

Statistical bulletin

# Income estimates for small areas, England and Wales: financial year ending 2018

Small area model-based income estimates covering local areas called Middle layer Super Output Areas (MSOAs) in England and Wales.



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# 1 . Main points

- Average (mean) household disposable (net) income in local areas of England and Wales differed by just over £55,000 in the financial year ending (FYE) 2018; with one third of local areas having average incomes of between £28,000 and £33,600.
- Of the 50 areas with the highest incomes, 41 were in London, including areas within the local authorities of the City of London, Wandsworth, Richmond upon Thames, Westminster, and Kensington and Chelsea.
- The 50 areas with the lowest incomes were more widely spread geographically across England and Wales, but the North East, East, London, and the South East had no local areas in the bottom 50.
- London had the highest proportion of local areas among the richest 10% of areas across England and Wales based on income before housing costs, with 39% of areas in London in this group; for income after housing costs, 27% of London local areas were in the top 10%.
- In Wales, 28% of all local areas were among the poorest 10% of areas before housing costs, a higher proportion than any other part of England and Wales; after housing costs, the North West was the region with the highest proportion of local areas in the bottom 10%.

## 2 . Average household income by local area

**Figure 1: Enter a postcode to see the average household income for the local area (based on areas of between 5,000 and 15,000 households called Middle layer Super Output Areas (MSOAs))**

**Mean average equivalised disposable annual household income, before and after housing costs, for local areas (MSOAs), financial year ending March 2018, England and Wales**

### Notes:

1. To compare local areas, the confidence intervals associated with the estimates should be considered. These can be found in the datasets.

This bulletin looks at mean household disposable (net) income on an equivalised basis. This means it takes into account that households with more people need a higher income to achieve the same standard of living as households with fewer members. Unless specified, incomes reported are before accounting for housing costs.

### Distribution of income for England and Wales

Average household disposable income in local areas of England and Wales differed by just over £55,000 in the financial year ending (FYE) 2018. Although the midpoint of this range is £39,200, only 1 in 10 local areas had an average household income above this. 87% of local areas had an average household income between £22,500 and £39,200; within this, over one-third were between £28,000 and £33,600.

**Figure 2: Enter a postcode to see where the local area falls in the income distribution**

**Notes:**

1. BHC = income before housing costs.
2. E&W = England and Wales.

### **3 . Top and bottom 50 local areas for average household income**

Given the large amount of local areas in England and Wales, the focus here is on the top and bottom 50 to highlight where some of the richest and poorest areas are.

#### **Top 50 local areas for household income**

Of the 50 areas with the highest incomes:

- 41 areas were in London, including areas within the local authorities of the City of London, Wandsworth, Richmond upon Thames, Westminster, and Kensington and Chelsea
- three areas were in the South East, within Wokingham, Vale of White Horse, and Basingstoke and Deane
- two areas were in the East Midlands within Nottingham

The North West (Manchester), the West Midlands (Birmingham), the East (St Albans) and Wales (Cardiff) each had one area in the top 50 for income.

The North East, Yorkshire and South West regions had no local areas in the top 50 for income before housing costs.

#### **Bottom 50 local areas for household income**

There was a more even split between the regions in terms of the local areas that were in the bottom 50 for income before housing costs, than there was for the top 50.

Yorkshire had the most local areas in the bottom 50 (19 of 50), including areas within the local authorities of Bradford, Calderdale, Leeds and Sheffield. The East Midlands was next with 14 of the bottom 50 areas, all within Leicester and Derby.

There were small numbers in the West Midlands (9 of 50), all within Birmingham, and the North West (7 of 50), and one in Wales (Cardiff). The North East, East, London, South East and South West had no local areas in the bottom 50 for income before housing costs.

### **4 . Comparing income before and after housing costs**

### **Figure 3: 39% of local areas in London were among the richest 10% of areas before housing costs; after housing costs it was 27%**

Percentage of local areas (MSOAs) in each rank decile for the regions of England and Wales

#### **Notes:**

1. E&W = England and Wales.

### **Areas of highest average household income (top 10%)**

London had the highest proportion of local areas among the richest 10% of areas across England and Wales based on income before housing costs, with 39% of areas in London in this group. For income after housing costs, London still had the highest proportion of local areas in the top 10% although the actual proportion was lower, at 27%. One-fifth (20%) of local areas in the South East were in the overall top 10% on both a before and after housing costs basis.

The East and East Midlands regions both had relatively large proportion of their local areas within the overall richest 10% but this was slightly larger after housing costs (11% and 13% respectively) than before housing costs (8% and 7% respectively).

Before housing costs, 1% or less of local areas in the South West, Wales, the West Midlands, Yorkshire and the North West were among the overall top 10% of incomes, with none from the North East. These regions were slightly more represented in the overall top 10% after housing costs, which contains:

- 3% of local areas in Wales
- 2% of local areas in Yorkshire, the South West, North West, and the West Midlands
- 1% of local areas in the North East

### **Areas of lowest average household income (bottom 10%)**

There was less variation across England and Wales in the proportions of local areas in the overall bottom 10% compared with the top 10% but there were still some differences. Of all local areas in Wales, 28% were among the overall poorest 10% based on incomes before housing costs, a higher proportion than any other part of England and Wales. After housing costs, however, Wales only had the fifth highest proportion of local areas in this group, with 16% of Welsh local areas within the bottom 10%.

Overall, the North West was the region with the highest proportion of areas in the bottom 10% after housing costs, with 22%. The North West also had a similar proportion of local areas in the bottom 10% for income before housing costs, at 21%.

The remaining regions had similar or very similar proportions of areas in the bottom 10% whether before or after housing costs, although some of these regions had very different proportions to one another. Between 16% and 19% of local areas in the North East, Yorkshire and the West Midlands were in the bottom 10%, just over 10% in the East Midlands, and 3% or less in South West, South East, East and London. London had no local areas within the overall bottom 10% on a before housing costs basis.

## 5 . Income estimates for small areas data

[Income estimates for small areas, England and Wales](#)

Dataset | 5 March 2020

Estimates of mean annual household income for four income measures for Middle layer Super Output Areas (MSOAs) in England and Wales.

## 6 . Glossary

### Local area

Local areas within this bulletin refer to areas called [Middle layer Super Output Areas \(MSOAs\)](#). MSOAs have a mean population of 7,200 and a minimum population of 5,000. They are built from groups of Lower layer Super Output Areas (LSOAs) and constrained by the local authority boundaries used for 2011 Census outputs.

### Average (mean) income

The average (mean) income is the equivalent of adding every household income together and dividing by the number of households.

### Disposable (net) household income

The sum of the disposable (net) income of every member of the household, that is, all income (from wages and salaries, self-employment, pensions, investments, benefits) minus Income Tax, National Insurance, rates or Council Tax, maintenance or child payments deducted through pay, contribution to students living away, contributions to occupational pensions.

### Equivalised

Equivalised income considers the household size and composition and makes it easier to compare income across households. It acknowledges that, for example, two people do not need double the income of one person to have the same living standards. Like other Office for National Statistics (ONS) income data, these estimates use the Organisation for Economic Co-operation and Development (OECD) equivalisation scale.

For more definitions, please refer to the [Income and earnings: glossary of terms](#)

## 7 . Measuring the data

This bulletin presents the official estimates of household income for local areas. The small area income estimates are the official estimates of annual household income at the [Middle layer Super Output Area \(MSOA\)](#) level in England and Wales for the financial year ending (FYE) 2018.

They are designated [National Statistics](#), which are calculated using a model-based method to produce four estimates of income. The estimates are produced using a combination of survey data from the [Family Resources Survey](#) and previously published data from the 2011 Census and a number of administrative data sources.

The four different measures of income are:

- gross (total) annual household income (unequalised)
- disposable (net) annual household income (unequalised)
- disposable (net) annual household income (equalised) before housing costs
- disposable (net) annual household income (equalised) after housing costs

Although the data accompanying this release is for all four income types, this bulletin focuses on the equalised measures of income. Further information is available in the [technical report](#).

More information on the quality, data sources and methods used to produce small area income estimates is available in the [technical report](#).

## 8 . Strengths and limitations

### Areas with extreme estimates of income

The modelling process tends to shrink estimates towards the average level, so the true distribution of local area average incomes has more extremely high and low values than these estimates.

### Ranking average household income for local areas

It is possible to use these estimates to rank local areas in terms of their average household income, but care needs to be taken when doing so. For each local area, an estimate is presented along with associated confidence intervals.

### Comparing different income types

Each of the four models of income have been developed separately to produce the most accurate estimate of each income type. This may result in some inconsistencies between the different types of income for particular local areas.

For example, a local area may have a larger modelled estimate for disposable household income when compared with gross household income. In reality, gross household income is always higher than disposable household income and so care should be taken when comparing estimates of one income type with estimates of another income type.

Although there may be some inconsistencies, the models selected are the best possible to model the general patterns of that particular type of income over all local areas. The confidence intervals presented with these estimates provide an indication of the uncertainty around each local area's estimate of the different types of household income.

For further information about the strengths, limitations, quality and methods used to produce these statistics, see the [technical report](#).

## 9 . Related links

### [Admin-based income statistics, England and Wales: tax year ending 2016](#)

Research Output | Updated 14 December 2018

Brings together data from the Pay as You Earn and benefits systems to drive experimental estimates of gross and net income.

### [Average household income, UK: financial year ending 2019](#)

Bulletin | Released 5 March 2020

Estimates of median and mean disposable income for people in the UK for the financial year ending (FYE) 2019.

### [Household income inequality, UK: financial year ending 2019](#)

Bulletin | Released 5 March 2020

Main estimates of household income inequality in the UK and how these measures have changed over time accounting for inflation and household composition.