

Statistical bulletin

Income estimates for small areas, England and Wales: financial year ending 2020

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



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Table of contents

1. [Main points](#)
2. [Average household income by local area](#)
3. [Top and bottom local areas for household income](#)
4. [Comparing income before and after housing costs](#)
5. [Income estimates for small areas data](#)
6. [Glossary](#)
7. [Measuring the data](#)
8. [Strengths and limitations](#)
9. [Future developments](#)
10. [Related links](#)
11. [Cite this statistical bulletin](#)

1 . Main points

- Mean household disposable (net) income, equivalised to account for household size, before housing costs in local areas of England and Wales differed by around £50,000.
- Of the 50 local areas with the highest incomes before housing costs, 47 were in London, including areas within the local authorities of Westminster, Kensington and Chelsea, Wandsworth and Camden.
- Of the 50 local areas with the lowest incomes, over half were in Yorkshire and the Humber with a further quarter in the East Midlands.
- London had the highest proportion of local areas among the richest 10% of areas across England and Wales based on equivalised income before housing costs, with 34% of areas in London in this group; for income after housing costs, 26% of London local areas were in the top 10%.
- In Yorkshire and the Humber and the North East, respectively, 30% and 27% of all local areas were among the lowest 10% of areas before housing costs; higher proportions than any other part of England and Wales.

2 . Average household income by local area

This bulletin looks at the mean household disposable (net) income on an equivalised basis for middle layer super output areas (MSOAs) (also described as “local areas” throughout this bulletin) in England and Wales. 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. Unless specified, incomes reported are before accounting for housing costs.

Figure 1: Enter a postcode to see the average household income for the local area (based on areas of between 2,000 and 6,000 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 2020, England and Wales

Notes:

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

Distribution of income for England and Wales

Mean household disposable income in local areas of England and Wales differed by just over £50,000 from the lowest to the highest, in the financial year ending (FYE) 2020. Only 1 in 16 local areas had a mean household disposable income above the midpoint of this range (£41,800). In terms of the MSOAs, the 25th, 50th, 75th and 90th percentiles of mean household disposable income were, respectively, £28,500, £32,000, £35,900 and £40,100. Mean household disposable income in local areas differed by around £55,000 in FYE 2018, however, caution should be applied when interpreting trends over time as the methodology used to produce the estimates is optimised for point-in-time estimates and not for estimating change. For further information, see [Section 8: Strengths and limitations](#).

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

Mean average equivalised disposable annual household income, before housing costs, for local areas (MSOAs), financial year ending March 2020, England and Wales

Notes:

1. BHC = (Income) before housing costs.
2. E&W = England and Wales.

3 . Top and bottom local areas for household income

Focusing on the areas with the highest and lowest mean household disposable income offers insight into how income is distributed across England and Wales.

Top 50 local areas for household income

Of the 50 middle layer super output areas (MSOAs) (also described as local areas throughout this bulletin), with the highest mean household disposable income in the financial year ending (FYE) 2020, 47 were located in London including areas within the local authorities of Westminster (13), Kensington and Chelsea (11), Wandsworth (4) and Camden (4). This finding is similar to previous analysis published in our [Income estimates for small areas, England and Wales: financial year ending 2018](#), which showed 41 of the 50 local areas with the highest mean household disposable income were located in London in FYE 2018.

The other region containing local areas that were in the highest 50 for mean household disposable income was the South East, where two were in Elmbridge and one was in Runnymede.

Bottom 50 local areas for household income

The 50 MSOAs, with the lowest mean household disposable income in FYE 2020, were split across four regions: Yorkshire and the Humber, the East Midlands, the North West and the North East.

In FYE 2020, 29 of the 50 local areas with the lowest mean household disposable income were in Yorkshire and the Humber, including areas within the local authorities of Bradford (11), Leeds (6), Sheffield (5), Calderdale (2), Kirklees (2) and three others with one local area each. The East Midlands had a further 13 local areas within Leicester (8), Derby (3) or Nottingham (2).

There were small numbers in the North West (6 of 50), and two in the North East (both in Middlesbrough). The East, London, Wales, the West Midlands, South East and South West had none of the 50 local areas with the lowest mean household disposable income before housing costs.

In FYE 2018, the 50 local areas with the lowest mean household disposable income were split across 5 regions. The West Midlands (which contained 9 lowest-income areas in FYE 2018) and Wales moved out of this set of regions in FYE 2020. The North East, which did not have any of the 50 local areas with the lowest mean disposable income in 2018, had two in the financial year ending 2020.

4 . Comparing income before and after housing costs

Figure 3: 34% of local areas in London were among the richest 10% of areas before housing costs. After housing costs, this was 26%

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

Download the data

[.xlsx](#)

Notes

1. "E and W" means England and Wales.

Areas of highest average household income (top 10%)

London had the highest proportion of middle layer super output areas (MSOAs) (also described as also described as local areas throughout this bulletin) appearing in the 10% of local areas with the highest mean disposable income before housing costs in England and Wales. It was found that 34% of local areas within London were among the 10% of local areas across England and Wales that had the highest such incomes. This compares with 39% in FYE 2018. 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 26%; largely unchanged from FYE 2018. Just over one-fifth (22%) of local areas in the South East were in the top 10% on a before-housing-costs basis. After housing costs, this was 24%.

The East of England region had around 10% of their local areas within the top 10% for both before and after housing costs (10% and 11%, respectively).

Before housing costs, all regions had at least one local area among the overall local areas with the highest 10% of mean disposable household incomes. For Wales and the North East, this was less than 1% of local areas. After housing costs were taken into account, the East of England was the region with the third highest proportion of local areas (11%) falling in the top 10%, while the South West, West Midlands and the North West each had around 4% of their local areas falling within the top 10%.

Areas of lowest average household income (bottom 10%)

There was less variation across the regions of England and Wales in the proportions of local areas in the bottom 10% compared with the top 10%. Of all local areas in Yorkshire and the Humber, 30% were in the 10% of local areas with the lowest household disposable income before housing costs. In the financial year ending (FYE) 2018, this was 19%. This was followed by the North East with 27% of local areas in the bottom 10% (compared with 18% in FYE 2018) and then Wales, whose proportion in the bottom 10% had fallen to 24% of local areas from 28% in FYE 2018).

After housing costs, the North East and Yorkshire and the Humber had the highest proportion of local areas in the bottom 10%. Both of these showed increases in the proportion from 19% and 17%, respectively, in FYE 2018 to 25% and 22% in FYE 2020. In Wales, 11% of local areas were in the bottom 10%; a fall from 16% in FYE 2018.

Of the remaining regions, before housing costs, the East Midlands had 18% of its local areas in the lowest decile, while the West Midlands had 11%. This ordering reversed to 13% and 16%, respectively, when housing costs were taken into account. Around 14% of local areas in the North West were in the bottom 10% in FYE 2020 for before housing costs, down from 21% in FYE 2018. After housing costs, the proportion in the North West was 15% in FYE 2020; similarly down from 22% in FYE 2018.

5 . Income estimates for small areas data

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

Dataset | 11 October 2023

Estimates of annual (mean) 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. For consistency with previous publications, incomes have been modelled on 2011 MSOA boundaries, rather than the more recent one presented in the 2021 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, 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) Equivalised income data, these estimates use the Organisation for Economic Co-operation and Development (OECD) equivalisation scale.

Confidence intervals

This represents a range of values that a measure can take, based on statistical uncertainty and the fact that the data were derived from a sample of households across the country. For further details, please see our [Uncertainty and how we measure it for our surveys guide](#).

For more definitions, please refer to our [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) 2020.

The estimates 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 2021 Census and a number of administrative data sources.

The four different measures of income are:

- gross (total) annual household income (unequivalised)
- disposable (net) annual household income (unequivalised)
- disposable (net) annual household income (equivalised) before housing costs
- disposable (net) annual household income (equivalised) after housing costs

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

More information on the quality, data sources and methods used to produce small area income estimates is available in our [accompanying 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. However, the rankings of the middle layer super output areas (MSOAs) are still reliable and not affected by this.

Ranking average household income for local areas

It is possible to use these estimates to rank local areas in terms of their mean 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 some 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. Therefore, 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, please see our [accompanying technical report](#).

Comparing different years

Each of the MSA-level estimates are presented with confidence intervals around them, which measure the variability in the estimates caused by the modelling process. Estimates for two particular MSOAs can be described as statistically significantly different if the confidence intervals for the estimates do not overlap. If the confidence intervals for the estimates at different time periods do not overlap, there is some evidence of change over time, but we advise caution in interpreting this as a precise measure of change. The different models have been independently chosen to provide the best point-in-time estimates of household income for the time period and as such are not optimised to give the best measure of change. The selection of different covariates for previous models may induce changes in the estimates for particular areas where no underlying change has actually taken place.

9 . Future developments

These modelled estimates are derived from the Department for Work and Pensions Family Resources Survey, the 2021 Census data and a number of administrative data sources. As national statistics, these are the recommended estimates to use for household income for small areas. The Office for National Statistics (ONS) also publishes [experimental](#) admin-based income statistics (ABIS), which have been developed over a number of years to use a wide range of administrative data sources. The ABIS form part of [our population and social statistics transformation programme](#), which aims to provide the best insights on population, migration and society using a range of data sources.

To progress the development of these admin-based statistics, as previously suggested in the [future developments section of our Admin-based income statistics, England and Wales: tax year ending 2018 article](#), we will be comparing the two outputs and their methodologies and investigating any causes for differences. We will also compare our ABIS methodology against the internationally recommended household income guidance to establish which income components are still outstanding in our measure and if there are groups within the population that are not currently fully covered.

This research will will inform future work towards incorporating administrative data into our official measures of income. We plan to share the results of this project in spring 2024.

We welcome feedback on the approach to producing income estimates for small areas. Please email your feedback to economic.wellbeing@ons.gov.uk.

10 . Related links

[Admin-based income statistics, England and Wales: tax year ending 2018](#)

Article | Updated 20 December 2022

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 2022](#)

Bulletin | Released 25 January 2023

Final estimates of average household income in the UK, with analysis of how these measures have changed over time, accounting for inflation and household composition.

[Household income inequality, UK: financial year ending 2022](#)

Bulletin | Released 25 January 2023

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

11 . Cite this statistical bulletin

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