stratification by 2 census variables, 638 postal sectors are randomly selected and, from within these, households are sampled.

A total of 11,484 households were selected in 2015/16 for the LCF in Great Britain.

The Northern Ireland sample is drawn as a random sample of addresses from the Land and Property Services Agency list.

## **Response**

Great Britain

The overall response rate for the LCF in 2015/16 was 46% in Great Britain.

Because of the practicalities of running a voluntary survey, it is not possible to get full response from every selected household. Of the total 11,484 households in Great Britain selected for the LCF in 2015/16, there were 4,760 households that co-operated fully in the survey, including 179 households that provided sufficient information to be included as valid responses. Looking at the UK as a whole, there were 4,918 co-operating households.

Northern Ireland

In 2015/16, there were 300 sampled households, 252 of which were eligible, where 158 households gave full interviews. This gives a Northern Ireland response rate of 62%.

The [technical report](#) provides further information on response.

## Estimation

The LCF employs weighting to reduce the effect of non-response bias and produce estimates of population totals and means. The weighting procedure is designed to compensate for non-response (sample-based weighting) and to adjust the sample to reflect known population totals (population-based weighting).

The [technical report](#) goes into further detail showing the effects of the weighting by comparing unweighted and weighted data from 2015/16.

## Standard errors and estimates of precision

The LCF is a sample of households and not a census of the whole population. Therefore, the estimates presented in this report will differ, to some degree, from the true population values. For more information on all estimates of precision, please see the technical report.

**Standard errors** – Standard errors provide a numerical measure of the likely difference that will arise, solely due to random chance. Standard errors for detailed expenditure items are presented in relative terms in [Table A1](#) (standard error as a percentage of the average to which it refers).

**Confidence intervals** – Confidence intervals can be used to estimate a range within which the true population value should lie. This report presents confidence intervals at the 95% level. This means that if we used the same sampling method to select different samples and computed an interval estimate for each sample, we would expect the true population parameter to fall within the interval estimates 95% of the time.

**Statistical significance testing** – Statistical significance testing indicates the probability with which we are confident that the difference between the estimates under examination did not occur by chance. Any significant testing carried out is at the 95% level unless otherwise stated. This means that the probability that the difference occurred by chance is low (1 in 20 or lower).

## Equivalisation methodology

Income quintile and decile groups are based on a ranking of households by equivalised disposable income. Equivalisation is the process of accounting for the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. Equivalisation takes into account the number of people living in the household and their ages, acknowledging that while a household with 2 people in it will need more money to sustain the same living standards as one with a single person, the 2-person household is unlikely to need double the income.

The [Family Spending Technical Report](#) provides further detail.

## Spending by region

This bulletin considers expenditure by region. We combine 3 years of data when presenting spending broken down by country and region. This is done to increase the sample size and therefore improve the robustness of results. The average for each year is summed and then the total is divided by 3. The averages used are not adjusted for inflation.

## Comparisons over time

Throughout this bulletin, figures are compared over time. Where possible, expenditure figures have been deflated, that is, adjusted for inflation, to allow comparison of expenditure in real terms across survey years. In this bulletin, all figures have been deflated when comparing the main classification of individual consumption by purpose (COICOP) categories over time. Figures not adjusted for inflation are also available for the main COICOP categories in [Table 4.3](#). More detailed categories have not been deflated; this is stated in the commentary.

Figures are deflated using the Consumer Prices Index (CPI) and the indices are specific to each major COICOP category. For items that are not applicable to the CPI, for example, mortgage interest payments and Council Tax payments, the Retail Prices Index (RPI) was used.

The LCF is reviewed every year and changes are made to keep it up-to-date. Therefore, year-on-year changes should be interpreted with caution.

Standard errors for categories with lower levels of spending tend to be higher, so trends for these categories need to be treated with a degree of caution.

Changes and differences mentioned are statistically significant at the 95% confidence level, unless stated.