Office for National Statistics

Compendium

Family spending in the UK: calendar year 2014

Average weekly household expenditure on goods and services in the UK, by region, age, income, economic status, socio-economic class and household composition.

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Notice

1 June 2016

The next Family Spending publication will cover the financial year ending 2016. Moving from calendar year to financial year reporting will align the LCF more closely with important customers. To provide comparability and to bridge the gap in reporting periods generated by moving to financial years, important tables for the financial year ending 2015 will also be published.

Chapters in this compendium

Compendium

About this edition of Family Spending 2015

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2 . Acknowledgements

A large scale survey is a collaborative effort and the authors wish to thank the interviewers and other ONS staff who contributed to the study. The survey would not be possible without the co-operation of the respondents who gave up their time to be interviewed and keep a diary of their spending. Their help is gratefully acknowledged.

3 . Introduction

This report presents the latest information from the Living Costs and Food Survey for the 2014 calendar year (January to December). The Expenditure and Food Survey (EFS) was renamed as the Living Costs and Food Survey (LCF) in 2008 when it became a module of the Integrated Household Survey (IHS); the LCF left the IHS in 2014.

The current LCF is the result of the amalgamation of the Family Expenditure and National Food Surveys (FES and NFS). Both surveys were well established and important sources of information for government and the wider community, charting changes and patterns in Britain's spending and food consumption since the 1950s. The Office for National Statistics (ONS) has overall project management and financial responsibility for the LCF while the Department for Environment, Food and Rural Affairs (DEFRA) sponsors the specialist food data.

The survey continues to be used primarily to provide information for the Consumer Prices Index and the Retail Prices Index; national accounts estimates of household expenditure; the analysis of the effect of taxes and benefits; and trends in nutrition. However, the results are multi purpose, providing an invaluable supply of economic and social data.

4 . About this edition of Family Spending

The 2014 survey

In 2014, 4,982 households in Great Britain took part in the LCF survey. The response rate was 48% in Great Britain and 60% in Northern Ireland. The fieldwork was undertaken by the Office for National Statistics and the Northern Ireland Statistics and Research Agency (NISRA). Further details about the conduct of the survey are given in the methodology section.

This year's report includes an overview chapter outlining key findings, and detailed chapters focusing upon expenditure on housing, patterns of spending by equivalised income, trends in household expenditure over time.

Data quality and definitions

The results shown in this report are of the data collected by the LCF, following a process of validation and adjustment for non-response using weights that control for a number of factors. These issues are discussed in the section on reliability in the methodology section.

Figures in the report are subject to sampling variability. Standard errors for detailed expenditure items are presented in relative terms in Table A1 (154.5 Kb Excel sheet) and are described in the methodology section. Figures shown for particular groups of households (for example income groups or household composition groups), regions or other sub-sets of the sample are subject to larger sampling variability, and are more sensitive to possible extreme values than are figures for the sample as a whole.

The definitions used in the report are set out in the methodology section, and changes made since 1991 are described in the Technical Report. Note particularly that housing benefit and council tax rebate (rates rebate in Northern Ireland), unlike other social security benefits, are not included in income but are shown as a reduction in housing costs.

Income and expenditure balancing

The LCF is designed primarily as a survey of household expenditure on goods and services. It also gathers information about the income of household members, and is an important and detailed source of income data. However, the survey is not designed to produce a balance sheet of income and expenditure either for individual households or groups of households. For further information on the balancing of income and expenditure figures, see 'Response to the survey' in the methodology section.

Related data sources

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 LCF: figures shown in this report are therefore not directly comparable to National accounts data. National accounts data may be more appropriate for deriving long term trends on expenditure.

More detailed income information is available from the Family Resources Survey (FRS), conducted for the Department for Work and Pensions. 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.

Additional tabulations

This report gives a broad overview of the results of the survey, and provides more detailed information about some aspects of expenditure. However, many users of LCF data have very specific data requirements that may not appear in the desired form in this report. The ONS can provide more detailed analysis of the tables in this report, and can also provide additional tabulations to meet specific requests. A charge will be made to cover the cost of providing additional information.

The tables in Family Spending 2015 are available as Excel spreadsheets.

Anonymised microdata from the Living Costs and Food Survey (LCF), the Expenditure and Food Survey (EFS) and the Family Expenditure Survey (FES) are available from the United Kingdom Data Service. Details on access arrangements and associated costs can be found on the UK Data Service website or by telephoning 01206 872143.

5. Background notes

1. **Symbols and conventions used in Family Spending 2015 Edition**

   [ ] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

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Compendium

Chapter 1: Overview

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Table of contents

1 . Introduction

This chapter presents the main findings of the 2014 Living Costs and Food Survey (LCF). The overview covers:

- expenditure in 2014
- trends in spending over time
- expenditure in different areas of the UK
- expenditure by income group
- ownership of home computers and access to the internet at home

Some of these topics are explored in more depth elsewhere in the publication. Links are provided to the sections of Family Spending that contain the detailed coverage.

Spending is presented using classification of individual consumption by purpose (COICOP)[1] categories, unless stated otherwise. COICOP is an internationally-recognised classification system, consistent with that used by UK National Accounts. It does not include all types of payments, and some types of housing-related expenses, such as mortgage payments, are excluded. However, due to the high interest in the topic, chapter 2 provides a detailed analysis of housing-related expenditure, including the items not included under COICOP.

Notes for introduction

1. From 2001, the classification of individual consumption by purpose (COICOP) was introduced as a new coding frame for expenditure items. COICOP is the internationally agreed classification system for reporting household consumption expenditure. Total expenditure is made up from the total of the COICOP expenditure groups (1 to 12) plus “Other expenditure items (13)”. Other expenditure items are those items excluded from the COICOP categories, such as mortgage interest payments, council tax, domestic rates, holiday spending, cash gifts and charitable donations.

2 . Main points

The main findings are:

- total average weekly household expenditure was £531.30 in 2014
- transport had the highest average spending in 2014, at £74.80 per week, accounting for 14% of household spending
- housing (net), fuel and power (excluding mortgages) was the second highest-spending category, at £72.70 per week on average; this is not inclusive of mortgage payments
- in 2014 spending increased to £531.30, from its lowest level in 2012 (adjusted to 2014 prices) when households spent an average of £507.40 per week
- households in London and the South East spent the most, while those in the North East and Wales spent the least
- expenditure in rural areas was higher than in urban areas

3 . Household expenditure in 2014

Table 1.1 shows average weekly household expenditure in the UK by the 12 COICOP categories. In 2014, average weekly household expenditure in the UK was £531.30.

Table 1.1: Expenditure by COICOP category and total household expenditure

UK, 2014

COICOP category	£ per week	% of total expenditure
Transport	74.80	14
Housing (net)[1], fuel and power	72.70	14
Recreation and culture	68.80	13
Food and non-alcoholic drinks	58.80	11
Restaurants and hotels	42.50	8
Miscellaneous goods and services	40.00	8
Household goods and services	35.40	7
Clothing and footwear	23.70	4
Communication	15.50	3
Alcoholic drinks, tobacco and narcotics	12.30	2
Education	9.80	2
Health	7.10	1
Total COICOP expenditure	461.20	87
Other expenditure items	70.10	13
Total expenditure	531.30	100

Source: Office for National Statistics, Family Spending 2014

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.

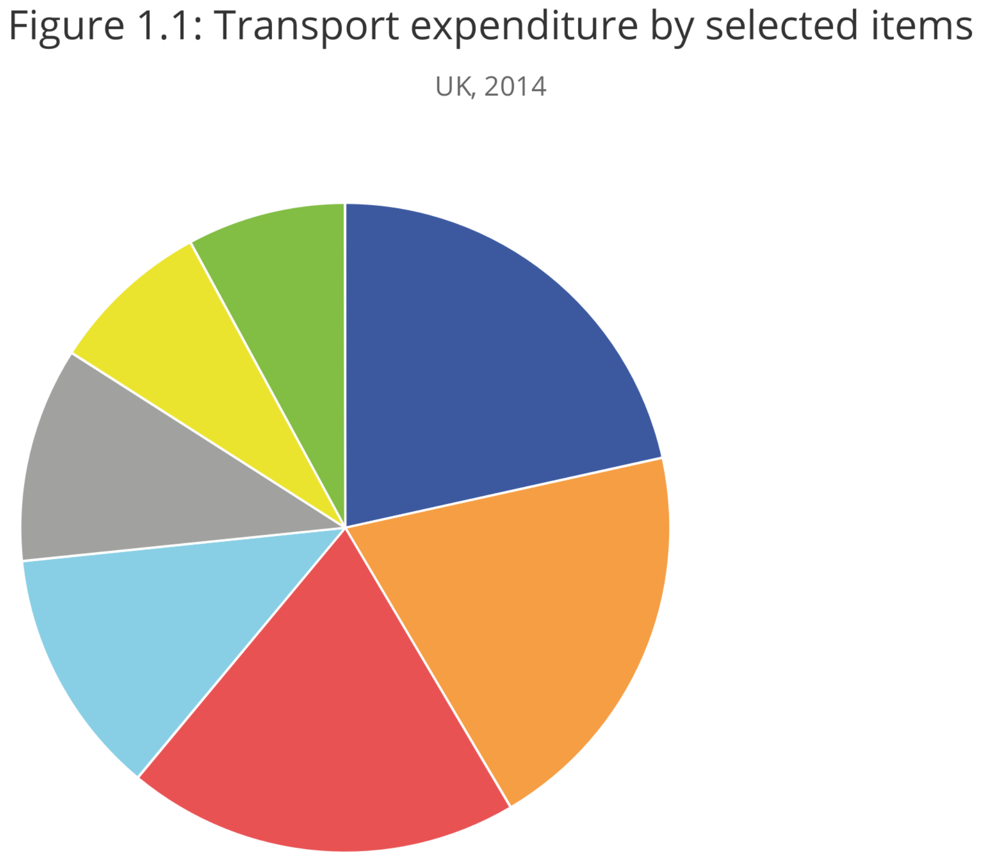
As shown in Table 1.1, transport was the highest expenditure COICOP category, at £74.80 per week; this represents 14% of total expenditure. The next 2 highest categories were housing (net), fuel and power (£72.70) and recreation and culture (£68.80). Average weekly expenditure on food and non-alcoholic drinks in 2014 was £58.80. A full breakdown of spending by detailed category can be found in Table A1 (154.5 Kb Excel sheet).

Unless otherwise stated, figures in this report are averaged across all households. This means, for example, that average weekly expenditure on buying vehicles is averaged across all households, whether or not they bought a vehicle. The exception, where stated, is for spending on rent and mortgages, where spending is also presented only for households that pay mortgages, or rent, respectively.

On average, 14% of total expenditure was on transport and 31% of this spending was on motor fuels, at £22.90 per week. This includes £14.90 per week on petrol and £8.00 on diesel, as shown on Figure 1.1. Average weekly spending on vehicle purchase (£24.80) was similar to the average spent on motor fuels. On average more was spent on second hand cars and vans (£14.60) than new (£9.20). This is because a greater number of second hand cars and vans are purchased than new.

Figure 1.1: Transport expenditure by selected items

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Spending on transport services averaged £16.10 per week and made up 22% of transport expenditure. This category is made up mainly of travel fares. Air fares were the highest transport service expenditure (£6.10 per week), followed by rail fares (£3.60) and bus fares (£1.50).

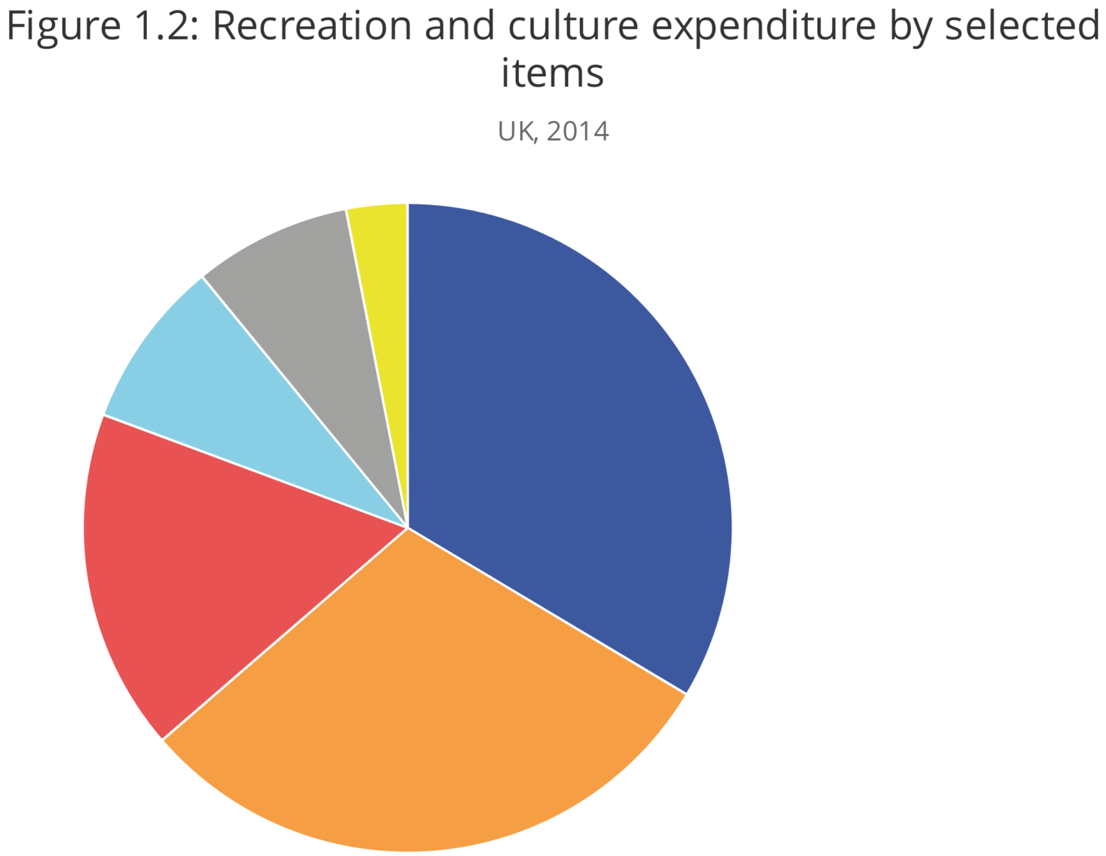
Average weekly household expenditure in the housing (net), fuel and power category in 2014 was made up of:

- net rent: £30.70
- fuel and electricity: £25.80
- maintenance and repairs: £7.00
- water supply and miscellaneous charges (such as refuse collection): £9.00

Household expenditure on housing, including types of spending not included in the COICOP category, such as mortgage payments, averaged £158.30 per week in 2014. Considering only households that pay mortgages, average weekly expenditure on mortgages was £143.80. Net rent expenditure, which is only inclusive of households that rented their accommodation, averaged £90.20 per week. These are the only spending figures in Family Spending that are not averaged across all households. “Net rent” refers to the rent paid by the householders themselves, so any rebates and allowances (including housing benefit) are excluded from the total.

Figure 1.2: Recreation and culture expenditure by selected items

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Expenditure within the recreation and culture category represents an extensive range of goods and services. An important element of the spending in this area is the sub-category recreational and cultural services, which accounted for £20.70 per week. This includes a diverse range of expenditures, including:

- sports admissions, subscriptions, leisure class fees and equipment hire (£6.90)
- cinema, theatre and museums etc (£2.80)
- TV subscriptions and licences (£6.70)

Expenditure on package holidays averaged £23.10 per week, this includes both domestic and foreign holidays. An average of £4.30 per week was spent on pets and pet food, and £2.40 on games, toys and hobbies.

The fourth highest category of household spending was food and non-alcoholic drinks, averaging £58.80 per week. A similar amount was spent on bread, rice and cereals (£5.40) and non-alcoholic drinks (£4.80). Spending on fresh fruit (£3.50) and vegetables (£4.20) compares with £3.70 per week on buns, cakes, and biscuits and £1.90 on chocolate.

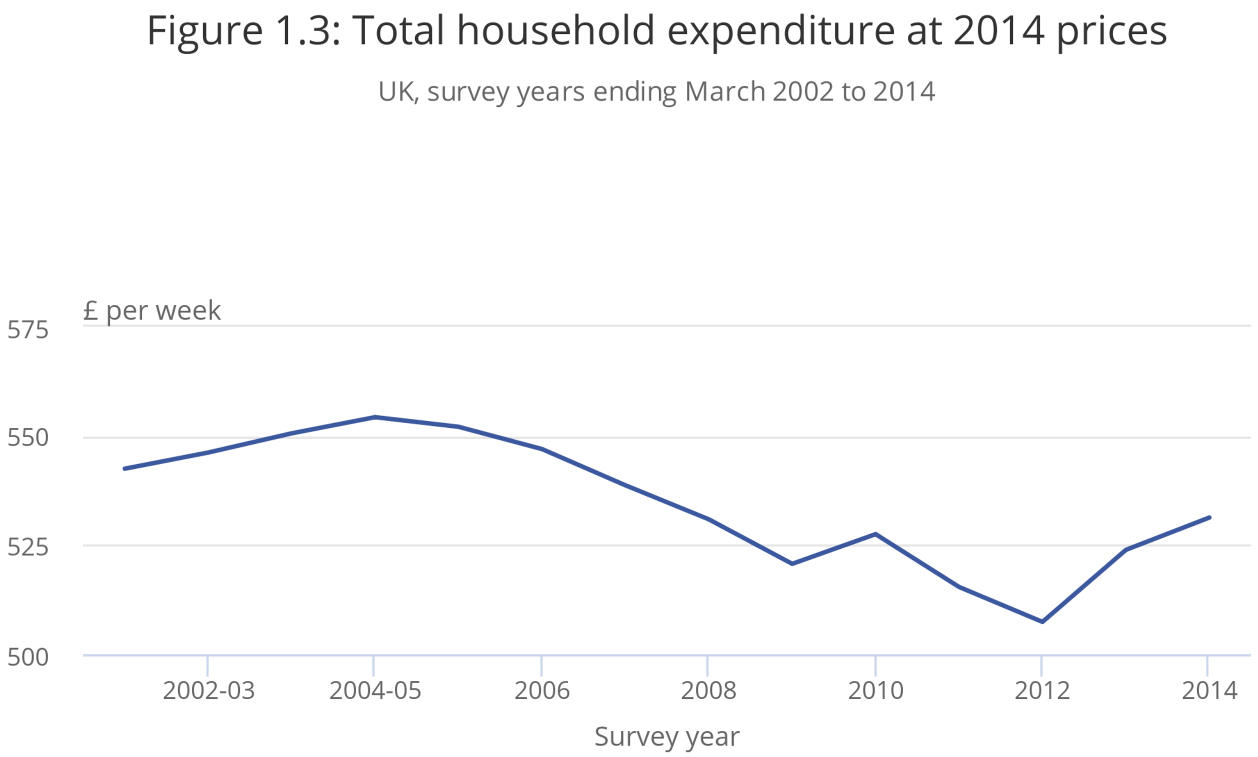
4 . Trends in spending over time

In chapter 4 spending figures over time are adjusted to take account of inflation. This enables a comparison of expenditure to be made between survey years that allows for changing prices.

In 2014 spending increased to £531.30, from its lowest level in 2012 when households spent an average of £507.40 per week (adjusted to 2014 prices). Prior to this household average weekly expenditure had decreased between 2006 and 2012, from £547.00 to £507.40. The decline in spending started in 2007, just before the economic downturn. The UK economy showed signs of increasing momentum throughout 2013 and into 2014. Therefore, the trends observed in total household spending after 2008 are largely consistent with the wider economic context; this is explored in more detail in chapter 4.

Figure 1.3: Total household expenditure at 2014 prices

UK, survey years ending March 2002 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

Notes:

1. Figures have been deflated to 2014 prices using deflators specific to the COICOP category.
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year.
3. From 2001-02 to 2005-06, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census.
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census.

There has been an increase in expenditure in most categories between 2013 and 2014. Transport had the highest average weekly household expenditure in 2014, increasing to £74.80 from £70.40 in 2013. This is partially due to purchases of cars increasing between 2013 and 2014 , as well as a decrease in the price of motor fuels which may have increased the available income of households, contributing toward their purchases of more new cars.

Average weekly spending on recreation and culture increased overall between the year ending March 2002 and 2014, from £54.20 (adjusted for inflation) to £68.80 on average per week. This category includes a wide range of goods and services. The increase of £4.40 between 2013 and 2014 is mainly attributable to increases in the following sub-categories:

- personal computers (including tablets)
- gardening items
- equipment for sport and outdoor recreation
- sports admissions and subscriptions

The increase seen in spending on computers reflects the increasing proportion of households that have a tablet computer (371 Kb Excel sheet).

Spending on food and non-alcoholic drinks has been level since 2011, having fallen from £65.10 (at 2014 prices) in the year ending 2005. This is partly attributable to the increase of discount supermarket chains, increasing consumer choice and competition in the market. Clothing and footwear expenditure fluctuated only slightly between 2011 and 2014. Spending on restaurants and hotels has followed a broadly downward trend between the year ending March 2002 and 2014. However, there was a small increase between 2013 and 2014 from £41.40 to £42.50 (at 2014 prices).

The trends in different types of spending between 2013 and 2014 provide evidence that consumer confidence is increasing as the economic recovery continues. An increase in spending was observed in all but 2 categories of spending (although not all increases were statistically significant).

5 . Expenditure by region

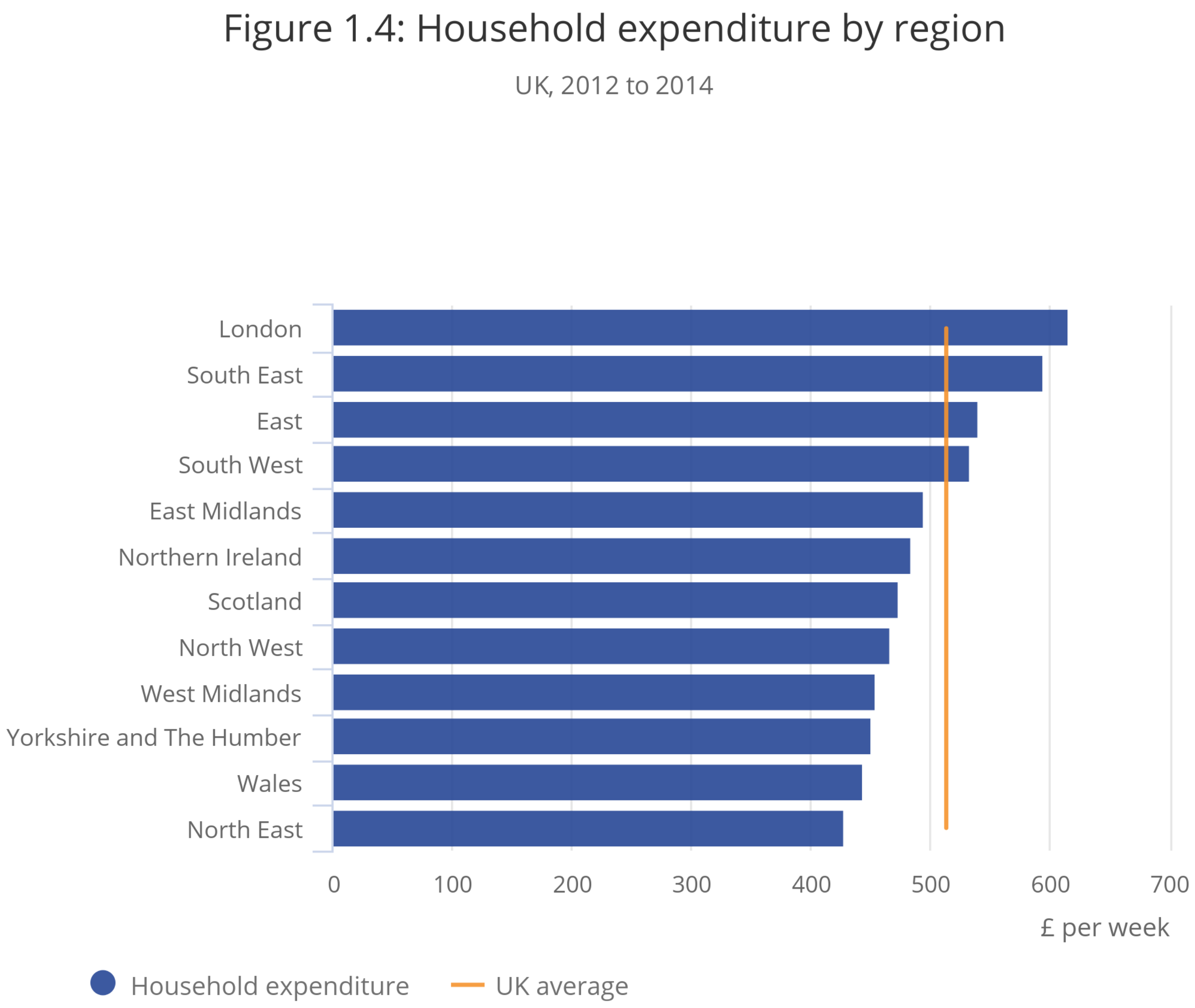
We combine 3 years of data when presenting spending figures broken down by country and region. This ensures the sample size is large enough to provide robust figures when below-UK levels of geography are considered. Detailed expenditure by region is shown in Table A35 (104 Kb Excel sheet).

The average weekly household expenditure in the UK combined over the years 2012 to 2014 was £512.60. There were 4 regions with higher expenditure than the UK average, the top 4 regions were:

1. London (£616.30)
2. the South East (£594.80)
3. the East (£540.60)
4. the South West (£533.00)

Figure 1.4: Household expenditure by region

UK, 2012 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

The regions with the lowest average expenditure were:

1. the North East (£427.40)
2. Wales (£444.50)
3. Yorkshire and The Humber (£450.60)

Transport spending in the UK averaged £69.80 over the years 2012 to 2014. It was notably higher in the South East, at £88.00 per week. London's households spent similarly to the UK average on transport overall, at £67.30 per week. It was the lowest spending of all areas on operation of personal transport (fuel and running costs of vehicles) at £25.80 per week, compared with the UK average of £34.80. Conversely, London households reported the highest expenditure on transport services at £27.10 per week. The unusual spending patterns on transport in London reflect the relatively high availability and use of public transport in the capital. Car ownership is correspondingly low: only 62% of households owned a car or van in London over the years 2012 to 2014, compared with the UK average of 76% (Table A48 (69.5 Kb Excel sheet)).

For the 3-year period 2012 to 2014, London was the highest spending region on housing (net), fuel and power (excluding mortgage payments) by a sizeable margin, at £109.00 per week, compared with the second highest average expenditure of £78.90 in the South East. Northern Ireland (£56.10), Scotland (£58.20) and Wales (£60.00) had the lowest expenditures on housing (net), fuel and power. Separating housing (net), fuel and power into its sub-categories reveals that Northern Ireland has the lowest expenditure in the categories of rent (£16.00), water (£0.50) and gas (£3.30). The low expenditure on water is because Northern Ireland households do not pay water rates, instead they pay for water as part of their overall domestic rates (similar to council tax in England and Wales).

A major factor in London's high expenditure was net rent, at £65.80 per week. The South East had the second highest net rent expenditure (£35.10). It is important to note that expenditure on rent is averaged across all households, including those that don't pay rent, so the higher rent figures for London reflect both the higher costs of rent, and the high proportion of householders who rent their accommodation. Average expenditure on net rent was much lower in Northern Ireland (£16.00), Scotland (£18.60), and Wales (£20.80).

Rural areas averaged higher weekly expenditure (£567.80) than urban areas (£498.40) over the years 2012 to 2014, as presented in Table A36 (45.5 Kb Excel sheet). This difference was mirrored across the majority of categories, with the notable exception of housing (net), fuel and power, where expenditure in urban areas was £73.30 per week, compared with £67.80 in rural areas.

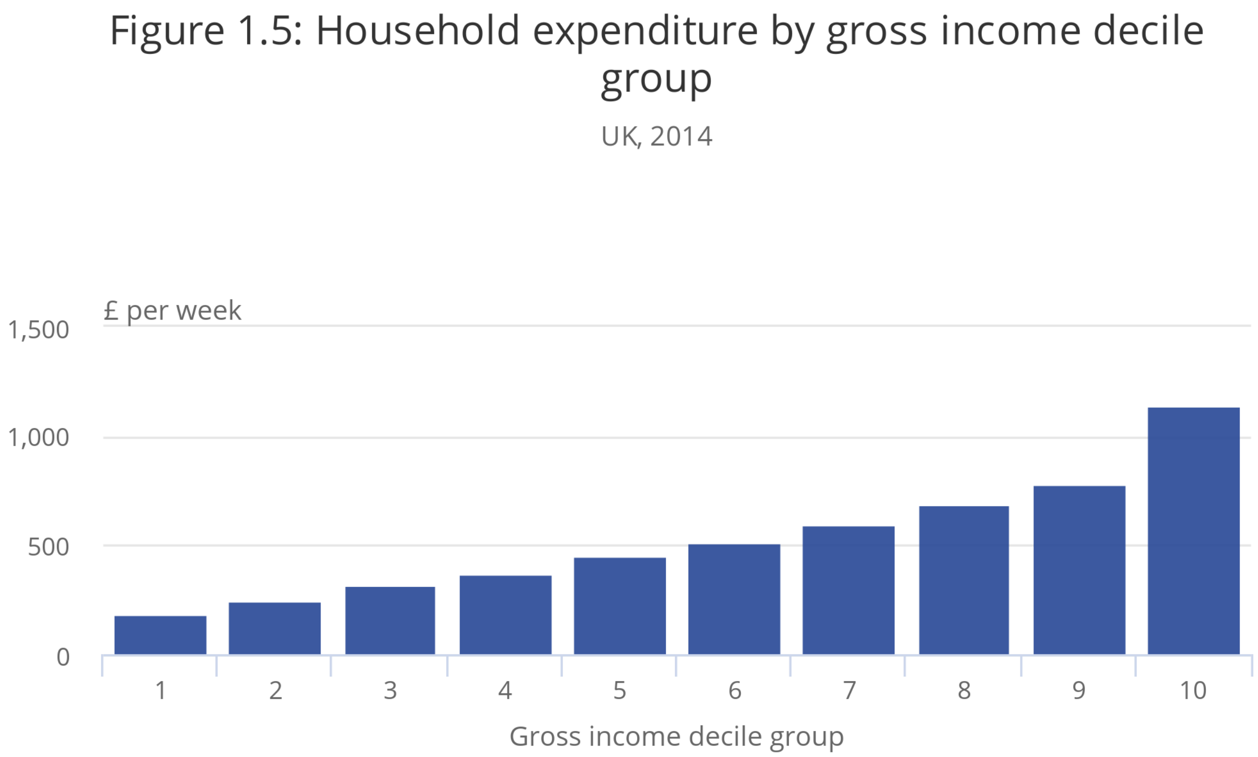
Transport showed the largest difference between spending in rural and urban areas. Rural areas recorded an average weekly expenditure of £89.20 on transport, while urban households averaged £64.70. This may be due to a number of factors, including the enhanced availability of public transport in urban areas compared with rural areas. Another factor is the longer journeys that are often unavoidable in rural areas to access services and amenities, for example school and work etc. Higher transport expenditure in rural areas may also interact with higher expenditure noted in other categories. For example, rural areas tend to lack local supermarkets in walking distance so rural households may need to travel more often, or travel to nearby small convenience stores, which may be more expensive.

6 . Income

Household expenditure by income grouping is presented in Table A4 (73.5 Kb Excel sheet) and Figure 1.5. The lowest earning 10% of households (known as the lowest income decile) spent an average of £188.50 per week, whereas the highest earning 10% of households spent an average of £1,143.40 per week.

Figure 1.5: Household expenditure by gross income decile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Looking at spending patterns by total gross household income doesn't tell the whole story. Households of different sizes, and with different numbers of adults and children, need different levels of income in order to maintain a comparable standard of living. Chapter 3 examines expenditure patterns after income is adjusted to account for different demands on resources, by considering the household size and composition. Overall, this process, known as equivalisation, reduces the differences in income between the highest and lowest earning households and allows more meaningful comparisons to be made.

Households on lower incomes allocate their spending differently compared with those on higher incomes. For example, as a proportion of total expenditure, spending on food and non-alcoholic drink decreased as income increased. As shown in Table 3.2E (113.5 Kb Excel sheet), households in the lowest 10% of incomes spent 17% of their total expenditure on food and alcoholic drinks, whereas the highest ten per cent spent only 7%. This indicates the necessity for all households to spend a certain amount on food and non-alcoholic drink, but, as income increases, there is a limit to how much households can consume, or are prepared to spend, on food and non-alcoholic drink.

The opposite trend is seen in transport, where the highest income 10% of households allocated 15% of their spending to transport, compared with 9% for the lowest earning households. The different spending patterns on transport were most evident in the purchase of new vehicles; this represents 21% of transport expenditure in the lowest income decile, rising to 35% in the highest income decile (0.4% and 2.3% of total expenditure respectively).

Recreation and culture is another category where higher income households spent more (as a proportion of total spending) than lower income households, rising overall from 11% to 14% of the total from the lowest to highest income deciles. This reflects the expectation that higher income households will have more income available to spend on non-essential goods or services. An example is package holidays; households in the highest income decile allocated 5.6% of total expenditure compared with 2.4% among the lowest decile.

The relationship between expenditure and socio-economic classification

Another way of exploring expenditure patterns for different household types is by looking at the occupation type of the household reference person (HRP). This is presented in Table A22 (106 Kb Excel sheet), using the National Statistics socio-economic classification (NS-SEC). The NS-SEC classification and the way that the household reference person is defined are both explained in the methodology section.

Households where the HRP was long-term unemployed spent the least on food and non-alcoholic drink (£46.60 per week), but this formed a relatively high proportion of their total expenditure (22%). These households also spent a high proportion, 18%, of their overall expenditure on housing (net) fuel and power (excluding mortgages). This means households with a long-term unemployed HRP allocated two-fifths of their expenditure to food and non-alcoholic drinks and housing (net) fuel and power. On the other hand, the long-term unemployed spent only £19.50 on transport, this is one-seventh of the amount spent by households where the HRP was in the category “large employers and higher managerial”, at £136.00. Those in the category “large employers and higher managerial” spent the most on recreation and culture at £144.10 per week; this is notably higher than households in the next highest spending category “higher professionals”, which spent £103.60. Contrastingly, households with a long-term unemployed HRP spent £20.10 per week on recreation and culture.

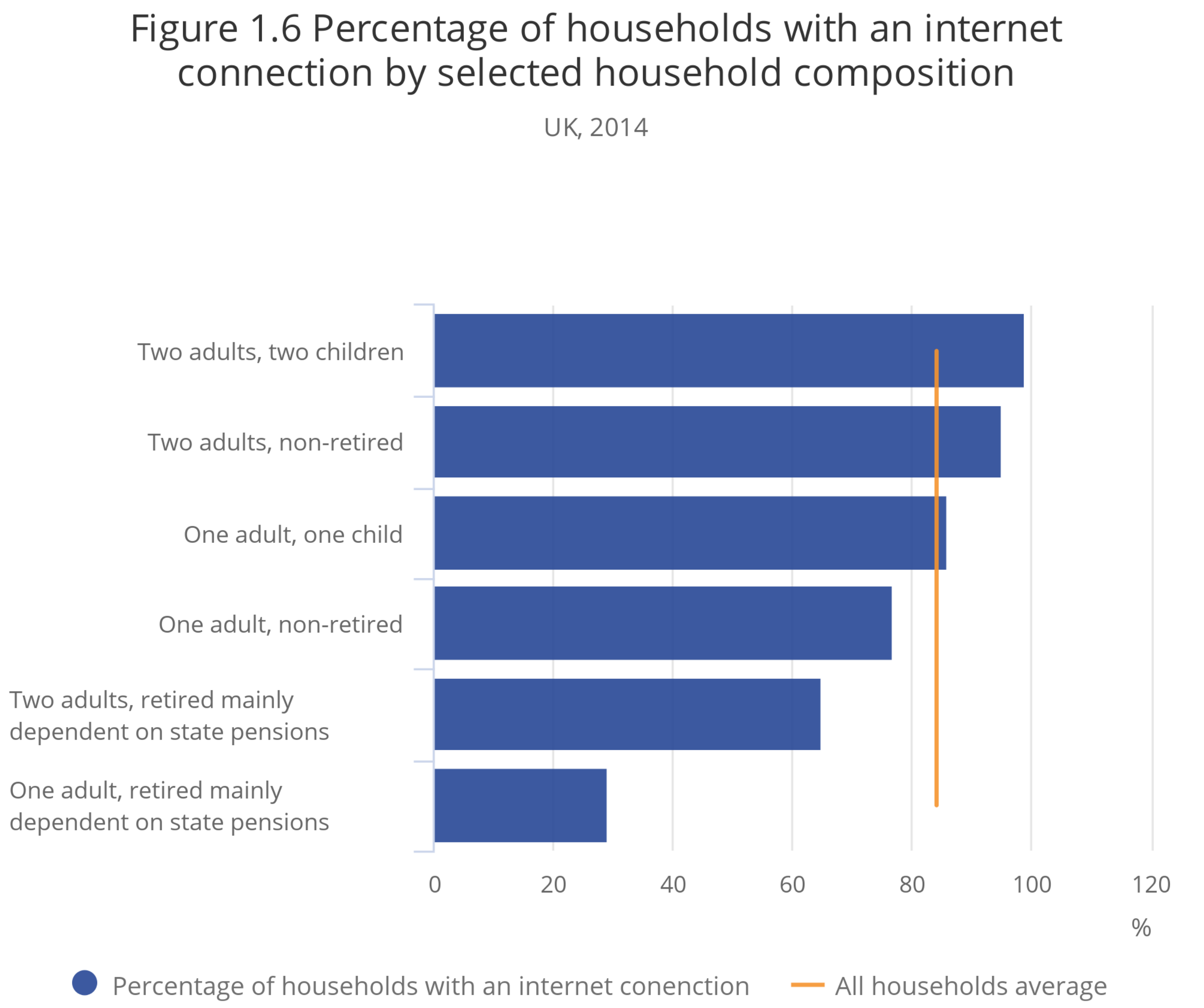
7 . Computer ownership and internet connection at home

Family Spending also includes information on ownership of consumer durables, including ownership of a home computer and having access to the internet at home.

Overall, 85% of households had a home computer, and 84% were connected to the internet at home in 2014. This figure varies depending on the type of household. For instance, computer ownership generally increased as household income increased (Table A46 (61.5 Kb Excel sheet)). Almost all of the households in the top 10% income bracket owned a computer and had an internet connection at home (99%). By comparison, among the lowest-earning 10% of households only 53% owned a home computer and only 51% had an internet connection. The lowest earning households have caught up to some extent over recent years: in 2003, only 15% had an internet connection at home. However, no increase was seen in 2014 compared with 2013, with 51% being recorded for both years.

Figure 1.6 Percentage of households with an internet connection by selected household composition

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Levels of internet connection at home also varied depending on the composition of the households, as shown in Figure 1.6. Almost all households (99%) with 2 adults and 2 children had an internet connection at home. Retired households recorded much lower levels – about two-thirds (65%) of retired households, mainly dependent on state pensions, containing 2 adults had an internet connection at home. Amongst retired households, mainly dependent on state pensions, containing 1 adult, less than one-third (29%) had an internet connection at home.

Society increasingly utilises the internet to share information and provide services. In this context it is important to note that not all households own a home computer or have access to the internet at home. In addition, levels of ownership vary notably for different types of household: retired and low income households are far less likely than average to have access to the internet at home. However, households in these groups have caught up, to some extent, in recent years. Those without internet connection at home may face disadvantages. For example, children who do not have an internet connection may be disadvantaged at school as homework is often online. Additionally, society increasingly utilises the internet to share information and provide services and those who are not connected may face exclusion.

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Compendium

Chapter 2: Housing expenditure

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Table of contents

1 . Introduction

This chapter presents housing-related costs such as rent, mortgage payments, repairs and maintenance, and home improvements. We examine housing expenditure by region, income, and household characteristics, including a more in-depth look at housing costs for renters and mortgage holders, in 2014 and previous years. We also outline the definitions of housing expenditure: the classification of individual consumption by purpose (COICOP) definition and the definition used in the analysis of this chapter, which includes expenditure not present in COICOP.

This chapter presents a more complete view of housing costs than the classification of individual consumption by purpose (COICOP) definition. The survey uses the COICOP definition for most reporting purposes because it is the internationally-recognised classification, consistent with that used by UK National Accounts. However, it is interesting to consider a fuller and more intuitive view of housing expenditure. Definitions of housing expenditure are included in the final section, Definitions of housing expenditure. This explains both the definition used under COICOP, and the different definition we use for this chapter. The differences are summarised in Table 2.1.

The definition of housing expenditure used in this chapter includes net rent, mortgage payments, repairs and maintenance, and home improvements but excludes expenditure on fuel and power. Net rent refers to the amount payable by the household, after benefits for housing costs have been deducted.

The first section examines the types of spending that make up housing expenditure and how these have changed over time. The remaining sections look at how spending on housing varies for different parts of the UK, and for different types of households.

2 . Main points

In 2014:

- on average, UK households spent £158.30 a week on housing, compared with £147.90 a week in 2013
- households in London recorded the highest housing expenditure in the UK, 58% above the UK average at £250.80 a week; Northern Ireland households had the lowest housing expenditure in the UK, 45% below the UK average at £86.90 per week
- among households with mortgages, the average weekly spend on mortgages was £143.80 a week; among renting households, the average weekly spend on net rent was £90.20 per week (net rent refers to the rent payments that the householders have to pay themselves, so benefits and rebates received by the household to help pay for rent have been subtracted)
- London has the highest expenditure both on mortgage payments and net rent; London’s mortgage-holding households spent an average of £207.80 per week on mortgages, and its renting households spent an average of £153.30 on net rent

3 . Housing expenditure

Table 2.2 (78 Kb Excel sheet) shows expenditure on the items included in the comprehensive definition of housing expenditure we use in this chapter. It also displays total household expenditure, which includes all expenditure items covered by the survey. The total expenditure figure reported here is greater than the expenditure totals shown in the tables in appendix A because the appendix A tables are based on the COICOP definition of expenditure and exclude certain goods and services.

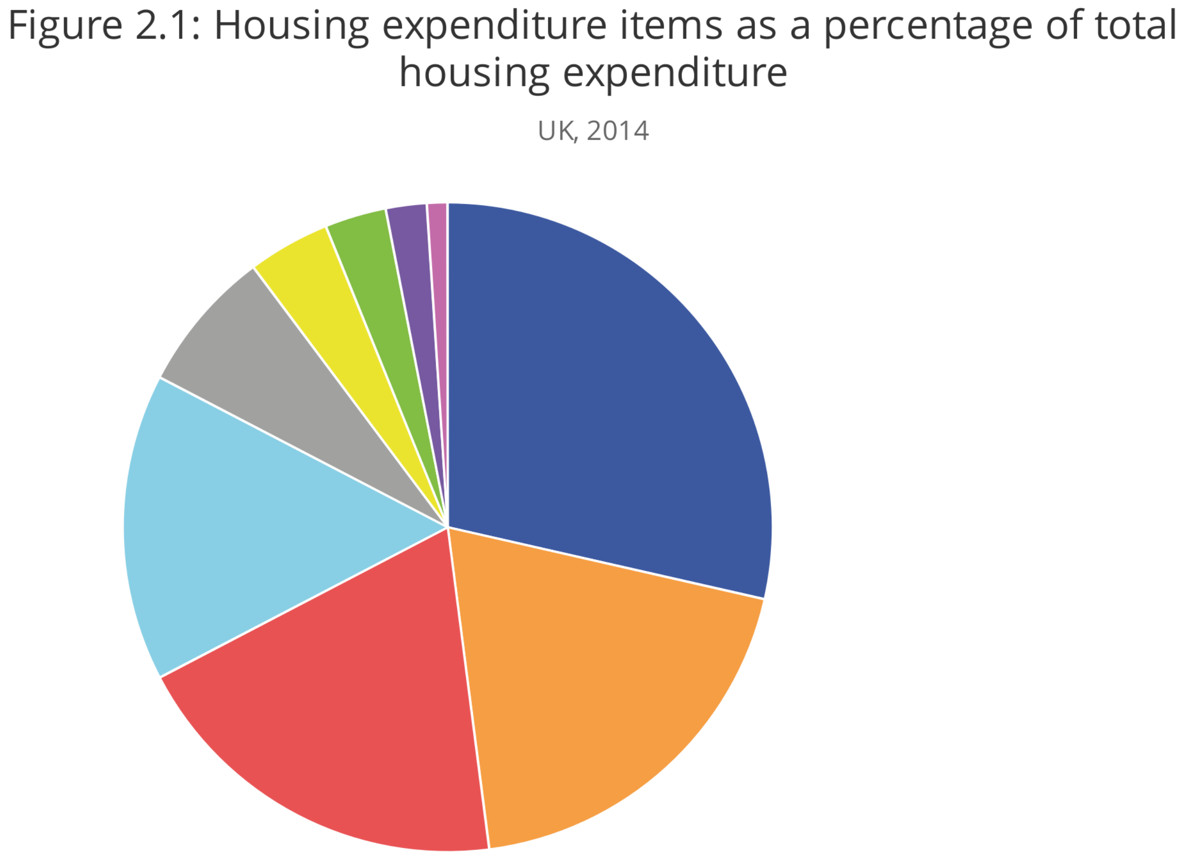
Under the comprehensive definition of housing expenditure, UK households spent on average £158.30 a week on housing in 2014, which equates to about a fifth (21%) of total weekly expenditure.

By contrast, the narrower COICOP definition of housing expenditure (with fuel and power removed) gave an average of £46.80 per week for each household (as shown in Table A1 (154.5 Kb Excel sheet) in appendix A).

4 . Housing expenditure in 2014 and previous years

Figure 2.1: Housing expenditure items as a percentage of total housing expenditure

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

This section considers the breakdown of housing expenditure, averaged across all households, regardless of whether or not they hold a mortgage or pay rent.

As shown in Figure 2.1, mortgage payments accounted for 28% of housing expenditure in 2014; this includes interest payments, protection premiums and capital repayments. Net rent accounts for 19% of housing expenditure, this refers to the rent payments that the householders have to meet themselves – benefits and rebates received by the household to help pay for rent have been subtracted.

Charges such as council tax, water charges, and refuse collection made up 19% of housing-related expenditure. Alterations and improvements to the dwelling accounted for 15%; this category includes expenses such as installing central heating and double glazing. Maintenance and repair of the dwelling took up a much lower share of spending, at 4% of total housing expenditure; this category includes repairing central heating, and painting and wallpapering.

In terms of amounts spent, averaged across all households, £44.50 per week was spent on mortgages in 2014 and £30.70 on net rent, as shown in Figure 2.2. The overall average amounts spent on rents and mortgages are partly determined by the proportions of households in each type of tenure. The survey records tenure type (as shown in appendix A, Table A50 (50 Kb Excel sheet)), in 2014 there were:

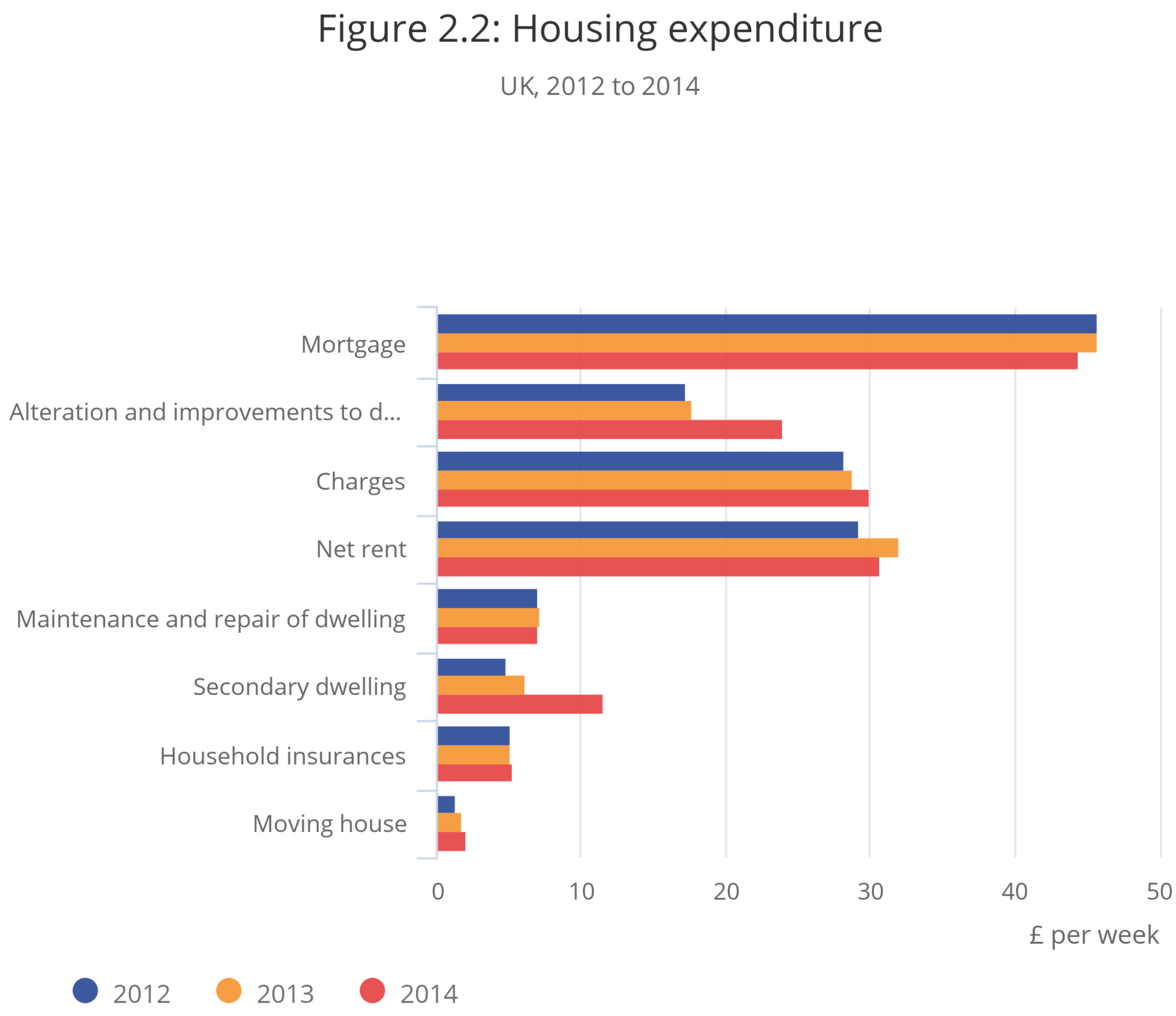
- rented households: 35%
- mortgage held: 31%
- owned the property outright: 34%

Interestingly, there has been a fall in the proportion of households with mortgages since 2006 (when 40% held mortgages) and a corresponding increase in the proportion renting (29% rented in 2006). A similar trend was reported by the English Housing Survey. The fact that households tend either to pay mortgages or rent, or own their properties outright, makes it useful to consider rent payments only for households that pay rent and mortgage payments only for households that hold mortgages, and this is done in the section Analysis of housing costs for renters and mortgage holders.

There was an average weekly spend of £30.00 on charges – primarily covering council tax (or domestic rates in Northern Ireland), but also including water charges, refuse collection, and other regular services. These charges on the dwelling constitute an important component of total housing related costs, alongside rent and mortgage payments.

Figure 2.2: Housing expenditure

UK, 2012 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

Spending on alterations and improvements was £24.00 in 2014, compared with £17.70 in 2013 (without adjusting for inflation). This may reflect the introduction of the Neighbour Consultation Scheme in May 2013, which allowed for larger rear extensions to be built without full planning permission.

Other financial schemes have been run in recent years that could affect household spending on alterations and improvements, such as the Home Improvement Agency and the government revamped Green Deal. These schemes focus on ensuring existing housing is fit for purpose for elderly, disabled or low-income home owners, by providing financial assistance to make homes more energy efficient or providing lists of reliable builders for any work required. These reduce the amount paid by householders for such improvement, but may stimulate demand for the work to be done.

5 . Analysis of housing costs for renters and mortgage holders

The following section looks at average expenditure on net rent for households that report spending on rent and expenditure on mortgages for mortgage holders. This is the only place in this report where averages are not calculated across all households. This is to provide a more informative picture of expenditure on these important elements of household expenditure.

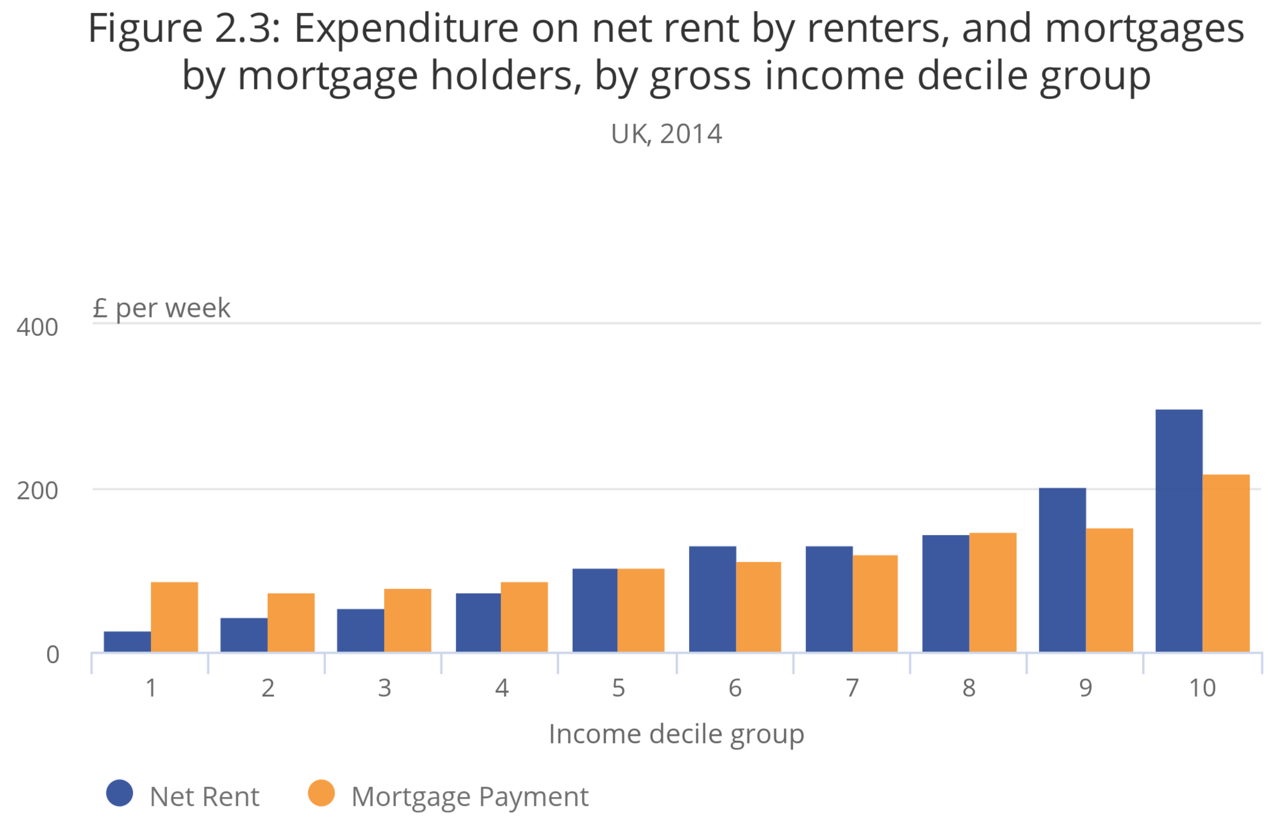
Expenditure on net rent in 2014 was mostly unchanged from 2013 (Table 2.8 (30 Kb Excel sheet)), following a small increase the previous year. On average, renters spent £90.20 per week in 2014, compared with £92.10 in 2013 and £86.40 in 2012, without adjusting for inflation. This finding contrasts slightly with The Index of Private Housing Rental Prices, which found that private rental prices increased by 1.7% in Great Britain in the 12 months to December 2014.

There was also little change in average spending on mortgages in 2014. The average weekly expenditure on mortgages by mortgage holders was £143.80 in 2014, compared with £145.40 in 2013 (Table 2.9 (34.5 Kb Excel sheet)). Average spending on gross rent by renting households (£134.80 per week) is similar to spending on mortgages by mortgage holders. Analysis of rent in this publication tends to focus on net rent, because this is what is used in calculations of total expenditure. Gross rent refers to the rent payable in total, including the elements that are met by benefits and rebates rather than by householders.

Figure 2.3 and Table 2.10 (68.5 Kb Excel sheet) show mortgage payments by mortgage holders and net rent payments by renters broken down by income band. The first income decile comprises the 10th of households with the lowest income, the second decile the 10th of households with the next highest incomes, and so on. The figures should be treated with caution, because there are low numbers of renters in higher-income groups and low numbers of mortgage holders in lower-income groups.

Figure 2.3: Expenditure on net rent by renters, and mortgages by mortgage holders, by gross income decile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

As might be expected, spending both on mortgages (by mortgage holding households) and net rent (by rent paying households) increased as income increased. Among the lowest-income households, average spending on net rent (£28.60 per week) was much lower than mortgage payments (£88.20 per week). Among higher income groups the pattern was different, with spending on net rent higher than mortgage payments. For the 10th of households with the highest incomes, net rent expenditure averaged £297.90 and mortgage payments £219.00 per week. This pattern is largely due to housing benefits and rebates, which make renting markedly less expensive for lower-income households, but have almost no impact on higher earning households. Average weekly expenditure on gross rent was £114.00 for the lowest-income decile, meaning that 75% of gross rent for this group was offset by housing benefits and rebates.

6 . Housing expenditure by socio-demographic characteristics

The relationship between income and housing expenditure was reflected in associated socio-demographic characteristics, such as the socio-economic classification of the household reference person (HRP, defined in survey methodology), as shown in [Table 2.6 (79 Kb Excel sheet)]. Housing expenditure averaged more than £250 per week where the HRP was classified as "large employers and higher managerial" (£253.30) or "higher professional" (£261.90); this was much higher than £109.90 per week if the HRP was in a routine occupation.

Age is another important factor. Housing expenditure is presented in [Table 2.4 (60 Kb Excel sheet)] by the age group of the HRP. Households where the HRP was aged between 30 and 49 spent the most on housing

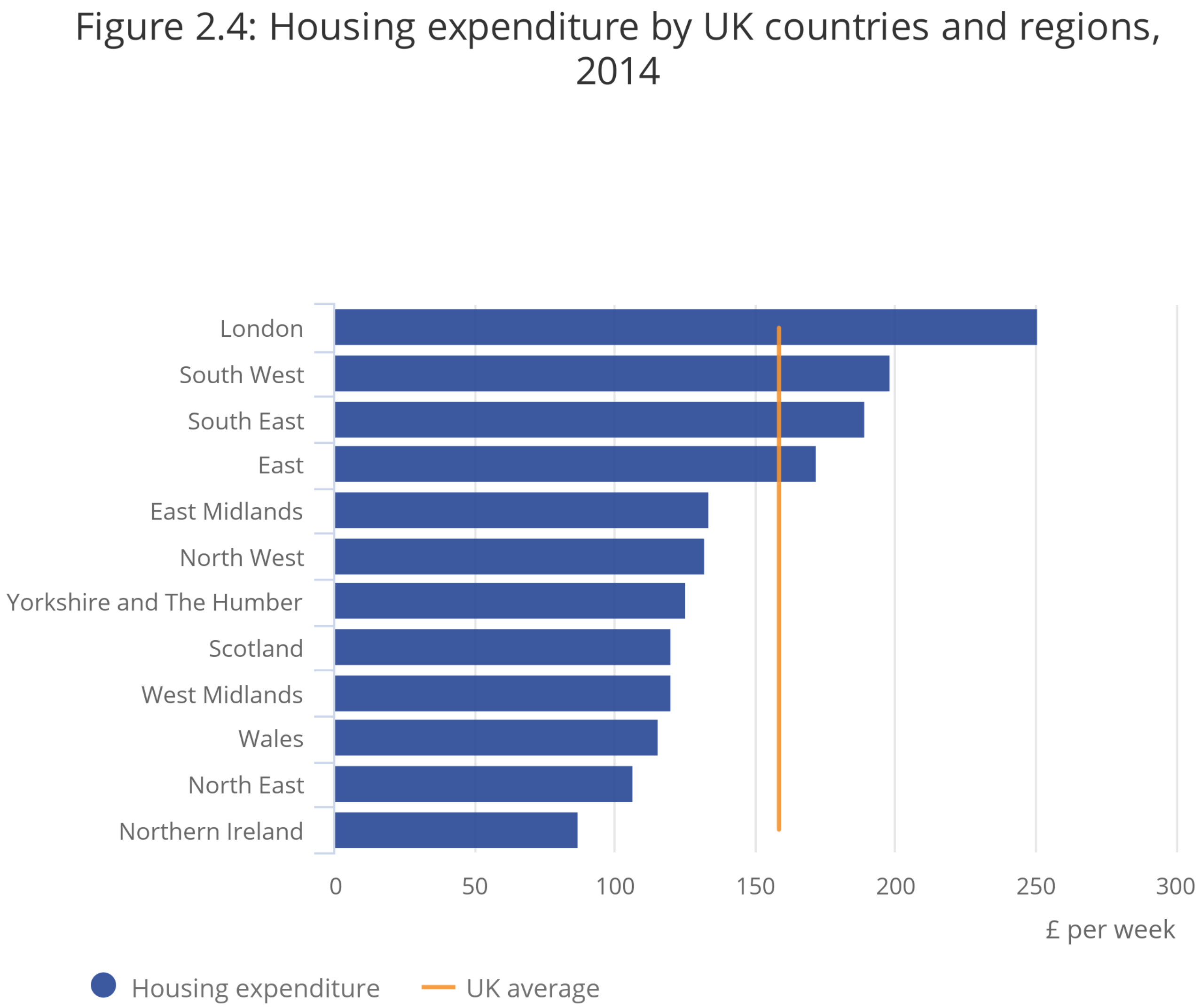
(£201.80 per week). Higher spending in this age group is driven largely by mortgage payments, which were £78.40 per week in this age group compared with £44.50 for all age groups combined. By contrast, households where the HRP was aged under 30 spent an average of £94.50 on net rent, more than triple the average for all households (£30.70). Households where the HRP is 75 or over had total housing expenditure of £69.80, compared to £158.30 for all households. This reflects a typical pattern of renting in early adulthood, then buying a house with a mortgage once the means and stability to do so are obtained, and eventually becoming an outright owner significantly later in life. The English Housing Survey estimated that 63% of mortgage-holding HRPs were aged 35 to 54, and 61% of HRPs who owned their home outright were aged 65 or over.

7 . Expenditure by region and country

There are large variations in average expenditure on housing across different regions of the UK, as shown in Figure 2.4 and Table 2.5 (54.5 Kb Excel sheet) . The pattern is very similar to that recorded for total expenditure. The UK average household weekly expenditure on housing was £158.30 in 2014. London households spent the most at £250.80 per week; the South West (£198.80) and the South East (£189.10) were the highest-spending areas outside London. The lowest-spending areas were Northern Ireland (£86.90) and the North East (£107.00).

This pattern is largely reflected in the average house price across different regions of the UK. Our House Price Index (HPI) showed house prices were most expensive in London in 2014 with an average of £502,000, followed by the South East (£339,000). The UK average house price was £272,000, and Northern Ireland was the least expensive region with an average of £142,000. The prices given are “mix-adjusted” prices, as explained in the HPI bulletin.

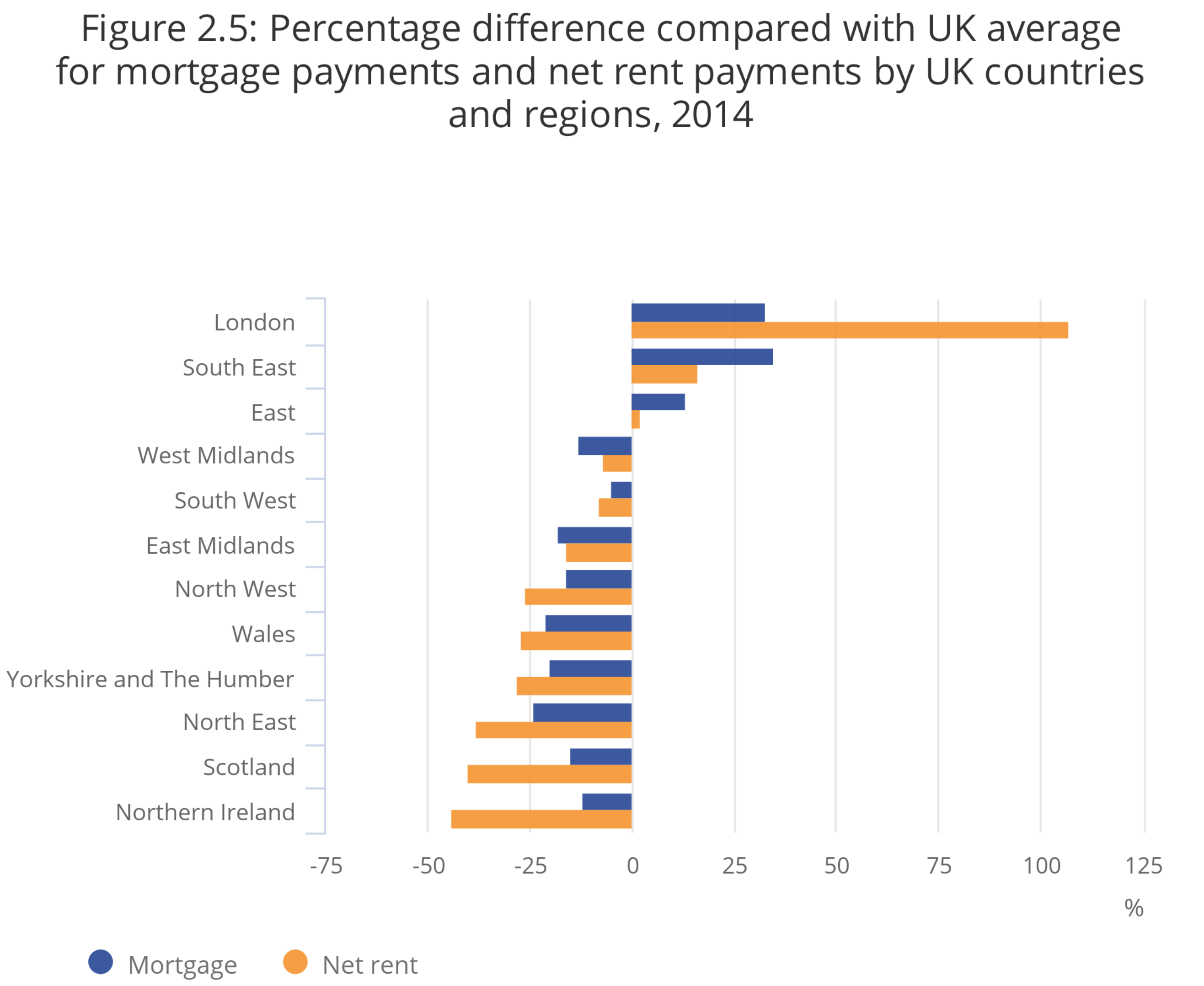
Figure 2.4: Housing expenditure by UK countries and regions, 2014



Source: Living Costs and Food Survey - Office for National Statistics

These differences are reflected both in net rent and mortgage payments (although to different extents), averaged across all households, as shown in Figure 2.5. Average household weekly expenditure on net rent in London (£63.50) was twice the UK average (£30.70), and much higher than the next highest area, the South East (£35.80). However, the average expenditure of £59.00 for mortgages in London was very similar to that recorded in the South East (£60.10) and 33% above the UK average of £44.50.

Figure 2.5: Percentage difference compared with UK average for mortgage payments and net rent payments by UK countries and regions, 2014



Source: Living Costs and Food Survey - Office for National Statistics

A slightly different pattern emerges when considering only rent payers and mortgage holders in each region, as shown in Table 2.11 (70.5 Kb Excel sheet). For net rent, London is less different from other areas (£153.30, compared with the UK average of £90.20) than when rent figures are averaged across all households. This illustrates that, while rental prices are higher in London than other parts of the UK, as found by an Index of Housing Rental Prices (IHRP) report, the higher average expenditure on rent in London is also partly driven by the high proportion of renters in the capital. 2011 Census analysis found that London accounted for the largest percentage of renters, at 50.4% of households.

For mortgages, higher spending by London's households can be seen more clearly when looking at expenditure by mortgage holders only. Mortgage holders in the capital spent an average of £207.80 per week, significantly more than any other region; the East of England (£168.70) and the South East (£163.50) had the next highest averages. The 2011 Census confirmed that London has a lower proportion of mortgage-holding households (27.1%) than England and Wales as a whole (32.7%), pushing down the spending on mortgages when averaged across all households. However, property prices are higher in London (House Price Index, HPI), so mortgage-holding households paid considerably more than in other parts of the UK.

Expenditure on housing reflects both the characteristics of the geographic area of the household and of the household itself. There are complex interactions between these factors as house prices and rental costs are influenced by the demands of the local population and the perceived desirability of an area of residence. There are large differences in housing-related expenditure among regions of the UK, with London standing out as the area with the highest expenditure both on rent and mortgages.

8 . Definitions of housing expenditure

The classification of individual consumption by purpose (COICOP) system has been used to classify expenditure on the Living Costs and Food Survey (LCF) and previously the Expenditure and Food Survey (EFS) since the year ending March 2002.

COICOP is an internationally agreed system of classification for reporting consumption expenditure within National Accounts and is used by other household budget surveys across the European Union.

Further information on COICOP can be found on the United Nations Statistics Division website.

Under COICOP, household consumption expenditure is categorised into the following 12 headings:

1. Food and non-alcoholic drinks
2. Alcoholic drinks, tobacco and narcotics
3. Clothing and footwear
4. Housing (net), fuel and power
5. Household goods and services
6. Health
7. Transport
8. Communication
9. Recreation and culture
10. Education
11. Restaurants and hotels
12. Miscellaneous goods and services

It is important to note that COICOP classified housing costs do not include what is considered to be non-consumption expenditure, for example, mortgage interest payments, mortgage capital repayments, mortgage protection premiums, council tax and domestic rates.

In addition to the 12 COICOP expenditure categories, the tables contained in appendix A include a category called “other expenditure items” where certain non-consumption expenditures can be found. This category includes the following housing-related costs:

- mortgage interest payments
- mortgage protection premiums
- council tax

- domestic rates

Housing costs that are not included in the COICOP definition of housing or the “other expenditure items” category are captured within the “other items recorded” category, which can be found in [Table A1 (154.5 Kb Excel sheet)] in appendix A.

For the purpose of this chapter all data relating to housing expenditure have been combined to facilitate an understanding of total housing costs. This comprehensive definition of housing expenditure is made up from 3 types of expenditure, as detailed in Table 2.1, it includes expenditure included in COICOP, as well as housing costs in the “other expenditure items” and “other items recorded” categories.

It should also be noted that throughout Family Spending, including this chapter, rent excluding service charges and benefit receipts associated with housing (net rent) has been used when calculating total expenditure. This convention ensures that expenditure recovered via rebates, benefits and allowances are excluded from the calculation of total household expenditure on rent.

Table 2.1: Definition of total housing expenditure

Costs which are included in the COICOP classification of housing expenditure:
Actual rentals for housing
net rent (gross rent less housing benefit, rebates and allowances received)
second dwelling rent
Maintenance and repair of dwelling
central heating maintenance and repair
house maintenance and repair
paint, wallpaper, timber
equipment hire, small materials
Water supply and miscellaneous services relating to dwelling
water charges
other regular housing payments including service charge for rent
refuse collection, including skip hire
Housing costs which are included elsewhere in the COICOP classification:
Household Insurances
structural insurance
contents insurance
insurance for household appliances
Housing costs which are included as ‘other expenditure items’ but excluded from COICOP classification:
Housing: mortgage interest payments etc
mortgage interest payments
mortgage protection premiums
council tax, domestic rates
council tax, mortgage, insurance (second dwelling)
Housing costs which are included as ‘other items recorded’ and are excluded from COICOP classification:
Purchase or alteration of dwellings (contracted out), mortgages

outright purchase of houses, flats etc including deposits

capital repayment of mortgage

central heating installation

DIY improvements: double glazing, kitchen units, sheds etc

home improvements (contracted out)

bathroom fittings

purchase of materials for capital improvements

purchase of second dwelling

---

9. Background notes

1. **Symbols and conventions used in Family Spending 2015 Edition**

   [ ] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

   .. The data is suppressed if the unweighted sample counts are less than 10 reporting households.

   - No figures are available because there are no reporting households.

   Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

   Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

   Period covered: Calendar year 2014 (1 January 2014 to 31 December 2014).

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Compendium

Chapter 3: Equivalised income

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Table of contents

1 . Introduction

This chapter examines how expenditure varies with equivalised income, which refers to household income that has been recalculated to take into account differences in household size and composition. For example, households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members.

Equivalisation is a standard methodology that adjusts household income to account for the different financial resource requirements of different household types. Household size is an important factor to consider because larger households usually need a higher income than smaller households to achieve a comparable standard of living. The composition of a household also affects resource needs, for example, living costs for adults are normally higher than for children. After equivalisation has been applied, households with the same equivalised income can be said to have a comparable standard of living.

We report on data for disposable income in this chapter. Gross income tables are available on request. Disposable income is defined as gross weekly cash income less the statutory deductions and payments of income tax and National Insurance contributions[1]. Most analysis looking at income and expenditure together looks at disposable rather than gross income. This is because disposable income is the amount that households have available to spend or save.

The equivalisation method used is the OECD-modified method, which is a modified version of the method originally used by the Organisation for Economic Co-operation and Development. Full details are given in the “Equivalisation methodology” section. Information on how the equivalisation process affects the distribution of income data for different household types is in the “Equivalisation results” section.

Notes for introduction:

1. For other ONS and DWP publications, council tax and domestic rates (Northern Ireland) are also deducted from gross income to provide a measure of disposable income. For Family Spending estimates council tax and domestic rates (Northern Ireland) are counted as expenditure within the total expenditure definition.

2 . Main points

In 2014:

- lower income households spent a higher proportion of their total expenditure on food and drink than higher income households: on average, households with the lowest 10% of incomes spent 17% of their total expenditure on food and non-alcoholic drink, compared with 7% for households with the highest 10% of incomes

- the proportion of total expenditure spent on transport increased with income (9% to 15%), largely reflecting spending by higher income households on the purchase of new cars

- electricity, gas and other housing fuels accounted for 9% of the total expenditure of the lowest-earning households, compared with 3% for the highest income households

- spending patterns by income were generally similar for retired and non-retired 2-person households, but some differences were evident, for example, spending on transport increased steadily with income for non-retired households (£36.60 to £148.00); among retired households it changed little as income increased across most groups, but doubled for the highest earning households (from £46.40 to £96.70)

3 . Income, expenditure and well-being

For many households, income is their most important economic resource for meeting everyday living expenses. However, it is the consumption of goods and services (best reflected by expenditure) that is most important in meeting a household's requirements. Evidence suggests that income and expenditure together represent a better determinant of economic well-being than income alone.

Expenditures change less than incomes when short term changes in incomes are encountered, and can therefore be considered a better measure of living standards. Households can smooth expenditure by, for example, adjusting savings, drawing on wealth and borrowing, whereas incomes may be more volatile. This led to Friedman's "permanent income hypothesis", which suggests that decisions made by consumers are based on long-term income expectations rather than their current income.

Headey, Muffels and Wooden (2004) describe expenditure as "the most valid measure of current living standards" in their analysis of household finances and well-being. In addition, our analysis Income, expenditure and personal well-being shows that household spending matters more to many aspects of personal well-being than household income. As spending rises, average life satisfaction (the sense that what one does in life is worthwhile) and happiness also rise.

The Commission on the Measurement of Economic Performance and Social Progress recommended that greater prominence should be given to the distributions of income and expenditure across households.

For given levels of expenditure, and everything else being equal, people with higher income can be seen as having a higher level of well-being, from a personal finance perspective, than people with lower income. With higher income, they have greater opportunity to increase expenditure if they want, or to save income to finance expenditure in the future.

In light of this context, we look at how expenditure varies with income.

4 . Household expenditure by income

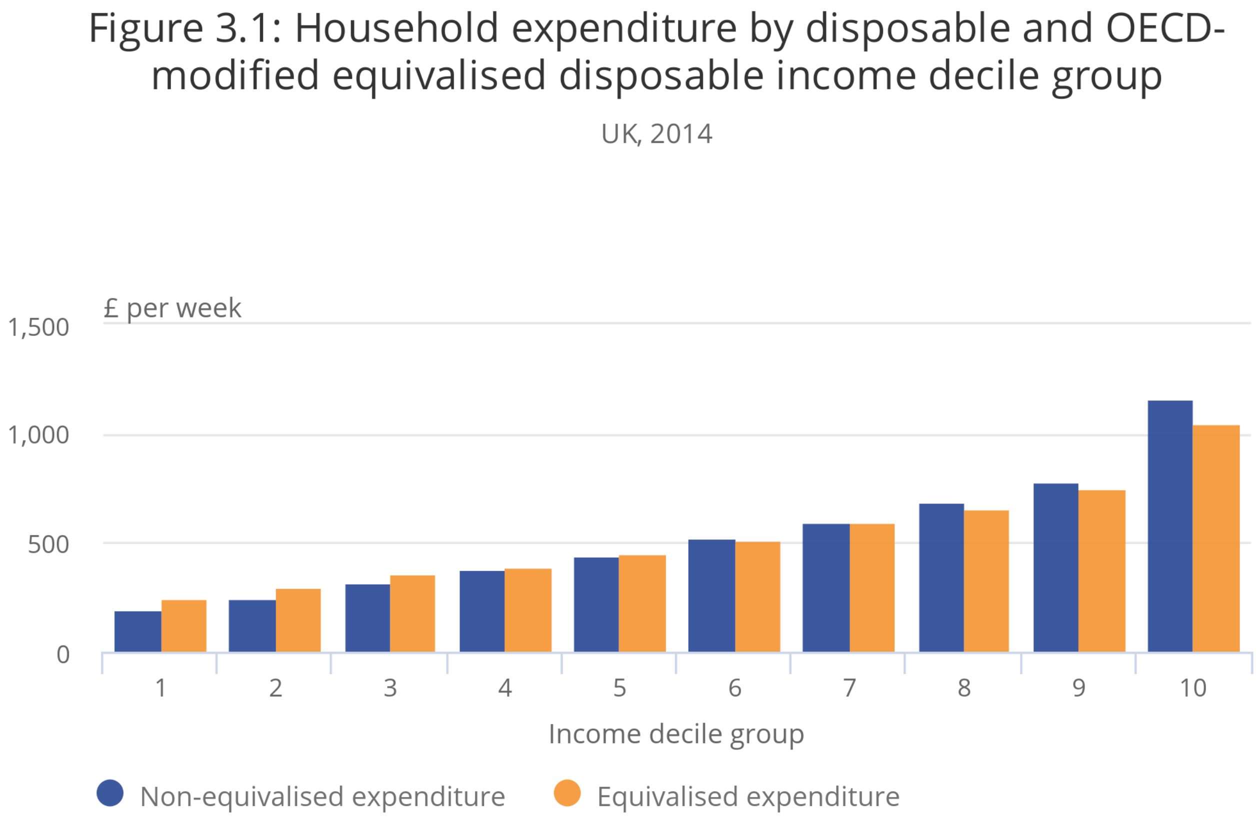
This section illustrates how separating the expenditure patterns for different types of goods and services provides a fuller picture of how households with different levels of income spend their money.

Tables 3.1 (423 Kb Excel sheet) and 3.1E (89 Kb Excel sheet) show total expenditure and expenditure for each of the classification of individual consumption by purpose (COICOP) categories, by non-equivalised and equivalised disposable income decile groups, respectively.

As shown in Figure 3.1, in 2014 there was an overall increase in total expenditure as equivalised income, and non-equivalised income, increased. There was a similar pattern in 2013.

Figure 3.1: Household expenditure by disposable and OECD-modified equivalised disposable income decile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Expenditure in the lower income decile groups increased after income was equivalised, and expenditure in the higher income decile groups decreased. This is due to the impact the equivalisation method has on the income positioning of households with children, and single adult households. Equivalisation increases the number of households with children in the lower income groups, whose spending is likely to be higher than households containing one adult. One-adult households tend to move to a higher income decile group after income is equivalised. There are more details in the “Equivalisation results” section.

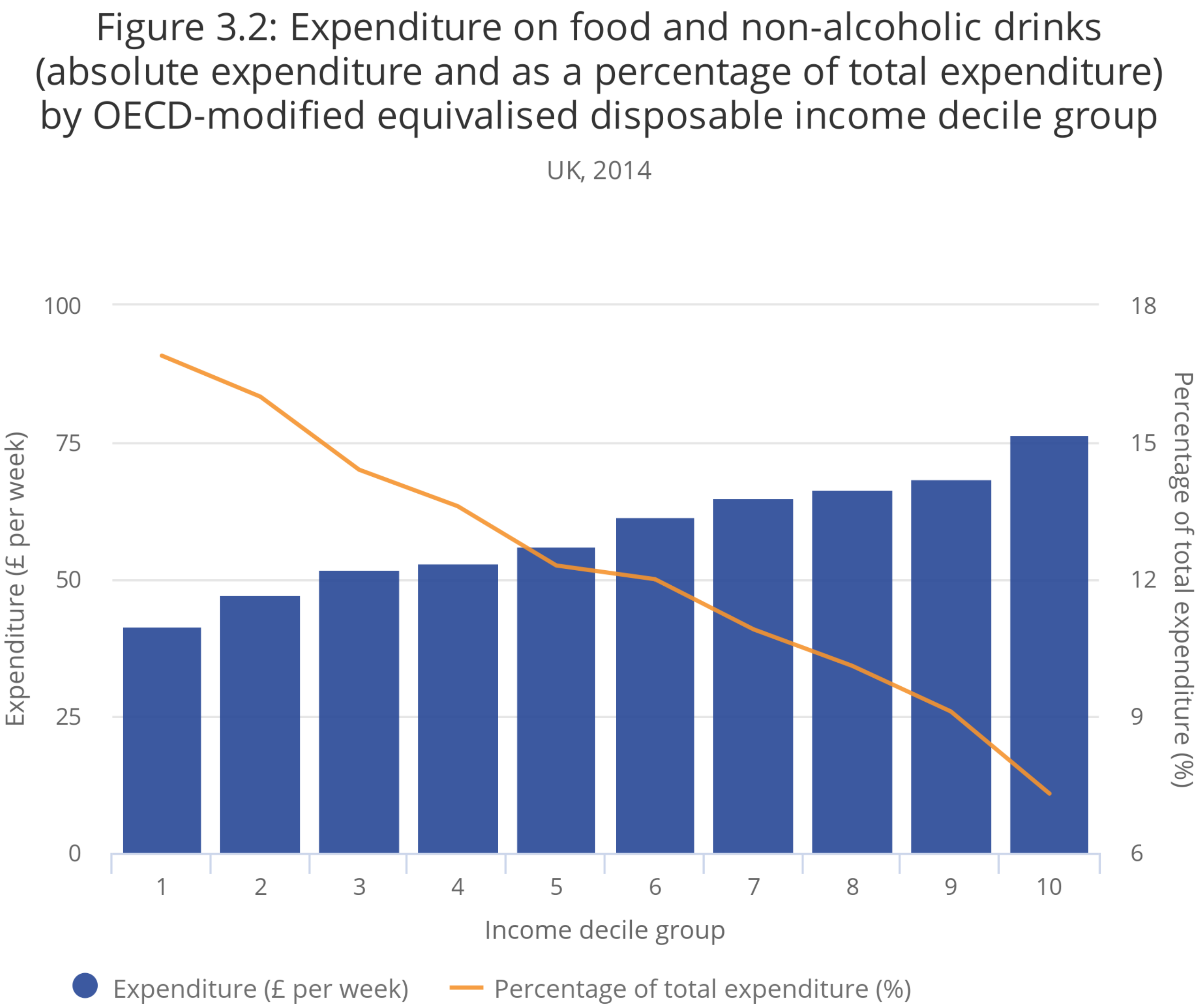
Tables 3.2 (481.5 Kb Excel sheet) and 3.2E (113.5 Kb Excel sheet) show the share of total expenditure on each COICOP category, by non-equivalised and equivalised income groups.

The rest of this section compares the absolute spending and the share of total expenditure by equivalised disposable income for different categories of spending.

Expenditure on food and non-alcoholic drink increased with equivalised income, whilst the proportion of total expenditure on food and non-alcoholic drink decreased (as shown in Figure 3.2). Clearly all households have to spend a certain amount on food and non-alcoholic drink. As income rises households spend more in absolute terms on this category, but there is a limit to how much food households consume and the amount they are willing to spend overall. As a result of this, households in the higher equivalised disposable income decile groups spend a lower proportion of their expenditure on food and non-alcoholic drink than households in the lower income decile groups. As income rises from the lowest to the highest equivalised disposable income decile group, spending almost doubles from £41.60 to £76.40. However, for households in the bottom equivalised disposable income decile group food and non-alcoholic drinks accounted for 17% of total expenditure, compared with 7% for the top equivalised disposable income decile group.

Figure 3.2: 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, 2014



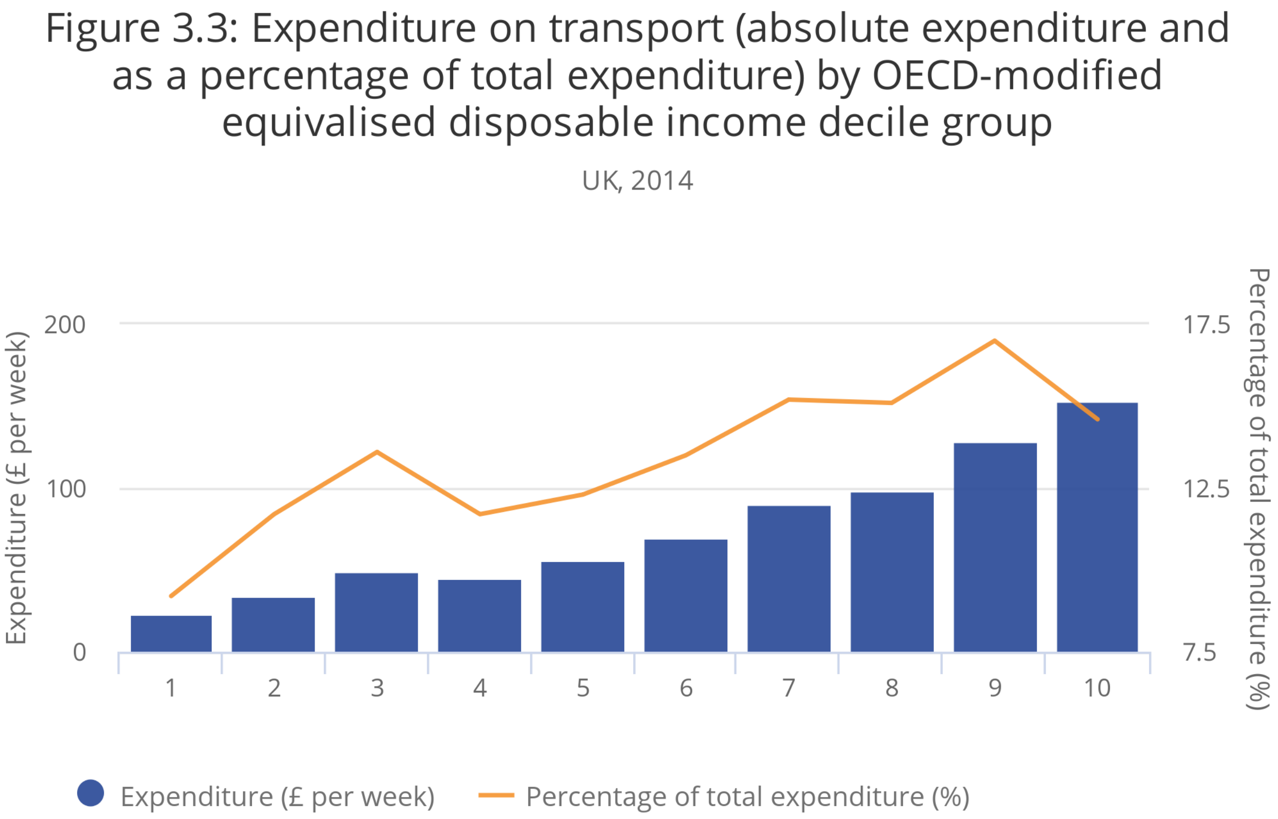
Source: Living Costs and Food Survey - Office for National Statistics

Electricity, gas and other fuels is another example of expenditure that makes up a lower proportion of total spending for higher-income households. It is a subgroup of the main housing (net), fuel and power COICOP category. As income rises from the lowest to the highest equivalised disposable income decile group, spending increases by almost 50% from £22.50 to £32.00, while the proportion of total expenditure falls from 9% to 3%. Wealthier households are likely to live in larger properties that require more energy to heat and light, but there is a limit to the amount that households can expect to spend on these fuels.

Spending in some categories increased as a proportion of total expenditure, as well as the amount. An example of this is transport, where some spending is discretionary and there is often a range of price options available. Higher income households may be expected to have more disposable income available to buy a new car or pay for more comfortable modes of transport. Figure 3.3 shows the highest equivalised income households spent £153.30 per week on transport. This is nearly 7 times more than households in the lowest equivalised income decile, which spent only £22.80 per week. The proportion of spending increased from 9% to 15%.

Figure 3.3: Expenditure on transport (absolute expenditure and as a percentage of total expenditure) by OECD-modified equivalised disposable income decile group

UK, 2014

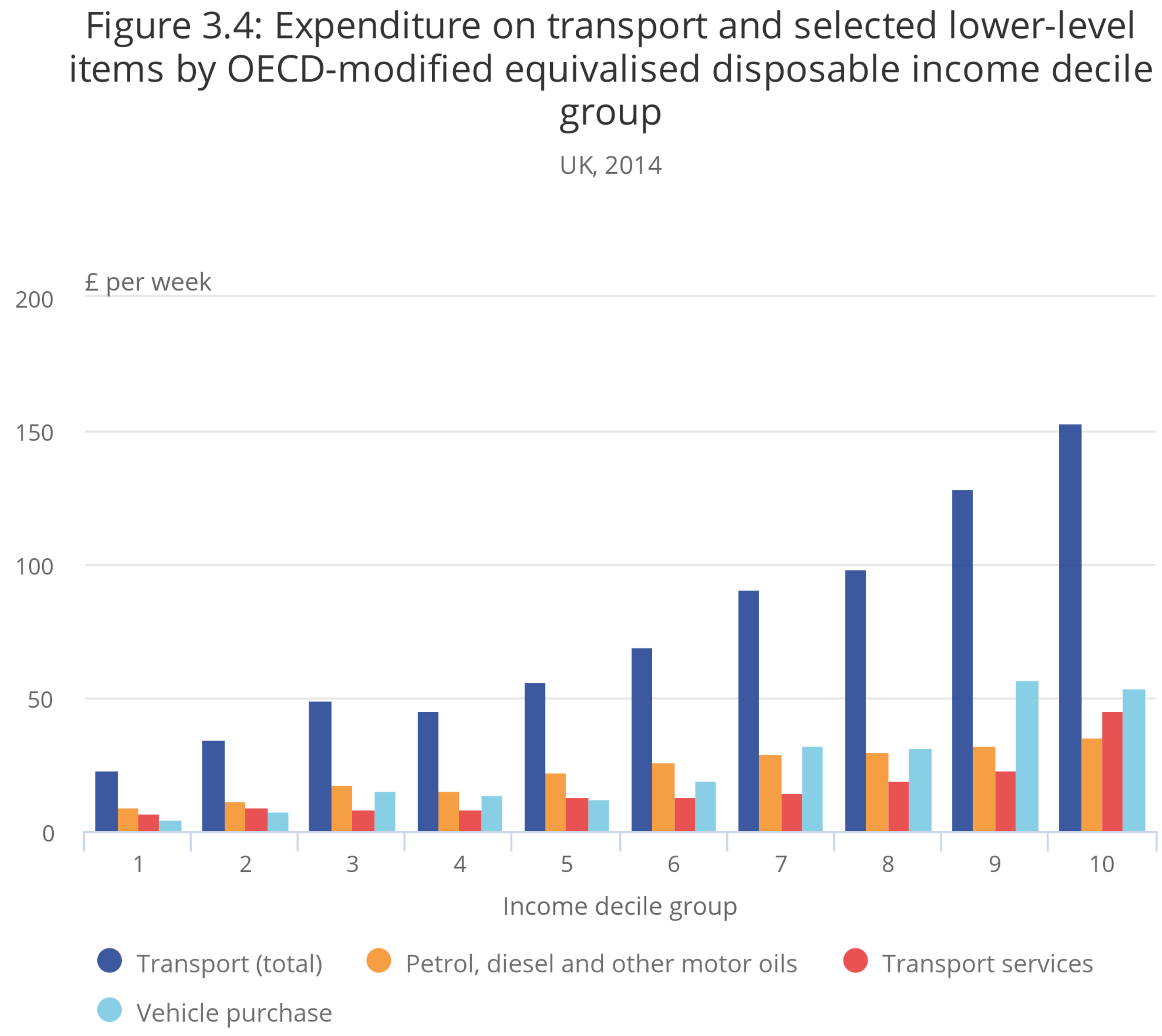


Source: Living Costs and Food Survey - Office for National Statistics

The proportion of total transport expenditure spent on different transport items varies by income decile groups. The lowest income households spend nearly 40% of transport expenditure on petrol, diesel and other motor oils, falling to 23% in the highest income decile. As a proportion of total expenditure it's very similar, at 3.6% and 3.4% respectively. This reflects that vehicles require a limited amount of fuel sold at a standard rate in order to operate. In contrast, new vehicle purchases comprise 21% of transport expenditure in the lowest income decile, rising to 35% in the highest income decile (0.4% and 2.3% of total expenditure respectively). Wealthy households with a higher level of disposable income are in a much better position to purchase vehicles more frequently and to purchase vehicles at the higher end of the price spectrum. Spending on transport services shows a gradual increase between income deciles 1 to 9, before almost doubling for the 10th income decile. This might suggest that only the wealthiest households tend to opt for the most expensive modes of communal transport, such as first class air and rail tickets.

Figure 3.4: Expenditure on transport and selected lower-level items by OECD-modified equivalised disposable income decile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

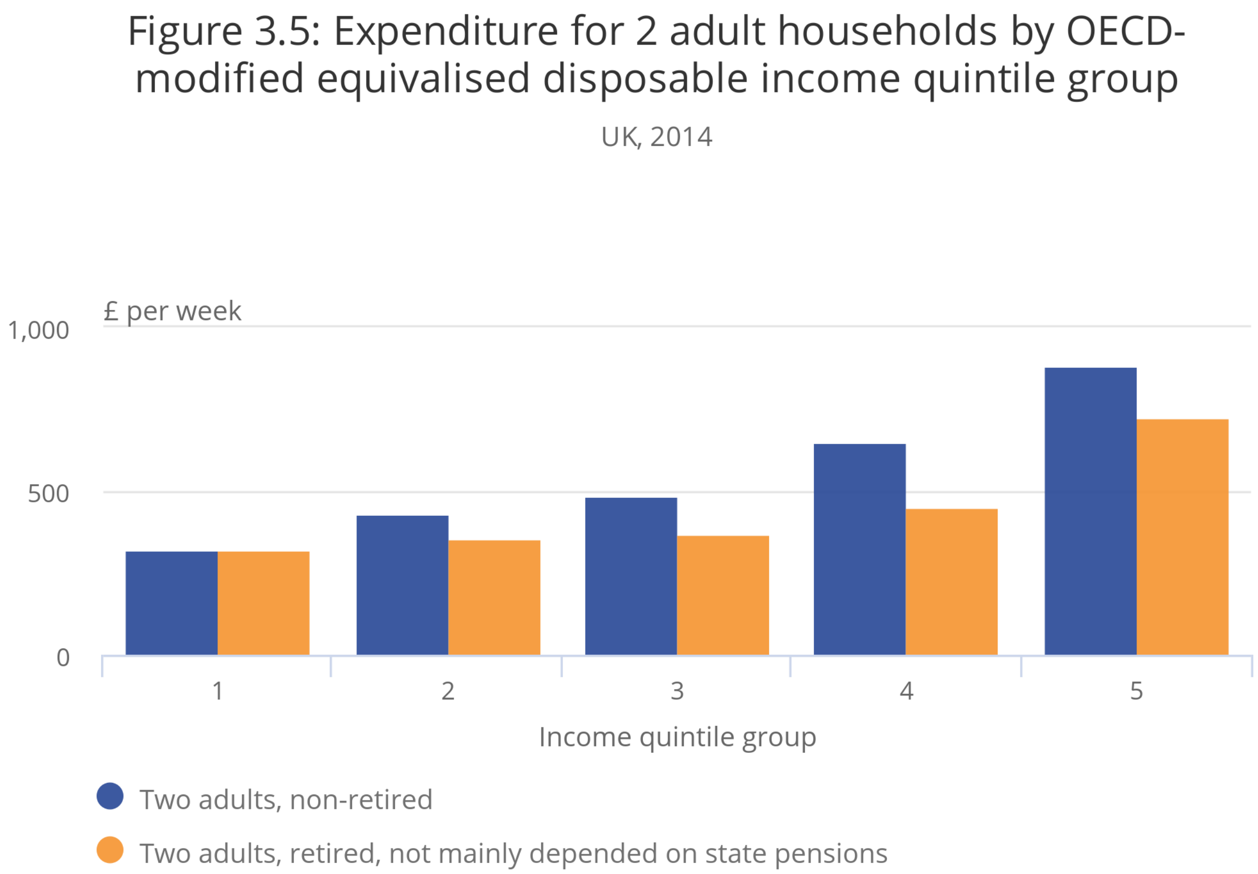
5 . Household expenditure by household composition and income

This section looks at how expenditure varies with income for retired and non-retired households containing 2 adults (as shown in Tables 3.5 (73.5 Kb Excel sheet) to 3.10 (74 Kb Excel sheet) and Tables 3.5E (109.5 Kb Excel sheet) to 3.10E (94.5 Kb Excel sheet)). We have used the example of 2-adult retired and non-retired households for how expenditure varies with income for different household types. Retired households are those where the household reference person (HRP) has reached state pension age, is not working or seeking work, and is mainly dependent on income sources other than the state pension (for example, occupational pension, income from investments, or annuities). Retired households mainly dependent on state pensions have been excluded from this analysis as they have low sample sizes.

As seen in Figure 3.5, total expenditure for both non-retired and retired households containing 2 adults increased with equivalised disposable income quintile (these increased by £557.10 per week for non-retired households, and £404.00 per week for retired households). For each quintile group, absolute spending was higher for households containing 2 non-retired adults. Most individual expenditure categories showed a similar pattern, but for some categories the variation in spending with income was more or less marked.

Figure 3.5: Expenditure for 2 adult households by OECD-modified equivalised disposable income quintile group

UK, 2014

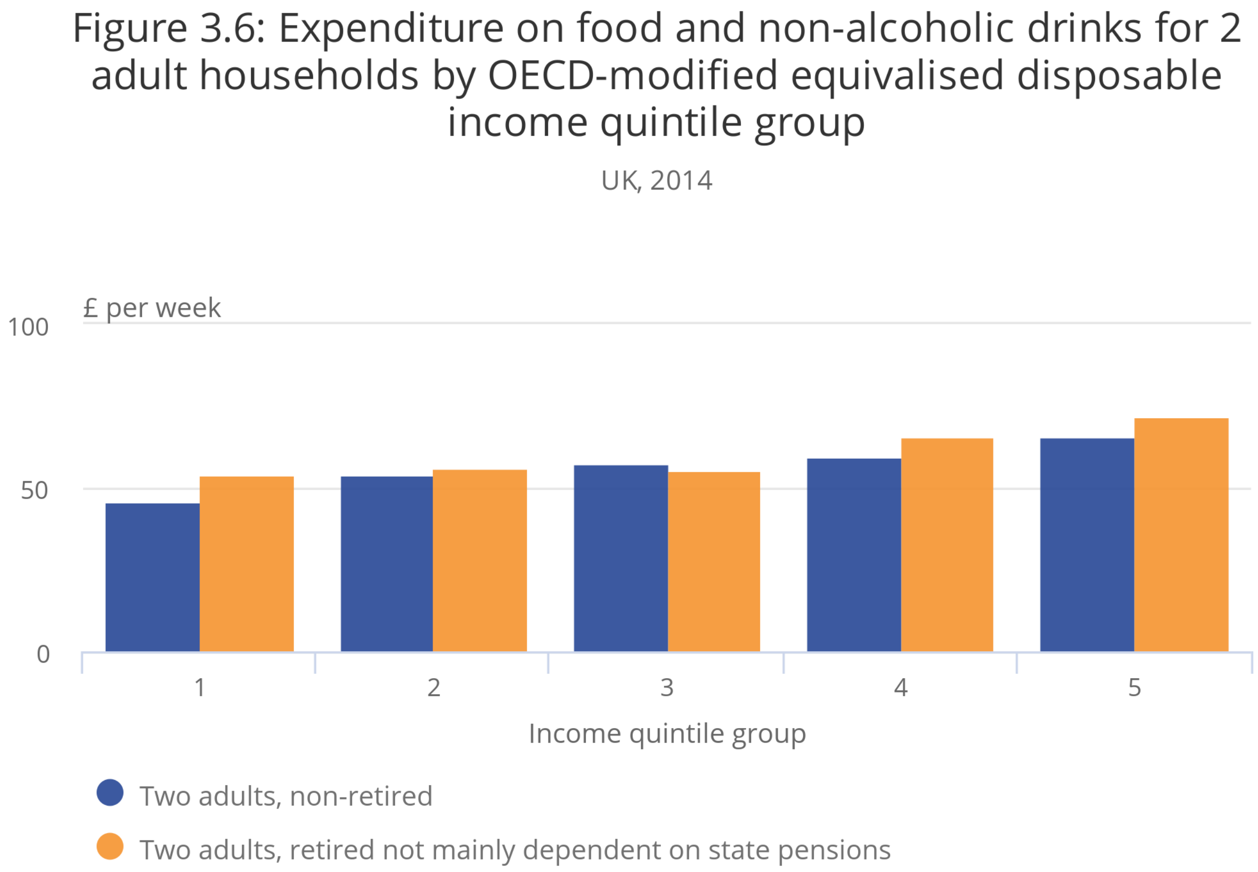


Source: Living Costs and Food Survey - Office for National Statistics

Spending on food and non-alcoholic drink was broadly similar for retired and non-retired 2-adult households across income quintiles, as shown in Figure 3.6. In both cases there were modest increases in spending as income increased.

Figure 3.6: Expenditure on food and non-alcoholic drinks for 2 adult households by OECD-modified equivalised disposable income quintile group

UK, 2014



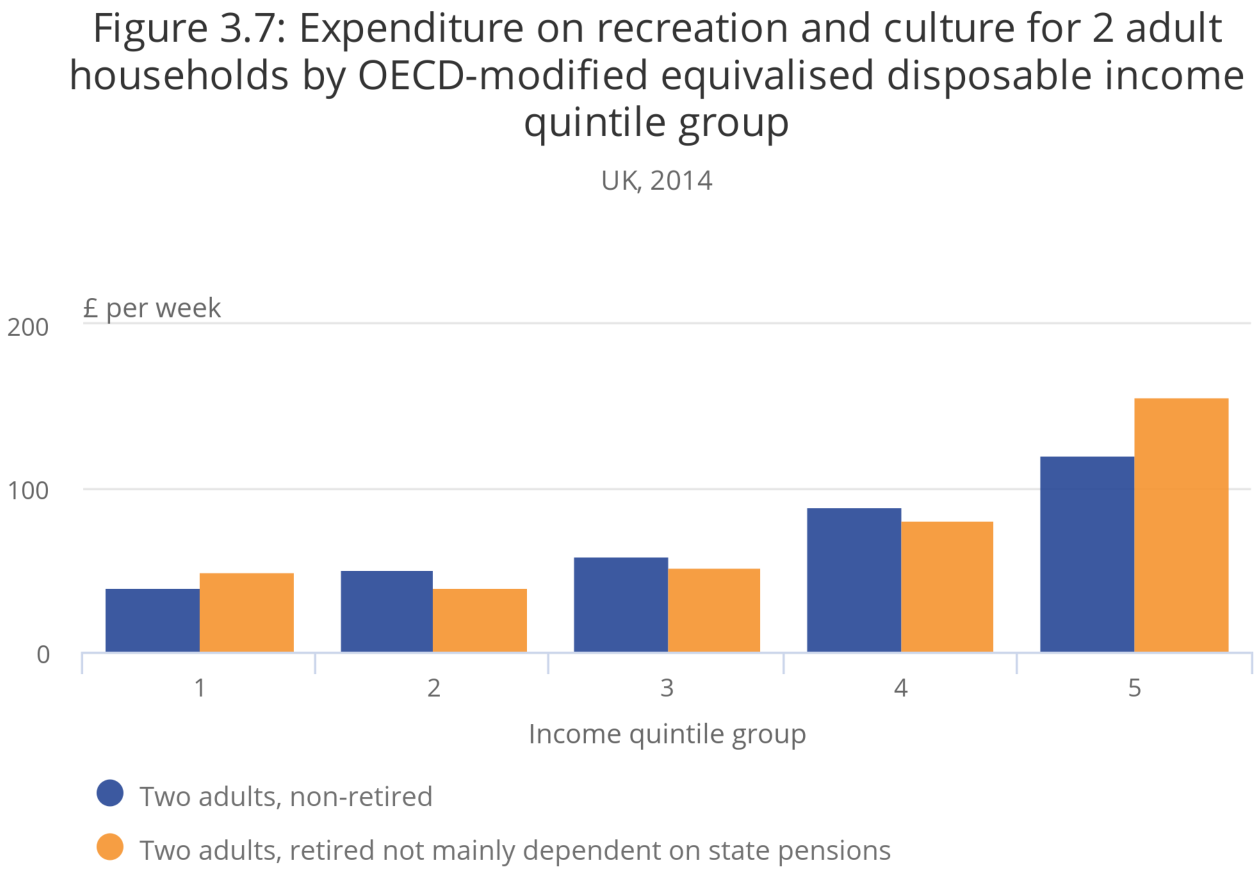
Source: Living Costs and Food Survey - Office for National Statistics

For households made up of 2 adults, spending on recreation and culture increased notably with income, particularly in the fourth and fifth income quintiles. Similar patterns were evident for both retired and non-retired groups; wealthier households from both groups chose to spend their disposable income on items such as package holidays, sports admissions and audio-visual equipment. For the highest and lowest income quintiles, retired households spent more than non-retired households.

There is also a consistent increase in spending on restaurants and hotels across all income groups. In this case, however, expenditure among non-retired households was higher for all but the lowest income quintile.

Figure 3.7: Expenditure on recreation and culture for 2 adult households by OECD-modified equivalised disposable income quintile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Figure 3.8: Expenditure on restaurants and hotels for 2 adult households by OECD-modified equivalised disposable income quintile group

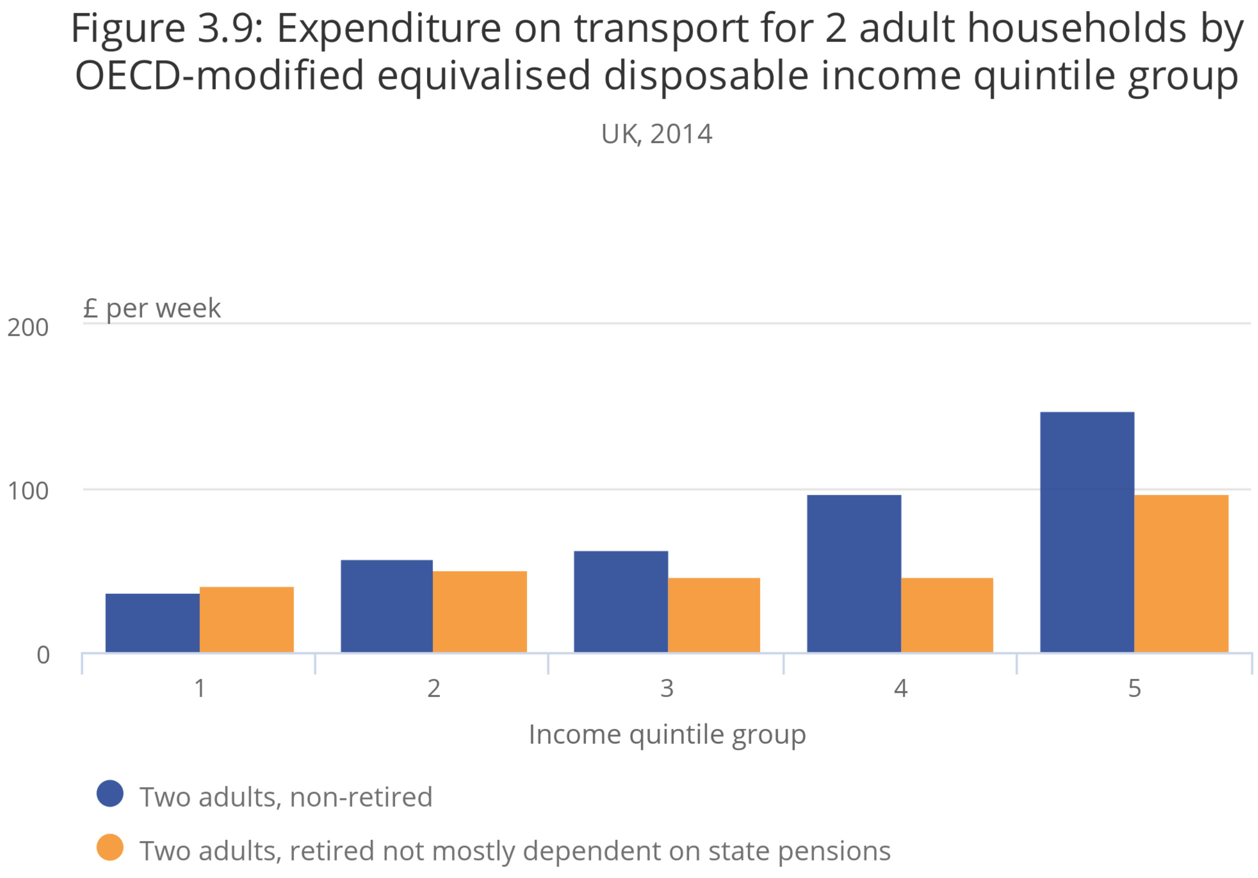
UK, 2014

Source: Living Costs and Food Survey - Office for National Statistics

As Figure 3.9 shows, there is a different pattern of expenditure on transport across income groups for retired and non-retired 2-adult households. There is a consistent increase in expenditure on transport for non-retired 2-adult households with an overall rise from £36.60 in the lowest income quintile to £148.00 in the highest income quintile. Some spending on transport is essential, and for many non-retired households this includes travel to and from work. However, there are many opportunities to increase or decrease expenditure, such as the frequency with which cars are purchased and the choice of first or standard class travel. There is also choice (for the majority of households) regarding acceptable commuting distance. Spending among retired households changes little with income between quintiles 1 to 4 (£41.40 to £46.40) before a sharp rise in the highest quintile (£96.70). This might be explained by the wealthiest retired households choosing to purchase new cars, take more discretionary journeys and opt for more expensive options when travelling by air or rail.

Figure 3.9: Expenditure on transport for 2 adult households by OECD-modified equivalised disposable income quintile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

These points illustrate how expenditure requirements differ between retired and non-retired households; note that non-retired households tend to have higher incomes. Income quintiles have been calculated separately for retired and non-retired households for this analysis, so patterns of expenditure within these groups can be explored meaningfully.

Examining spending patterns by income allows us to see how households prioritise spending on essentials, and how they balance this with enjoying some non-essential goods and services. The analysis above suggests that retired and non-retired households prioritise spending additional income differently for some spending categories. Equivalisation is a powerful tool to understand how income relates to the needs and choices of households of different sizes and compositions.

6 . Equivalisation methodology

Equivalisation scales are used to adjust household income, taking into account household size and composition. There are various scales available, which differ in their complexity and methodology. The OECD (Organisation for Economic Co-operation and Development)-modified equivalence scale is used widely across Europe. It adjusts household income to reflect the different resource needs of single adults, any additional adults in the household, and children in various age groups.

The modified OECD equivalence scale is the standard scale for the Statistical Office of the European Union (Eurostat). It is also used by several government departments in the UK for key household income statistics. For example, the Department for Work and Pensions (DWP) use the modified OECD equivalence scale for their Households Below Average Income (HBAI) publication. We also use it for the Effects of Taxes and Benefits on Household Income (ETB) analysis.

To calculate equivalised income using the modified OECD equivalence scale, each member of the household is first given an equivalence value. The modified OECD equivalence values are shown in Table 3A. Single adult households are taken as the reference group and are given a value of 1.

For larger households, each additional adult is given a smaller value of 0.5 to reflect the economies of scale achieved when people live together. Economies of scale arise when households share resources such as water and electricity, which reduces the living costs per person. Children under the age of 14 are given a value of 0.3 to take account of their lower living costs, children aged 14 and over are given a value of 0.5 because their living costs are assumed to be the same as an adult.

Table 3A: OECD-modified equivalence scale as applied by household composition

Type of Household Member	Equivalence value
First adult	1.0
Additional adult	0.5
Child aged: 14 and over	0.5
Child aged: 0-13	0.3

The equivalence values for each household member are summed to give a total equivalence number for the household. For example, the total equivalence value for a household with a married couple with 2 children aged 10 and 14 is calculated as follows:

1 (first adult) plus 0.5 (second adult) plus 0.5 (14-year-old child) plus 0.3 (10-year-old child) is 2.3

The total equivalence value of 2.3 shows that the household needs more than twice the income of a single adult household in order to achieve a comparable standard of living.

In the final step of the calculation the total income for the household is divided by the equivalence value. For example, if the household described in the example above has an annual income of £30,000, their equivalised income is calculated as follows:

- £30,000 divided by 2.3 is £13,043

For a single adult household with an income of £30,000, the equivalised income remains at £30,000. This is because the equivalence value for this household is equal to 1. This demonstrates that a single adult household will have a higher standard of living than a larger household with the same level of income.

7 . Equivalisation results

Equivalised household incomes were calculated for each household using the modified OECD equivalence scale. Household equivalised incomes were then ranked in ascending order and divided into 10 equally-sized (decile) groups. Households with the lowest equivalised income make up the first decile group. Non-equivalised disposable income data are presented in Tables 3.1 (423 Kb Excel sheet) to 3.11 (45.5 Kb Excel sheet); equivalised disposable income data based on the modified OECD scale are shown in Tables 3.1E (89 Kb Excel sheet) to 3.11E (46 Kb Excel sheet). The income decile groups are shown in Table 3B.

Table 3B: Income deciles for disposable weekly income and equivalised disposable weekly income

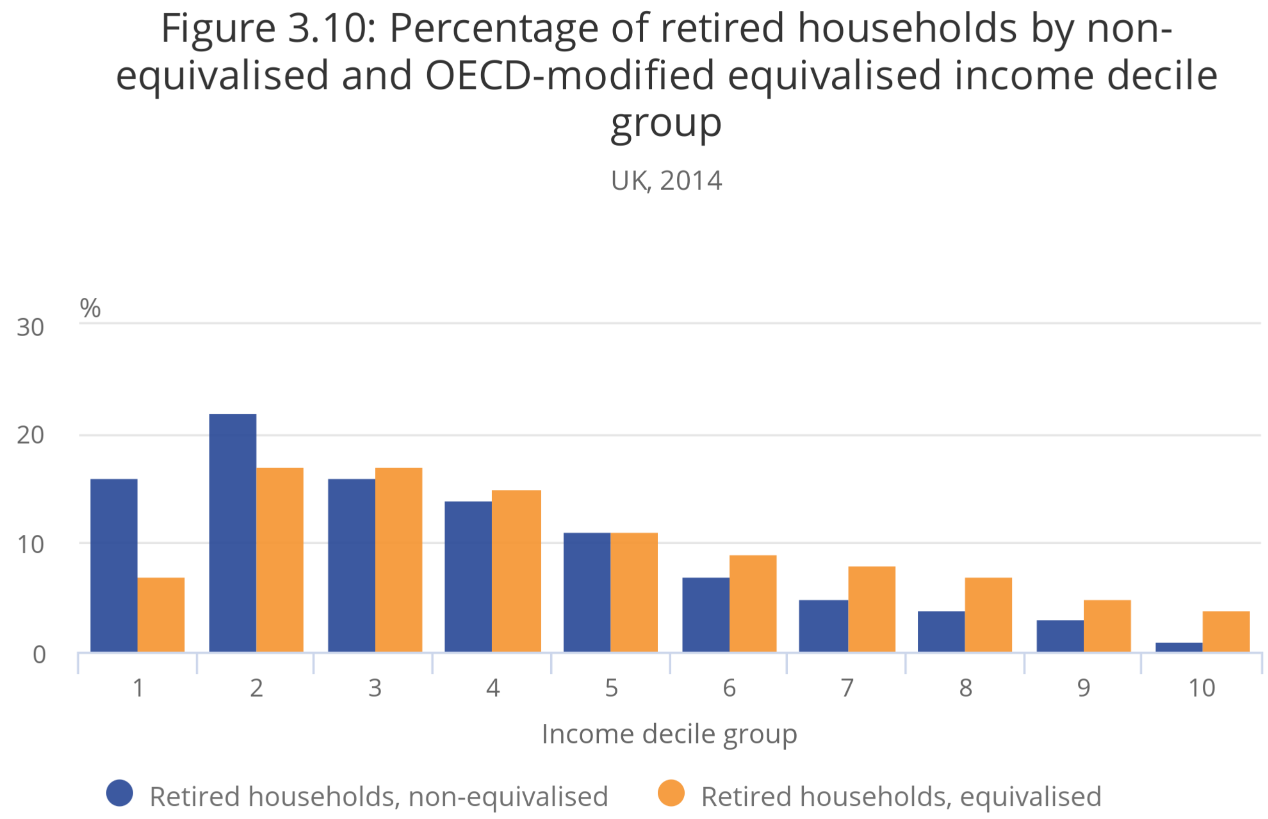
Income Decile	Disposable weekly income	Equivalised disposable weekly income (OECD-modified scale)
1	Up to £187	Up to £149
2	£188 to £272	£150 to £200
3	£273 to £357	£201 to £244
4	£358 to £441	£245 to £287
5	£442 to £534	£288 to £334
6	£535 to £634	£335 to £388
7	£635 to £764	£389 to £451
8	£765 to £930	£452 to £540
9	£931 to £1,209	£541 to £697
10	£1,210 and over	£698 and over

Table 3.12 (43.5 Kb Excel sheet) shows the household composition of the non-equivalised disposable income decile groups and the OECD-equivalised disposable income decile groups. Equivalisation has a large impact on the income positioning of households containing 1 adult without children. Households containing 1 non-retired adult accounted for only 2% of households in the highest non-equivalised disposable income decile group, but when income was equivalised they accounted for 13%. These households tended to move to a higher income decile group after income was equivalised. These results demonstrate that when equivalisation is used to look at the incomes of all households on a comparable basis, single adult households tend to be better off than they appear pre-equivalisation.

The percentage of households where the household reference person is retired in each income group, before and after equivalisation is shown in Figure 3.10. Equivalisation has a large effect on the proportion of retired households in the lowest income decile group. Before equivalisation, 16% of all retired households appeared in the lowest non-equivalised disposable income decile group; after equivalisation, only 7% of retired households appeared in this group. This result can largely be explained by the fact that a relatively high proportion of retired households contain only 1 adult. Therefore, as explained above, the incomes of single adult households are scaled up (relative to other households) when income is equivalised. The proportion of retired households in the second lowest income decile also decreased after equivalisation, although the effect was smaller. The opposite was true of the higher income decile groups; the proportion of retired households increased slightly after income was equivalised.

Figure 3.10: Percentage of retired households by non-equivalised and OECD-modified equivalised income decile group

UK, 2014



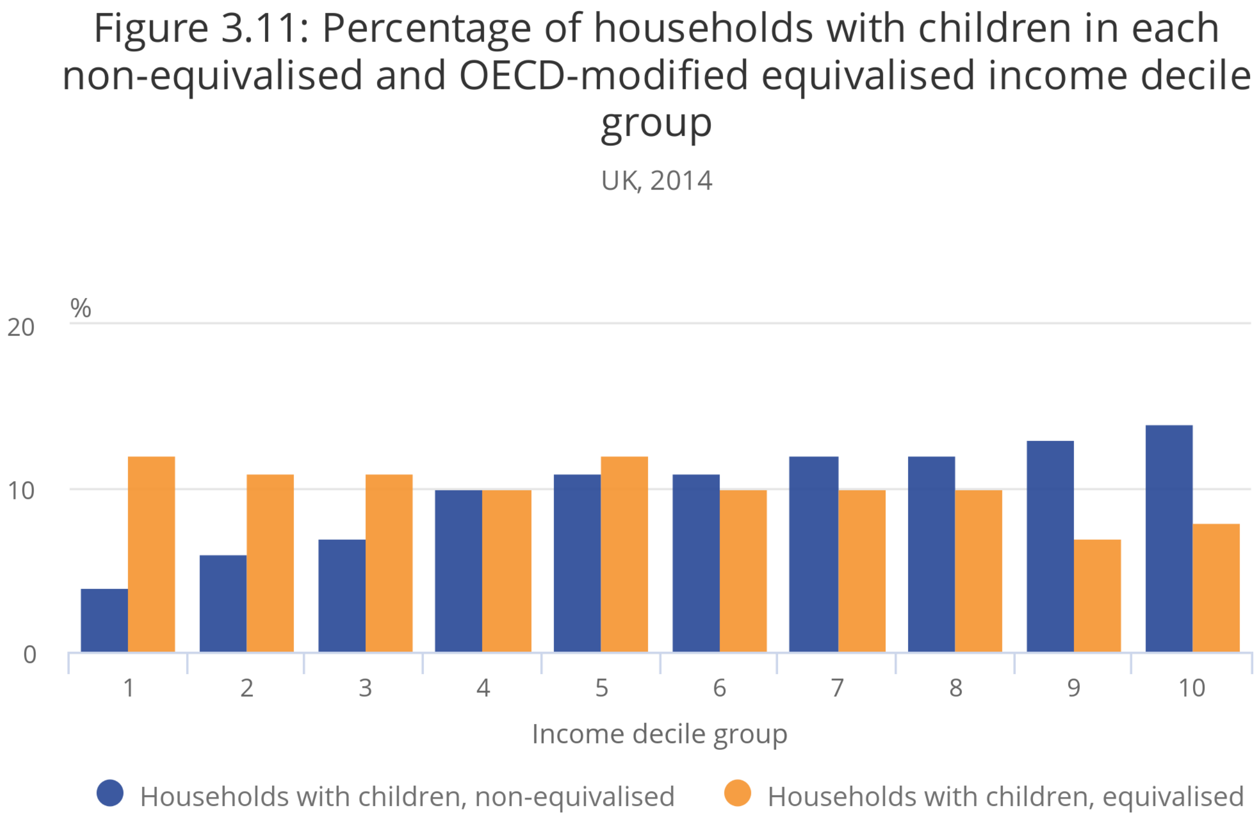
Source: Living Costs and Food Survey - Office for National Statistics

Figure 3.11 shows the percentage of households with children in each income group, before and after income equivalisation. As non-equivalised disposable income increases, the proportion of households with children generally increases through the lower and middle income groups.

Factoring in living costs for children as part of the equivalisation process brings about large changes in the income distribution. There are more households with children in the lower income groups and there is no longer an increase in the number of households with children as income increases.

Figure 3.11: Percentage of households with children in each non-equivalised and OECD-modified equivalised income decile group

UK, 2014



Source: Living Costs and Food Survey - Office for National Statistics

Table 3.12 (43.5 Kb Excel sheet) also shows how equivalisation affects the average household size for each income decile group. As non-equivalised disposable income increases the average number of people in each household also increases. The average household size for the highest income group (3.3 people) was 2 and a half times that of the lowest income group (1.3 people). After income was equivalised, the average number of people in each household was more similar for each income decile group, with the average varying between 2.2 and 2.5. This pattern of results occurs because the equivalisation process scales up the income of households containing one adult (relative to other households) and scales down the income of households with more people.

This is the only chapter that presents equivalised income data. Other tables included in Family Spending are available on an equivalised income basis on request (there is more information in "About this edition of Family Spending").

8. Background notes

1. **Symbols and conventions used in Family Spending 2015 Edition**

   [ ] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

   .. The data is suppressed if the unweighted sample counts are less than 10 reporting households.

   - No figures are available because there are no reporting households.

   Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

   Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

   Period covered: Calendar year 2014 (1 January 2014 to 31 December 2014).

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Compendium

Chapter 4: Trends in household expenditure over time

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To be announced

Table of contents

1 . Introduction

This chapter examines trends in household expenditure over time. Table 4.1 (78.5 Kb Excel sheet) and Table 4.2 (87 Kb Excel sheet) present expenditure for the survey year ending March 2002 to December 2014, adjusted to take account of inflation using mainly the Consumer Prices Index (CPI). This enables a comparison of expenditure to be made between survey years that allows for changing prices. Expenditure over the same period is also shown without adjusting for inflation (in current prices) (Table 4.3 (82.5 Kb Excel sheet)).

Changes and differences mentioned in the text have been found to be statistically significant at the 95% confidence level, unless otherwise stated. There is more detail about significance testing in the background section.

Each year the Living Costs and Food Survey (LCF) is reviewed and changes are made to keep it up to date. As such, year on year changes should be treated with caution.

2 . Main points

In 2014:

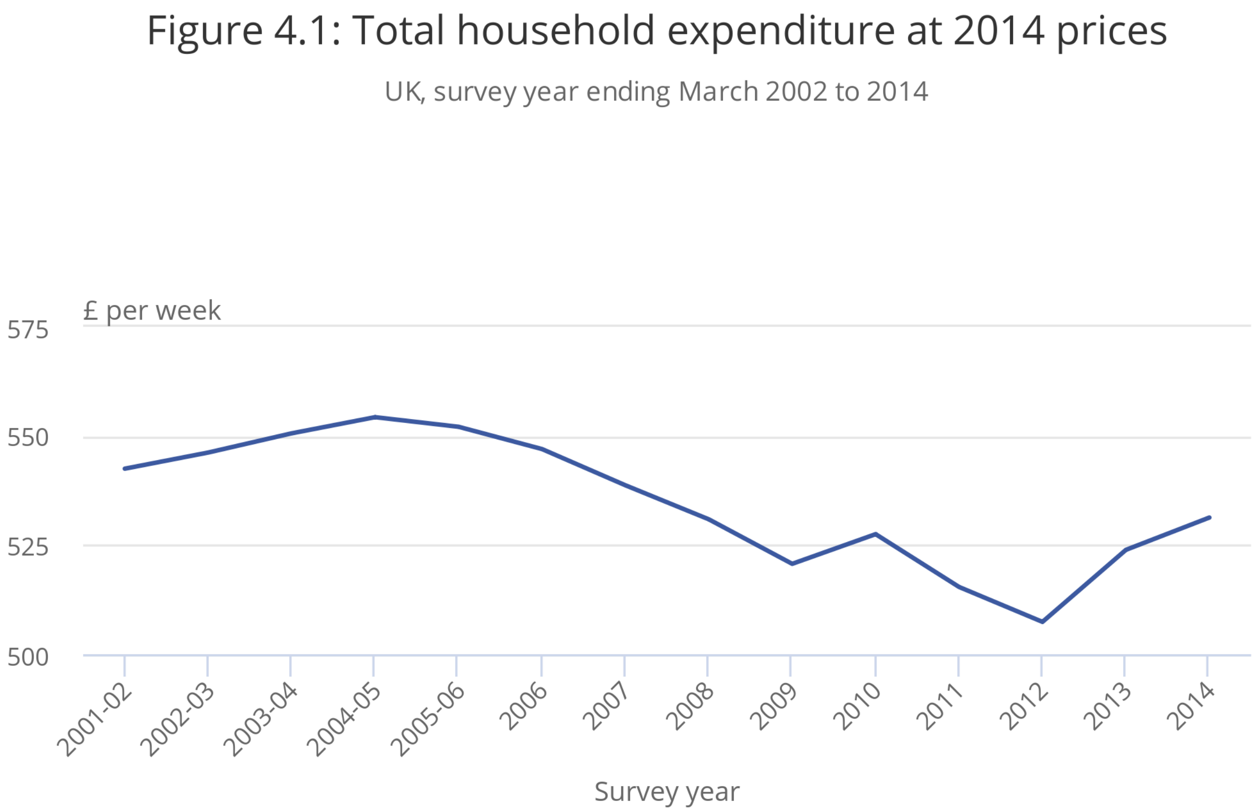
- average household weekly spending increased to £531.30, from its lowest level in 2012 (adjusted to 2014 prices) when households spent an average of £507.40 per week
- average expenditure remains at a lower level than that seen before 2007
- transport accounted for the highest average weekly spend, at £74.80, an increase from £70.60 in 2013 (adjusted to 2014 prices); the increase in spending on transport can partly be attributed to an increase in purchases of new and second hand cars, and follows a decreasing trend between the survey year ending March 2002 and December 2012
- housing (net), fuel and power (excluding mortgage payments) was the second highest expenditure category, averaging £72.70 per week; this was a decrease from £76.60 in 2013, driven by a decrease in spending on household fuel, and follows a generally upward trend from the survey year ending March 2002
- there were slight increases between 2013 and 2014 across most expenditure categories, providing evidence that consumer confidence is increasing as the economic recovery continues

3 . Trends in average household spending

This section discusses some of the trends seen in average household weekly spending since the survey year ending March 2002, once the effects of inflation have been taken into account.

Figure 4.1: Total household expenditure at 2014 prices

UK, survey year ending March 2002 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

Notes:

1. Figures have been deflated to 2014 prices using deflators specific to the COICOP category.
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year.
3. From 2001-02 to 2005-06, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census.
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Figure 4.1 shows total expenditure from the year ending March 2002 to 2014. Average weekly household spending started to decline before the economic downturn, falling from £547.00 in 2006 to £507.40 in 2012. However, in 2013 average spending started growing again (increasing to £523.90) and continued growing in 2014 when it reached £531.30[1^.]

Disposable^2 household income, which is shown in Table 4.1 (78.5 Kb Excel sheet), followed a somewhat different trend. It continued growing until reaching its peak in 2008 at £686. Between 2008 and 2014 disposable income followed a broadly downward trend contracting by 4.8%. However, disposable income increased by 0.5% from 2012 to 2013 and 4.6% from 2013 to 2014.

The trend observed in household spending in 2008, 2009 and 2010 is broadly consistent with the wider economic context. A financial market shock affected UK and global economic growth in 2008 and 2009. Economic growth resumed towards the end of 2009, but generally at a slower rate than the period prior to 2008. From the peak in Quarter 1 (Jan to Mar) 2008 to the trough in Quarter 2 (Apr to June) 2009 GDP decreased by 6.1%. This coincided with a decline in household spending (that had started in 2007).

From Quarter 3 (July to Sept) 2009 GDP growth continued to be erratic, particularly between 2010 and 2012 with two quarters recording negative growth. This two-year period coincided with special events (for example severe winter weather in Quarter 4 (Oct to Dec) 2010 and the Diamond Jubilee in Quarter 2 2012) that are likely to have affected growth both adversely and positively. Housing spending followed a generally decreasing trend during this time.

Since 2013, the economic recovery gained pace and became more consistent, exceeding pre-downturn peak levels in Quarter 2 2013. This coincided with a resumption to growth of household spending. The wider economic context summarised here is described more fully in the Second Estimate of GDP, Quarter 3.

If spending is considered without adjusting for inflation we see a different trend (Table 4.3 (82.5 Kb Excel sheet)). Household spending, at the prices at the time the surveys were carried out, has increased from £398.30 in the survey year ending March 2002 to £531.30 in 2014.

Notes for Trends in average household spending

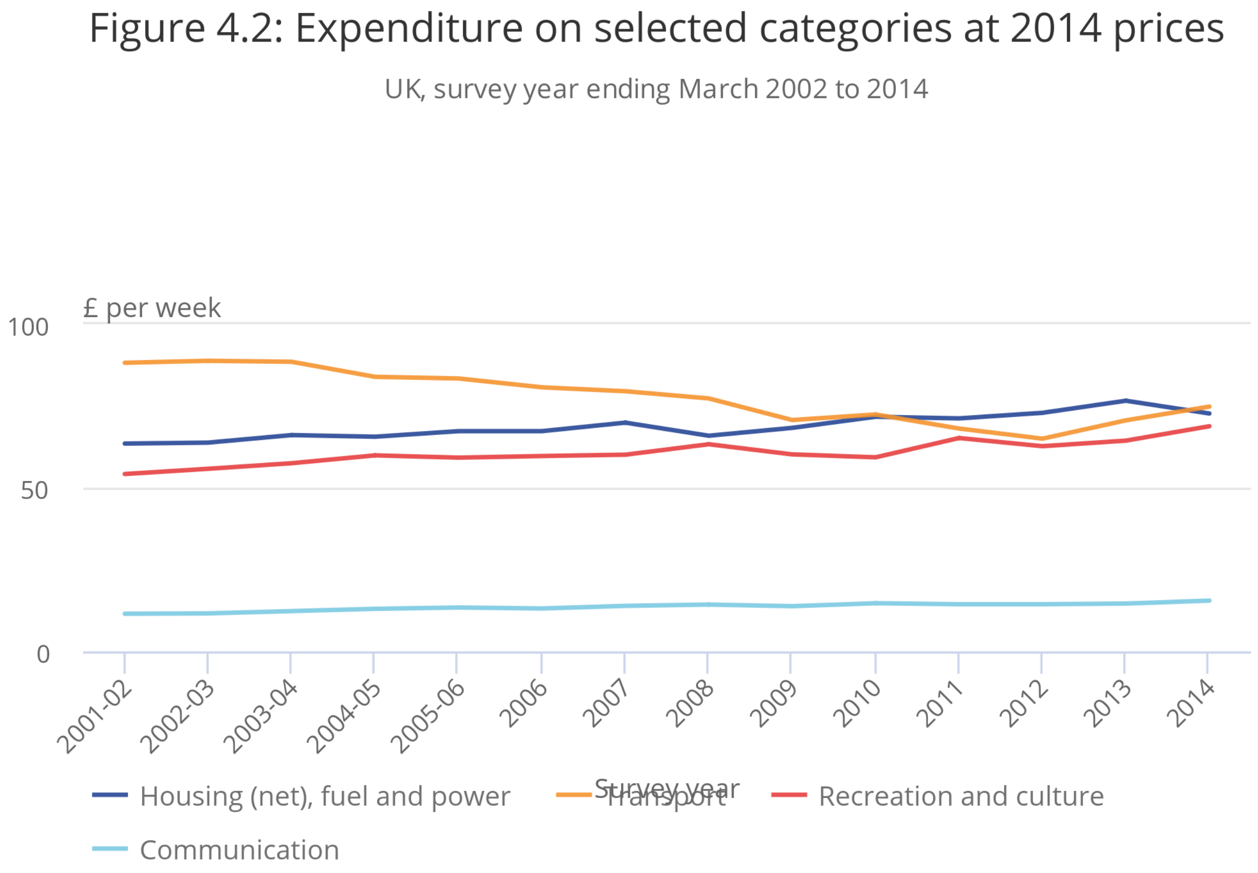
1. The increase between 2012 and 2013 was found to be significant at the 95% confidence level. However, the increase between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details of significance testing.

2. Disposable income is defined as gross weekly cash income less the statutory deductions and payments of income tax and National Insurance contributions.

4 . Trends in spending patterns

Figure 4.2: Expenditure on selected categories at 2014 prices

UK, survey year ending March 2002 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

Notes:

1. Figures have been deflated to 2014 prices using deflators specific to the COICOP category
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year
3. From 2001 to 2002 to 2005 to 2006, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Figure 4.2 shows the total household expenditure from the survey year ending March 2002 to December 2014 on transport, housing (net), fuel and power, recreation and culture and communication, adjusted to 2014 prices. There was a significant difference in spending between 2013 and 2014 for each of these categories. Spending on recreation and culture, transport and communication increased, while spending on housing (net), fuel and power decreased.

Transport accounted for the highest average weekly household spending in 2014, increasing to £74.80 from £70.60 in 2013. The increase between 2013 and 2014 can partly be attributed to an increase in purchases of new cars. Purchase of vehicles makes up a large proportion (33% in 2014) of spending on transport. Purchases of new cars were recorded as increasing between 2013 and 2014. In 2013 and 2014 there was a decrease in the price of motor fuels which may have increased the disposable income of households and contributed toward their purchases of more new cars.

In 2014 housing (net), fuel and power[1] accounted for the second highest level of spending despite decreasing to £72.70 in 2014 from £76.60 in 2013 (Table 4.1 (78.5 Kb Excel sheet)). Spending on electricity, gas and other fuels makes up a high proportion (35% in 2014) of spending in the category housing (net), fuel and power. Although energy prices rose in 2014, warmer weather and further improvements in energy efficiency resulted in a fall in consumption. This has resulted in expenditure on housing fuel falling, contributing to the decrease in spending on housing (net), fuel and power seen in 2014.

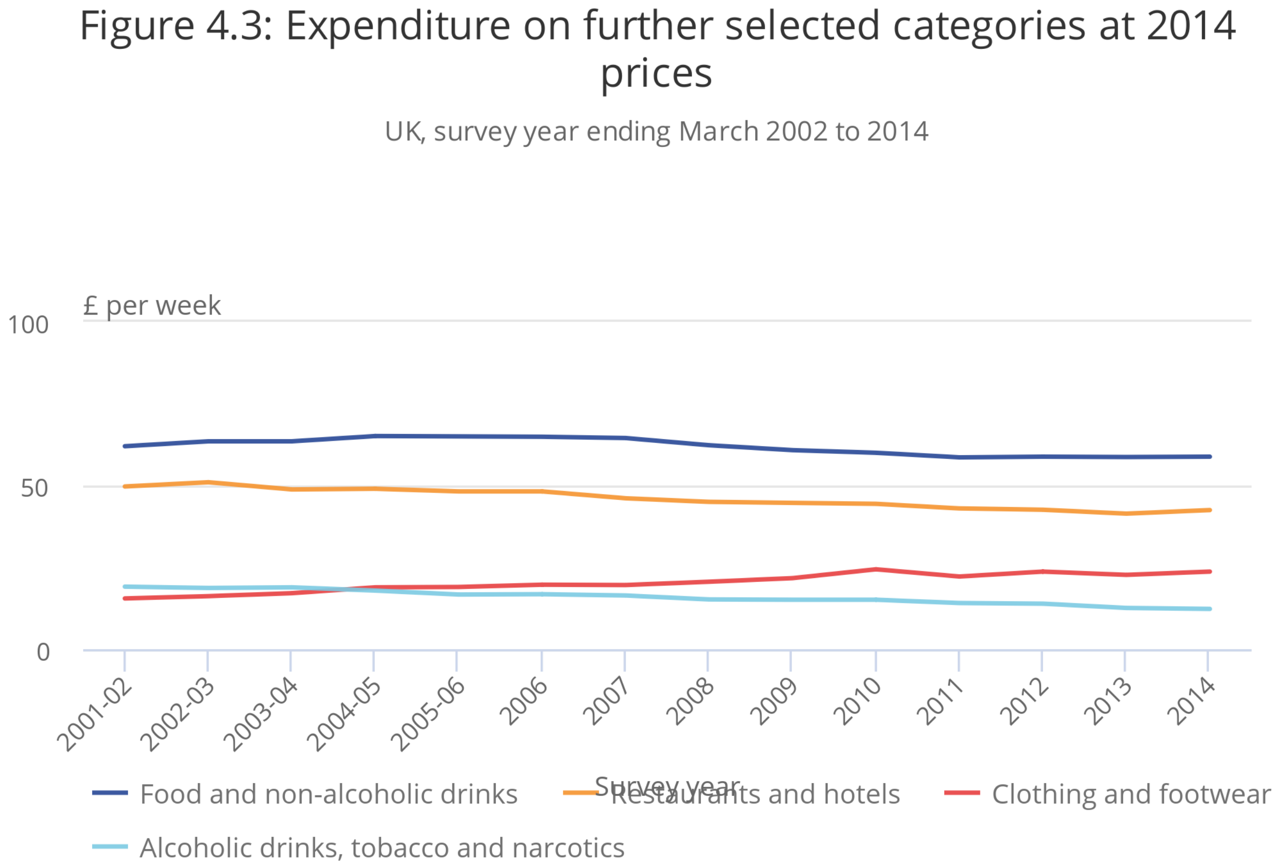
Average weekly spending on recreation and culture followed a generally upward trend between the years ending March 2002 and December 2014, increasing from £54.20 to £68.80. This category includes a wide range of goods and services. The increase between 2013 and 2014 is mainly attributable to increases in spending on personal computers (including tablets), plants for the garden, as well as sports admissions and subscriptions. The increase seen in spending on computers (including tablets) has coincided with an increase in the proportion of adults using portable devices (such as laptops and tablets) to access the internet from 32% in 2013 (as seen in table 10) to 43% in 2014 (as seen in table 9).

A common feature of the products and services included in the recreation and culture category is that they are generally considered to constitute discretionary spending. The larger increase seen between 2013 and 2014 coincides with the increased rate of economic growth, when households had more disposable income allowing them to spend more on discretionary items.

Spending on communication also increased between 2013 and 2014 following a broadly upward trend since the year ending March 2002. This is partly attributable to an increase in spending on mobile phones – both on new handsets and contract payments. This coincides with an increase in the proportion of adults using their mobile or smartphones to access the internet from 53% in 2013 (as seen in table 10) to 58% in 2014 (as seen in table 9). Note that tablet computers are included under recreation and culture, as described above, because they are classified as personal computers.

Figure 4.3: Expenditure on further selected categories at 2014 prices

UK, survey year ending March 2002 to 2014



Source: Living Costs and Food Survey - Office for National Statistics

Notes:

1. Figures have been deflated to 2014 prices using deflators specific to the COICOP category
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year
3. From 2001-02 to 2005-06, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Average spending on food and non-alcoholic drinks has been relatively flat at approximately £59 since 2011, having fallen from £65.10 in the survey year ending March 2005 (at 2014 prices). This coincided with the increase of discount supermarket chains, increasing consumer choice and competition in the market.

Expenditure on clothing and footwear has fluctuated only slightly between 2011 and 2014 (from £22.20 to £23.70 respectively on average per week). This is following a substantial increase from £15.50 in the survey year ending March 2002 (adjusted for inflation).

Spending on restaurants and hotels has followed a broadly downward trend between the year ending March 2002 and 2014. However, there was a small increase between 2013 and 2014 from £41.40 to £42.50 [2].

Expenditure on alcoholic drinks, tobacco and narcotics was very similar in 2013 (£12.60) and 2014 [3] (£12.30), following a longer-term fall from £19.10 in the year ending March 2002. A contributing factor to the decrease in alcoholic drinks, tobacco and narcotics is the continuing decrease in the proportion of people who smoke; latest smoking figures show that the proportion of people smoking has decreased to 18.3% in 2014 from 21.0% in 2010.

The trends in different types of spending between 2013 and 2014 provide evidence that consumer confidence increased as economic conditions improved. An increase in spending was observed in most categories of spending (although not all increases were statistically significant), including those that can be considered to be discretionary, such as recreation and culture. Alongside the continuing economic recovery, consumers are also shown to have reduced spending on essential items, such as heating their homes or paying for petrol fuels, with rising disposable income allowing for greater spending elsewhere.

Notes for Trends in spending patterns

1. The category housing (net), fuel and power does not include mortgage payments. Mortgage interest payments are included within the "other expenditure items" category. Capital repayment of mortgages for 2014 is detailed in section 14 ("other items recorded") of Table A1 (154.5 Kb Excel sheet) of this report. A full picture of housing related expenditure is provided in Chapter 2, including those, such as mortgage payments, that fall outside the classification of individual consumption by purpose (COICOP) classification.

2. The increase between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details on significance testing.

3. The decrease in alcoholic drinks, tobacco and narcotics between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details on significance testing.

5 . Background

This chapter presents household expenditure data over time using the classification of individual consumption by purpose (COICOP) classification. The expenditure figures have been deflated to allow comparison of expenditure in real terms across survey years.

Data presented in the figures and tables has been deflated to 2014 prices 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 payment and council tax payments, the Retail Prices Index (RPI) was used. The approach used to deflate figures to 2014 prices is consistent with the approach used for Family Spending, 2012 and Family Spending, 2013. However, it is different from editions previous to this, when the all-items RPI was used.

The Living Costs and Food Survey (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. It is important to continue to review the survey, to make sure it captures all types of spending as fully as possible, in an environment where products and methods of payment change rapidly. A detailed breakdown of the items that feed into each COICOP heading can be found in Table A1 (154.5 Kb Excel sheet).

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. Standard errors have been calculated for the data presented in this chapter, including the figures that have been deflated to 2014 prices (standard errors are discussed in more detail in the Methodology chapter). These calculations have been taken into account in the testing for statistical significance. This testing indicates the probability with which we are confident that the difference between the estimates under examination did not occur by chance.

Changes and differences mentioned are statistically significant at the 95% confidence level, unless stated. This means that the probability that the difference occurred by chance is low (1 in 20 or lower). Note that spending on certain items, notably tobacco and alcohol, may be under-reported.

COICOP time series data in this publication are not directly comparable with UK National Accounts household expenditure data, which are published in Consumer Trends. National Accounts figures draw on a number of sources in addition to the LCF (Consumer Trends guidance has more details) and may be more appropriate for finding long term trends on expenditure.

6. Background notes

1. **Symbols and conventions used in Family Spending 2015 Edition**

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   Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

   Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

   Period covered: Calendar year 2014 (1 January 2014 to 31 December 2014).

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Compendium

List of tables: Appendix A

This appendix provides a range of tables based on the information collected by the Living Costs and Food Survey. The table titles listed here are links that can be used to access the tables: click on the title, and this will bring up the table in Excel.

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Compendium

Methodology

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1 . Description of the survey

A household expenditure survey has been conducted each year in the UK since 1957. From 1957 to March 2001, the Family Expenditure Survey (FES) and National Food Survey (NFS) provided information on household expenditure patterns and food consumption. In April 2001, these surveys were combined to form the Expenditure and Food Survey (EFS).

In 2008 selected government household surveys led by the Office for National Statistics, were combined into one integrated household survey (IHS). In anticipation of this, the EFS moved to a calendar-year basis in January 2006. The EFS questionnaire became known as the living costs and food (LCF) module of the IHS in 2008, to accommodate the insertion of a core set of IHS questions. More information about the IHS can be found on our website. In quarter 2 of 2014, the LCF came out of the IHS.

The LCF is a voluntary sample survey of private households. The basic unit of the survey is the household. A household comprises 1 person living alone or a group of people (not necessarily related, living at the same address) who share cooking facilities AND share a living room or sitting room or dining area (See “Definitions”).

Each individual aged 16 and over in the household visited is asked to keep diary records of daily expenditure for 2 weeks. Information about regular expenditure, such as rent and mortgage payments, is obtained from a household interview along with retrospective information on certain large, infrequent expenditures such as those on vehicles. Children aged 7 to 15 are asked to keep a simplified version of the diary.

Detailed questions are asked about the income of each adult member of the household. In addition, personal information such as age, sex and marital status is recorded for each household member. A copy of the LCF questionnaire is available from the UK Data Service.

The survey is continuous, interviews being spread evenly over the year to ensure that seasonal effects are covered. The questionnaire content is reviewed thoroughly to ensure that it is up-to-date and captures information efficiently. Some changes reflect new forms of expenditure or new sources of income, especially benefits. Others are the result of new requirements by the survey’s users. (See the section on “Survey improvements” for more information).

The sample design

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. All Scottish offshore islands and the Isles of Scilly are excluded from the sample because of excessive interview travel costs. Postal sectors are the primary sample unit. 638 postal sectors are randomly selected after being arranged in strata defined by regions (sub-divided into metropolitan and non-metropolitan areas) and 2 variables from the 2001 Census: socio-economic group of the head of household and ownership of cars. These census variables were new stratifiers originally introduced for the survey year ending 1997, and updated following the results of the 2001 Census. The results of the 2011 Census will be used in due course. The Northern Ireland sample is drawn as a random sample of addresses from the Land and Property Services Agency list.

2 . Uses of the survey

LCF expenditure data

Retail Prices Index

The main reason, historically, for instituting a regular survey on expenditure by households has been to provide information on spending patterns for the Retail Prices Index (RPI) and the Consumer Prices Index (CPI). From April 2011, the CPI rather than the RPI is used as basis for indexation of benefits, tax credit and state and public service pensions. The RPI and CPI measure the change in the cost of a selection of goods and services (the “basket of goods”) representative of the expenditure of the vast majority of households. The pattern of expenditure gradually changes from one year to the next and the composition of the basket of goods needs to be kept up-to-date. Accordingly, regular information is required on spending patterns and much of this is supplied by the LCF. The expenditure weights for the general RPI and CPI need to relate to people within given income limits, for which the LCF is the only source of information.

Household expenditure and gross domestic product (GDP)

LCF data on spending are an important source used in compiling national estimates of household final consumption expenditure which are published regularly in UK national accounts (ONS Blue Book). Household final consumption expenditure estimates feed into the national accounts and estimates of GDP. They will also provide the weights for purchasing power parities (PPPs) for international price comparisons. LCF data are also used in the estimation of taxes on expenditure, in particular VAT.

Regional accounts

LCF expenditure information is one of the sources we use to derive regional estimates of consumption expenditure. It is also used in compiling some of the other estimates for the regional accounts.

The statistical office of the European Union (Eurostat)

Eurostat collates information from family budget surveys conducted by the member states. The LCF is the UK’s contribution to this important EU initiative to collect data on household expenditure from member countries.

Other government uses

The Department of Energy and Climate Change and the Department for Transport both use LCF expenditure data in their own fields relating to, for example, energy, housing, cars and transport. The Department for Transport uses LCF data to monitor and forecast levels of car ownership and use, and in studies on the effects of motoring taxes.

Non-government uses

There are also numerous users outside central government, including academic researchers and business and market researchers. One example is an academic study that has used LCF data, as part of a wider study, to obtain a clear picture of utility expenditure patterns across the European Union.

LCF income data

Redistribution of income

LCF information on income and expenditure is used to study how government taxes and benefits affect household income. The government’s interdepartmental tax benefit model is based on the LCF and enables the economic effects of policy measures to be analysed across households. This model is used by HM Treasury and HM Revenue and Customs to estimate the impact on different households of possible changes in taxes and benefits.

Non-government users

As with the expenditure data, LCF income data are also studied extensively outside government. In particular, academic researchers in the economic and social science areas of many universities use the LCF. For example, the Institute for Fiscal Studies uses LCF data in research it carries out both for government and on its own account to inform public debate.

Family Spending and Defra reporting

The Department for Environment, Food and Rural Affairs (Defra) publishes separate reports using LCF data on food expenditure to estimate consumption and nutrient intake.

It should be noted that Defra's reporting, in Family Food, on food consumption and nutrient uptake is at person level. Family Spending reports expenditure at household level, meaning that the figures cannot be directly compared to those presented in Family Food. The different approaches reflect the different analytical purposes of the 2 publications, with person-level being appropriate to nutritional analysis.

Notes for Uses of the survey

1. 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.

3 . Response to the survey

Great Britain

A total of 11,484 households were selected in 2014 for the LCF in Great Britain. However, it is not possible to get full response. A small number of households cannot be contacted at all and in other households one or more members decline to co-operate. 4,774 households in Great Britain co-operated fully in the survey in 2014; that is, they answered the household questionnaire and all adults in the household answered the full income questionnaire and kept the expenditure diary. A further 208 households provided sufficient information to be included as valid responses. The overall response rate for the 2014 LCF was 48% in Great Britain, the same rate as in the 2013 survey.

Response table 1: Response in 2014

Great Britain

	Number of households or addresses	Percentage of set sample	Percentage of effective sample
Sampled addresses	11,484	100	
Ineligible	1,153	10	
Extra households (multi-households)	2	0	
Total eligible	10,333		100
Co-operating households (includes 208 partials)	4,982		48

Refusals	3,843	37
Non-contact	624	6
Unknown eligibility	472	5
Other non-response	412	4

Source: Office for National Statistics

Northern Ireland

In the Northern Ireland survey, the eligible sample was 253 households. The number of co-operating households who provided usable data was 152 giving a response rate of 60%. This represents a decrease of 1 percentage point from the 2013 survey year[1].

Northern Ireland was over-sampled in the survey years ending 1998 to 2009 in order to provide a large enough sample for some separate analysis. This boost to the Northern Ireland sample was discontinued in 2010.

Partial response

The LCF accepts 3 types of partial response:

- all adults complete the full income section of the interview, but 1 or more adults in the household refuse to keep the diary
- all adults in the household keep the diary, but 1 or more adults provides only partial income information
- 1 or more adults refuse to keep the diary and 1 or more adults provide only partial income information

All partial responses must contain a diary from the main diary keeper (MDK), who is the person that does most of the shopping in the household. If the MDK refuses to complete the diary, the household is classified as a refusal.

In 2014, partial responses accounted for 4% (208 households) of all co-operating households. Of these partials, all except 1 household occurred because one or more adults in the household refused to keep the diary. The remaining household provided partial income information.

Response table 2: Type of partial response in 2014

Great Britain

Type of partial response	Number of households	Percentage of partials
1. One or more adults refuse to keep the diary[1]	207	100
2. One or more adults provide only partial income information	1	0
All	208	100

Source: Office for National Statistics

Notes:

1. Diary is present for the main diary keeper

LCF response rates over time

Response rates to household surveys have generally been declining in recent years. In 2014, the LCF's response rate for Great Britain was 48% (see "Response to the survey" for a detailed breakdown), compared with 58% in the survey year ending 2004. Response in 2014 was the same as that in 2013. It should be noted that the LCF requires satisfactory completion of both the household questionnaire and diary. For more information see the "Living Costs and Food Survey Technical Report".

The fieldwork

The fieldwork is conducted by the Office for National Statistics (ONS) in Great Britain and by the Northern Ireland Statistics and Research Agency (NISRA) of the Department of Finance and Personnel in Northern Ireland using almost identical questionnaires. Households at the selected addresses are visited and asked to co-operate in the survey. In order to maximise response, interviewers make at least 4 separate calls, and sometimes many more, at different times of day on households which are difficult to contact.

Interviews are conducted by computer assisted personal interviewing (CAPI) using laptop computers. During the interview information is collected about the household: certain regular payments such as rent, gas, electricity and telephone accounts; expenditure on certain large items (for example vehicle purchases over the previous 12 months); and income.

Each individual aged 16 and over in the household is asked to keep a detailed record of expenditure every day for 2 weeks. Children aged between 7 and 15 are also asked to keep a simplified diary of daily expenditure. In 2014, a total of 1,284 children aged between 7 and 15 in responding households in the UK were asked to complete expenditure diaries; 266 (21%) did not do so. This number includes both refusals and children who had no expenditure during the 2 weeks. Information provided by all members of the household is kept strictly confidential. Each person aged 16 and over in the household who keeps a diary (and whose income information is collected) is subsequently sent a £10 voucher as a token of appreciation. Children who keep a diary are given a £5 voucher.

Some survey cases are reissued if a response is not obtained, that is, the cases are reallocated to field interviewers at a later date to attempt to achieve a response. In 2014, 951 addresses were reissued, of which 60 were converted into responding households. This increased the overall response by 1 percentage point.

Eligible response

Under LCF rules, a refusal by just 1 person to respond to the income section of the questionnaire invalidates the response of the whole household. Similarly, a refusal by the household's main shopper to complete the 2-week expenditure diary also results in an invalid response.

Proxy response

Questions about general household affairs are put to all household members or to the household reference person (HRP) and questions about work and income are put to the individual members of the household. Where a member of the household is not present during the household interview, another member of the household (for example a spouse) may be able to provide information about the absent person. The individual's interview is then identified as a proxy interview. Under LCF rules, the expenditure diary cannot be completed by proxy; if a household member is not present during the diary period they are classified as an absent spender.

In 2014, the percentage of fully responding households with a proxy interview in Great Britain was 29%. As in previous years, analysis of the 2014 data revealed that the inclusion of proxy interviews increased response from above-average income households. For the 2014 survey, the average gross normal weekly household income was 19% higher than it would have been if proxy interviews had not been accepted. Similar findings were obtained with respect to expenditure: total spending was 14% higher than if proxy interviews had not been included. Use of proxies enhances the sample size and hence the precision of the figures obtained. It also enables the survey to capture the income and expenditure from (on average) higher-earning households and hence ensures that these households are represented fully in the survey. This must be weighed against the risk that the proxy interviews may not provide exactly the same information as direct interviews, but the available evidence suggests that including proxies provides higher data quality overall.

Reliability

Great care is taken in collecting information from households and comprehensive checks are applied during processing so that errors in recording and processing are minimised. The main factors that affect the reliability of the survey results are sampling variability, non-response bias and some incorrect reporting of certain items of expenditure and income. Measures of sampling variability are given alongside some results in this report and are discussed in detail in "Standard errors and estimates of precision".

The households that decline to respond to the survey tend to differ in some respects from those that co-operate; it is therefore possible that their patterns of expenditure and income also differ. Currently, non-responders are accounted for in the weighting process for LCF data, which compensates for non-responders recognised from analysis of the 2001 Census (see "Weighting" for more information). At present, the LCF is contributing towards the 2011 Census non-response linkage project, which will enable non-response weights to be updated.

Checks are included in the computer-assisted personal interviewing (CAPI) program, which are applied to the responses given during the interview. Other procedures are also in place to ensure that users are provided with high quality data. For example, quality control is carried out to ensure that any unusual values (outliers) are genuine and checks are made on any unusual changes in average spending compared with the previous year.

Income and expenditure balancing

The LCF is designed primarily as a survey of household expenditure on goods and services. It also gathers information about the income of household members and is an important and detailed source of income data. However, it is not possible to draw up a balance sheet of income and expenditure either for individual households or groups of households.

The majority of expenditure information collected relates to the 2-week period immediately following the interview, whereas income components can refer to a much longer period (the most recent 12 months). LCF income does not include withdrawal of savings, loans and money received in payment of loans, receipts from maturing insurance policies, proceeds from the sale of assets (such as a car), winnings from betting or windfalls, such as legacies. Despite this, recorded expenditure might reflect these items, as well as the effects of living off savings, using capital, borrowing money or income – either recent or from a previous period.

Hence, there is no reason why income and expenditure should balance. In fact, measured expenditure exceeds measured income at the bottom end of the income distribution. However, this difference cannot be regarded as a reliable measure of savings or dis-saving.

For further information of what is included in income on the LCF see "Income headings".

Imputation of missing information

Although LCF response is generally based on complete households responding, there are areas in the survey for which missing information is imputed (inferred, sometimes in conjunction with other sources). This falls into 2 broad categories: item imputation and diary imputation. Using a combination of reliable imputation procedures ensures that the LCF data provide a comprehensive picture of the spending patterns and income sources for each household. For more information see the "Living Costs and Food Survey Technical Report".

Notes for Response to the survey

1. In 2013, the eligible Northern Ireland sample was 251 households. The number of co-operating households who provided usable data was 152 households, giving a response rate of 61%.

4 . Weighting

Since the survey year ending March 1999, the survey has been weighted to reduce the effect of non-response bias and produce population totals and means. The weights are produced in 2 stages. First, the data are weighted to compensate for non-response (sample-based weighting). Second, the sample distribution is weighted so that it matches the population distribution in terms of region, age group and sex (population-based weighting).

Sample based weighting using the census

Weighting for non-response involves giving each respondent a weight so that they represent the non-respondents that are similar to them in terms of the survey characteristics. Non-responders are accounted for in the weighting process for LCF data using results from the 2001 Census linked study of non responders.

The 2001 LCF Census-linked study matched census addresses with the sampled addresses of EFS. In this way it was possible to match the address details of the respondents as well as the non-respondents with corresponding information gathered from the census for the same address. The information collected during 2001 Census and EFS matching work was then used to identify the types of households that were being under-represented in the survey. Further details of how the weighting classes were produced can be seen in the “Weighting” section of the “Living Costs and Food Survey Technical Report”.

The results of the 2011 Census-linked studies will be used to further update non-response weighting in due course.

Population-based weighting

The second stage of the weighting adjusts the non-response weights so that weighted totals match population totals. As the LCF sample is based on private households, the population totals used in the weighting need to relate to people living in private households. For 2014 data, the population totals used were population projections based on estimates rolled forward from the 2011 Census, adjusted to harmonise with the LCF definition of a private household. These estimates exclude residents of institutions not covered by the LCF, such as those living in bed-and-breakfast accommodation, hostels, residential homes and other institutions.

The non-response weights were calibrated[1] so that weighted totals matched population totals for males and females in different age groups and for regions. An important feature of the population-based weighting is that it is done by adjusting the factors for households not individuals.

The weighting is carried out separately for each quarter of the survey. The main reason is that sample sizes vary slightly from quarter to quarter. Quarterly weighting counteracts any potential bias from the uneven spread of interviews through the year.

Effects of weighting on the data

Table B1 shows the effects of the weighting by comparing unweighted and weighted data from 2014.

Table B1: The effect of weighting on expenditure

UK, 2014

Commodity or service	Average weekly household expenditure (£)		Absolute difference	Percentage difference
	Unweighted	Weighted as published		
All expenditure groups	455.00	461.20	6.19	1.4
Food and non-alcoholic drinks	59.00	58.80	-0.24	-0.4
Alcoholic drink, tobacco and narcotics	12.30	12.30	-0.01	-0.1
Clothing and footwear	23.40	23.70	0.35	1.5
Housing, fuel and power	68.00	72.70	4.63	6.8
Household goods and services	35.60	35.40	-0.19	-0.5
Health	7.40	7.10	-0.34	-4.6
Transport	74.00	74.80	0.81	1.1
Communication	15.00	15.50	0.49	3.3
Recreation and culture	70.40	68.80	-1.62	-2.3
Education	8.00	9.80	1.77	22.2
Restaurants and hotels	40.90	42.50	1.58	3.9
Miscellaneous	41.00	40.00	-1.04	-2.5
Weekly household income:				
Disposable	643	653	10	1.5
Gross	765	780	16	2.0

Source: Office for National Statistics

The weighting increased the estimate of total average expenditure by £6.19 a week. It had the largest impact on average weekly expenditure on education, increasing the estimate by 22.2%. It also increased the estimate of spending on housing, fuel and power by 6.8%, and reduced the estimate of spending on recreation and culture by 2.3% and the estimate for household goods and services by 0.5%. Weighting also increased the estimates of average income, by £10 a week for disposable household income and by £16 a week (2%) for gross household income.

Weighting also has an effect on the variance of estimates. In an analysis of the survey year ending 2000 data, weighting increased variance slightly for some items and reduced it for others. Overall the effect was to reduce variance slightly.

Notes for weighting

1. Implemented by the CALMAR software package before 2007 and GES for 2006 to 2008 (updated weights).

5 . Standard errors and estimates of precision

The Living Costs and Food Survey (LCF) is a sample of households and not a census of the whole population. Therefore, the results are liable to differ to some degree from those that would have been obtained if every single household had been covered. Some of the differences will be systematic, in that lower proportions of certain types of household respond than of others. That aspect is discussed in “Response to the survey” and “Weighting”. This section discusses the effect of sampling variability; in other words, the effect of differences in expenditure and income between the households in the sample and in the whole population that arise from random chance.

The degree of variability will depend on the sample size and how widely particular categories of expenditure (or income) vary between households. The sampling variability is smallest for the average expenditure of large groups of households on items purchased frequently and when the level of spending does not vary greatly between households. Conversely, it is largest for small groups of households and for items purchased infrequently or for which expenditure varies considerably between households. A numerical measure of the likely magnitude of such differences (between the sample estimate and the value of the entire population) is provided by the quantity known as the standard error.

The calculation of standard errors takes into account the fact that the LCF sample is drawn in 2 stages: first a sample of areas (primary sampling units), then a sample of addresses within each of these areas. The main features of the sample design are described in "Description of the survey". The calculation also takes account of the effect of weighting. The 2-stage sample increases sampling variability slightly, but the weighting reduces it for some items.

Standard errors for detailed expenditure items are presented in relative terms in Table A1 (154.5 Kb Excel sheet) (standard error as a percentage of the average to which it refers). As the calculation of full standard errors is complex, this is the only table where they are shown. Tables B2 and B3 in this section show the design factor (DEFT), a measure of the efficiency of the survey's sample design. The DEFT is calculated by dividing the full standard error by the standard error that would have applied if the survey had used a simple random sample.

Further standard errors are calculated for the figures and tables in the trends chapter. Figures have been deflated to 2014 prices using the Consumer Prices Index (CPI), using indices specific to each major COICOP category. This is with the exception of specific items to which the CPI is not applicable: for mortgage interest payment and council tax payments the Retail Prices Index (RPI) was used. For the deflated figures using the CPI, standard errors have been calculated.

For more information of the calculation of standard errors see the "Living Costs and Food Survey Technical Report".

Table B2: Percentage standard errors of expenditure of households and number of recording households

UK, 2014

Commodity or service	Percentage standard error				Households recording expenditure	
	Weighted average weekly household expenditure (£)	Simple method	Design factor (DEFT)	Full method	Recording households in sample	Percentage of all households
All expenditure groups	461.20	1.1	0.9	1.0	5,134	100
Food and non-alcoholic drinks	58.80	0.9	1.0	0.8	5,104	99
Alcoholic drink, tobacco and narcotics	12.30	2.4	1.0	2.4	3,189	62
Clothing and footwear	23.70	2.5	1.0	2.5	3,370	66
Housing, fuel and power	72.70	1.3	1.1	1.5	5,129	100
Household goods and services	35.40	3.4	0.7	2.6	4,736	92
Health	7.10	8.1	0.9	7.5	2,735	53
Transport	74.80	2.0	0.8	1.6	4,471	87
Communication	15.50	1.3	0.8	1.1	4,937	96

Recreation and culture	68.80	2.4	0.8	1.9	5,091	99
Education	9.80	13.5	0.6	7.9	303	6
Restaurants and hotels	42.50	1.8	1.2	2.0	4,455	87
Miscellaneous goods and services	40.00	2.3	0.9	2.1	5,030	98

Source: Office for National Statistics

Table B3: Percentage standard errors of income of households and number of recording households

UK, 2014

Source of income	Percentage standard error				Households recording income	
	Weighted average weekly household expenditure (£)	Simple method	Design factor (DEFT)	Full method	Recording households in sample	Percentage of all households
Gross household income	780.00	1.2	1.1	1.3	5,134	100
Wages and salaries	504.00	1.8	0.9	1.7	3,034	59
Self-employment	57.00	6.3	1.1	7.2	661	13
Investments	28.00	10.3	1.3	13.0	2,467	48
Annuities and pensions (other than social security benefits)	72.00	3.6	0.8	3.1	1,770	34
Social security benefits	105.00	1.6	0.8	1.2	3,557	69
Other sources	15.00	7.3	1.8	13.1	666	13

Source: Office for National Statistics

Using the standard errors to calculate confidence intervals

A common use of standard errors is in calculating confidence intervals. Confidence intervals can be used to estimate a range within which the true population value should lie. The 95% interval can be taken to mean that there is only a 5% chance that the true population value lies outside the 95% confidence interval (or that 95 times out of 100 the true population value will fall within the interval).

The following formulae are used to calculate a 95% confidence interval:

Lower limit: mean - 1.96 × (percentage standard error ÷ 100) × mean

Upper limit: mean + 1.96 × (percentage standard error ÷ 100) × mean

For example, using the expenditure on food and non-alcoholic drinks to illustrate this calculation; the average expenditure is £58.80 and the corresponding percentage standard error (full method) is 0.8%. The limits for a 95% confidence interval are then:

Lower limit: 58.80 - 1.96 × (0.8 ÷ 100) ×58.80 = £57.80

Upper limit: 58.80 + 1.96 × (0.8 ÷ 100) ×58.80 = £59.70

Similar calculations can be carried out for other estimates of expenditure and income. The 95% confidence intervals for main expenditure categories are given in Table B4.

Table B4: 95% confidence intervals for average household expenditure

UK, 2014

Commodity or service	Weighted average weekly household expenditure (£)	95% confidence interval	
		Lower limit	Upper limit
All expenditure groups	461.20	452.30	470.20
Food and non-alcoholic drinks	58.80	57.80	59.70
Alcoholic drink, tobacco and narcotics	12.30	11.70	12.90
Clothing and footwear	23.70	22.60	24.90
Housing, fuel and power	72.70	70.60	74.80
Household goods and services	35.40	33.70	37.20
Health	7.10	6.00	8.10
Transport	74.80	72.40	77.20
Communication	15.50	15.10	15.80
Recreation and culture	68.80	66.20	71.40
Education	9.80	8.30	11.30
Restaurants and hotels	42.50	40.80	44.10
Miscellaneous goods and services	40.00	38.30	41.60

Source: Office for National Statistics

Using the standard errors – 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. Significance testing carried out in the trends chapter is at the 95% level unless otherwise stated. This means the probability that the difference happened by chance is low (1 in 20). For more information of the method used for significance testing see the “Living Costs and Food Survey Technical Report”.

6 . Survey improvements

Questionnaire review

In order to ensure the LCF questionnaire is up-to-date it is important that questions are regularly reviewed so that relevant changes can be made. Reviewing the questionnaire is a process of continuous improvement. For example, a pilot survey was carried out in 2012 to evaluate further questionnaire improvements. The changes tested in the pilot were implemented for the 2013 survey year. Questionnaire changes included: the addition of a new breakdown of spending on different types of furniture and package holidays, collection of flight expenditure in the questionnaire rather than the diary, the addition of a section designed to capture expenditure on combined utility packages and the addition of new questions about mobile phone ownership.

Limited changes have been made to the 2014 questionnaire due to the large number of improvements introduced in 2013 and the inclusion of new state benefits questions. In April 2014 the LCF left the IHS.

7 . Comparison with another source

A useful comparison for LCF estimates is with household final consumption expenditure (HHFCE) figures published in [Consumer Trends](#) and used in the UK national accounts.

This section compares estimates from the LCF with the estimates used in the UK national accounts. The household final consumption expenditure estimates use a number of administrative and survey sources, of which the LCF survey is one. As a result, differences occur in the estimates published, because of sources and concepts.

For example, conceptual differences can be found for housing expenditure. As explained in the “Housing expenditure” chapter, Family Spending only includes rental costs in the housing, fuel and power category, whilst mortgage costs are included in the other expenditure items category. In contrast, national accounts housing data in the housing, fuel and power category includes a value for rentals paid by owner occupiers in order to maintain international comparability. This is a theoretical cost that home owners would have to pay to rent their own home. By international convention, mortgage costs are excluded from national accounts household final consumption data.

According to Family Spending data, housing, water, electricity, gas and other fuels was the category where the value of spending increased most over the period 2006 to 2014 (without adjusting for inflation, an increase of 53%). Despite the conceptual differences between the two outputs, national accounts household expenditure estimates for the same category also show a large increase (60%) in spending.

Both national accounts and the “Trends in household expenditure over time” chapter of Family Spending provide estimates over time to remove the effects of inflation and to enable figures for different years to be compared on a like-for-like basis. The national accounts figures adjusted for inflation are known as "volume measures". The volume measures of national accounts show that housing, water, electricity, gas and other fuels expenditure has increased by 7%, while the prices of goods and services in this category, measured as an implied deflator, have increased by 50% between 2006 and 2014. Adjusted for inflation, Family Spending shows an increase in housing expenditure of 8% over the same period (from £67.30 to £72.70).

A similar pattern can be seen in the food and non-alcoholic drinks category in national accounts data, showing a reduction in volume (4%) and an increase in the monetary value of spending by around 35% since 2006. Family Spending reported a 27% increase in spending on food since 2006 (from £46.30 to £58.80, not adjusted for inflation). These figures indicate relatively little scope or willingness to cut back on these items, despite significant price rises in some goods and services and the economic downturn in 2008 to 2009.

Adjusted for inflation, Family Spending shows that transport spending at 2014 prices fell from £80.70 in 2006 to £74.80 in 2014, a decrease of 7%. The national accounts household expenditure on transport shows that spending adjusted for inflation rose by 4%. Prices in this category, again measured as an implied deflator, increased by 27% over the period which suggests that, as with food and non-alcoholic beverages, households spent more for a relatively lower volume of goods.

8 . Definitions

Household

A household comprises of 1 person living alone or a group of people (not necessarily related) living at the same address who:

- share cooking facilities

and

- share a living room or sitting room or dining area

Resident domestic servants are included. The members of a household are not necessarily related by blood or marriage. As the survey covers only private households, people living in hostels, hotels, boarding houses or institutions are excluded. Households are included if some or all members are not British subjects, however, information is not collected from households containing members of the diplomatic service of another country or members of the United States armed forces.

Retired households

Retired households are those where the household reference person is retired. The household reference person is defined as retired if they have reached state pension age and are economically inactive. Since May 2010, the state pension age for women has been increasing gradually to be in line with the male pension age of 65 by 2018. Therefore, if for example, a male household reference person is aged over 65 years of age, but working part-time or waiting to take up a part-time job, this household would not be classified as a retired household. For analysis purposes, 2 categories are used in this report:

- a “retired household mainly dependent upon state pensions” is one in which at least three-quarters of the total income of the household is derived from national insurance retirement and similar pensions, including housing and other benefits paid in supplement to or instead of such pensions – the term “national insurance retirement and similar pensions” includes national insurance disablement and war disability pensions, and income support in conjunction with these disability payments

- “other retired households” are retired households which do not fulfil the income conditions of “retired household mainly dependent upon state pensions” because more than a quarter of the household’s income derives from other sources – for example, occupational retirement pensions, investments and annuities

Household reference person (HRP)

From the survey year ending 2002 the concept of household reference person (HRP) was adopted on all government-sponsored surveys in place of head of household. The household reference person is the householder who:

- owns the household accommodation, or

- is legally responsible for the rent of the accommodation, or

- has the household accommodation as an emolument or perquisite, or

- has the household accommodation by virtue of some relationship to the owner who is not a member of the household

If there are joint householders the household reference person will be the one with the higher income. If the income is the same, then the eldest householder is taken.

Members of household

In most cases the members of co-operating households are easily identified as the people who satisfy the conditions in the definition of a household (see above), and are present during the record-keeping period. However, difficulties of definition arise where people are temporarily away from the household or else spend their time between 2 residences. The following rules apply in deciding whether or not such persons are members of the household:

- married people living and working away from home for any period are included as members, provided they consider the sampled address to be their main residence; in general, other people (such as relatives, friends and boarders) who are either temporarily absent or who spend their time between the sampled address and another address, are included as members if they consider the sampled address to be their main residence – however, there are exceptions which override the subjective main residence rule:
- children under 16 years of age away at school are included as members
- older people receiving education away from home, including children aged 16 and 17, are excluded unless they are at home for all or most of the record-keeping period

-visitors staying temporarily with the household, and others who have been in the household for only a short time are treated as members, provided they will be staying with the household for at least 1 month from the start of record-keeping

Household composition

A consequence of these definitions is that household compositions quoted in this report include some households where certain members are temporarily absent, for example, a “2-adult and children” household where 1 parent is temporarily away from home.

Adult

In the report, people who have reached the age of 18 are classed as adults. In addition, those aged 16 to 18 who are not in full-time education, or who are married, are classed as adults.

Children

In the report, people who are under 18 years of age, in full-time education and have never been married are classed as children.

However, in the definition of clothing, clothing for people aged 16 years and over is classified as clothing for men and women; clothing for those aged 5 to 15 as clothing for boys and girls; and clothing for those under 5 as babies’ clothing.

Main diary keeper (MDK) (or main shopper)

The MDK is the person in the household who is normally responsible for most of the food shopping. This includes people who organise and pay for the shopping although they do not physically do the shopping themselves.

Rules for identifying the main diary keeper when the household cannot identify this for themselves:

Rule 1: Establish who in the household has the highest income.

Rule 2: If each household member has the same income, then find out who is the oldest.

If a paid domestic servant normally performs these tasks then the MDK is the person responsible for seeing that the domestic servant does the shopping.

No address may be coded as a full or partial interview if the diary of the MDK is missing or incomplete.

Spenders

Household members aged 16 and over, excluding those who for special reasons are not capable of keeping diary record-books, are described as spenders. It is unimportant whether or not the individual earns or spends money. If a spender is absent for less than 7 days from the interviewers' initial contact, the interviewer can proceed with the interview.

Absent spenders

If a spender is absent for longer than 7 days they are defined as an "absent spender". Absent spenders do not keep a diary and consequently are not eligible for the voucher that is paid to diary keepers.

Non-spenders

If a household member is completely incapable of contributing to the survey by answering questions or keeping a diary, then they are defined as a "non-spender". However, incapable people living on their own cannot be designated as non-spenders as they comprise the whole expenditure unit. If this is the case, the interviewer should enlist the help of the person outside of the household who looks after their interests. If there is no-one able or willing to help, the address is coded as incapable.

Economically active

These are people aged 16 and over who fall into the following categories:

- employees at work – those who at the time of interview were working full-time or part-time as employees or were away from work on holiday; part-time work is defined as normally working 30 hours a week or less (excluding meal breaks) including regularly worked overtime
- employees temporarily away from work – those who, at the time of interview, had a job but were temporarily absent due to, for example, illness, temporary lay-off, or strike
- government-supported training schemes – those participating in government programmes and schemes who, in the course of their participation, receive training such as employment training and including those who are also employees in employment
- self-employed – those who, at the time of interview, said they were self-employed

- unemployed – those who, at the time of interview, were out of employment and have sought work within the last 4 weeks and were available to start work within 2 weeks, or were waiting to start a job already obtained

- unpaid family workers – those working unpaid for their own or a relative’s business; in this report, unpaid family workers are included under economically inactive in analyses by economic status (Tables A17 (63.5 Kb Excel sheet) and B5 (65.5 Kb Excel sheet)) because insufficient information is available to assign them to an economic status group

Economically inactive

These are people aged 16 and over who fall into the following categories:

- **retired** – people who have reached national insurance retirement age and are not economically active; since May 2010 the female state pension age has been gradually increasing to align with the male pension age of 65 by 2018

- **unoccupied** – people under national insurance retirement age who are not working, nor actively seeking work; this category includes certain self-employed people such as mail order agents and baby-sitters who are not classified as economically active

National Statistics Socio-economic Classification (NS-SEC)

From 2001, the National Statistics Socio-economic Classification (NS-SEC) was adopted for all official surveys, in place of Social Class based on Occupation (SC) and Socio-economic Groups (SEG). NS-SEC is itself based on the Standard Occupational Classification 2010 (SOC2010) and details of employment status. Although NS-SEC is an occupation-based classification, there are procedures for classifying those not in work.

The main categories used for analysis in Family Spending are:

1. Higher managerial and professional occupations, sub-divided into: 1.1 Large employers and higher managerial occupations 1.2 Higher professional occupations

2. Lower managerial and professional occupations

3. Intermediate occupations

4. Small employers and own account workers

5. Lower supervisory and technical occupations

6. Semi-routine occupations

7. Routine occupations

8. Never worked and long-term unemployed

9. Students

10. Occupation not stated

11. Not classifiable for other reasons

The long-term unemployed are defined as those unemployed and seeking work for 12 months or more. Members of the armed forces, who were assigned to a separate category in social class, are included within the NS-SEC classification. Individuals that have retired within the last 12 months are classified according to their employment. Other retired individuals are assigned to the “Not classifiable for other reasons” category.

Socio-economic classification (SE-SEC) regions

These are the same areas as UK regions and countries.

Urban and rural areas

This classification introduced in the survey year ending 2006 replaces the previous Department for Transport, Local Government and the Regions (DTLR) 1991 Census-based urban and rural classification, which was used in previous editions of Family Spending. The new classification is applied across Great Britain and is an amalgamation of the Rural and Urban Classification 2004 for England and Wales and the Scottish Executive Urban Rural Classification. These classifications are based on 2001 Census data and have been endorsed as the standard National Statistics Classifications for identifying urban and rural areas across Great Britain. In broad terms, an area is defined as urban or rural depending on whether the population falls inside a settlement of 10,000 or more. For further details concerning these classifications please refer to the Rural/Urban Definition and LA Classification on our website.

Expenditure

Any definition of expenditure is to some extent arbitrary and the inclusion of certain types of payment is a matter of convenience or convention depending on the purpose for which the information is to be used. In the tables in this report, total expenditure represents current expenditure on goods and services.

Total expenditure, defined in this way, excludes those recorded payments that are really savings or investments: for example, purchases of national savings certificates, life assurance premiums, and contributions to pension funds. Similarly, income tax payments, national insurance contributions, mortgage capital repayments and other payments for major additions to dwellings are excluded. Expenditure data are collected in the diary record-book and in the household schedule. Informants are asked to record in the diary any payments made during the 14 days of record-keeping, whether or not the goods or services paid for have been received. Certain types of expenditure which are usually regular though infrequent, such as insurance, licences and season tickets, and the periods to which they relate, are recorded in the household schedule as well as regular payments such as utility bills.

The cash purchase of motor vehicles is also entered in the household schedule. In addition, expenditure on some items purchased infrequently (thereby being subject to high sampling errors) has been recorded in the household schedule using a retrospective recall period of either 3 or 12 months. These items include carpets, furniture, holidays and some housing costs. In order to avoid duplication, all payments shown in the diary record-book which relate to items listed in the household or income schedules are omitted in the analysis of the data, irrespective of whether there is a corresponding entry on the latter schedules. Amounts paid in respect of periods longer than a week are converted to weekly values.

Expenditure tables in this report show the 12 main commodity groups of spending and these are broken down into items which are numbered hierarchically (‘Changes to definitions, 1991 to 2014’ can be found in the the “Living Costs and Food Survey Technical Report” which details a major change to the coding frame used from the survey year ending 2002). Table A1 (154.5 Kb Excel sheet) shows a further breakdown in the items themselves into components which can be separately identified. The items are numbered as in the main expenditure tables and the average weekly household expenditure and percentage standard error is shown against each item or component.

Several qualifications apply to this concept of expenditure:

Goods supplied from a household’s own shop or farm

Spenders are asked to record and give the value of goods obtained from their own shop or farm, even if the goods are withdrawn from stock for personal use without payment. The value is included as expenditure.

Hire purchase and credit sales agreements, and transactions financed by loans repaid by instalments

Expenditure on transactions under hire purchase or credit sales agreements, or financed by loans repaid by instalments, consists of all instalments that are still being paid at the date of interview, together with down payments on commodities acquired within the preceding 3 months. These 2 components (divided by the periods covered) provide the weekly averages which are included in the expenditure on the separate items given in the tables in this report.

Club payments and budget account payments, instalments through mail order firms and similar forms of credit transaction

When goods are purchased by forms of credit other than hire purchase and credit sales agreement, the expenditure on them may be estimated either from the amount of the instalment which is paid or from the value of the goods which are acquired. Since the particular commodities to which the instalment relates may not be known, details of goods ordered through, for example, clubs or mail order firms, during the month prior to the date of interview, are recorded in the household schedule. The weekly equivalent of the value of the goods is included in the expenditure on the separate items given in the tables in this report. This procedure has the advantage of enabling club transactions to be related to specific articles. Although payments into clubs, etc are shown in the diary record-book, these entries are excluded from expenditure estimates.

Credit card transactions

From 1988, purchases made by credit card or charge card have been recorded in the survey on an acquisition basis rather than the formerly used payment basis. Thus, if a spender acquired an item (by use of credit or charge card) during the 2 week survey period, the value of the item would be included as part of expenditure in that period whether or not any payment was made in this period to the credit card account. Payments made to the card account are ignored. However any payment of credit or charge card interest is included in expenditure if made in the 2-week period.

Income tax

Amounts of income tax deducted under the Pay As You Earn (PAYE) scheme or paid directly by those who are employers or self-employed are recorded (together with information about tax refunds). For employers and the self-employed, the amounts comprise the actual payments made in the previous 12 months and may not correspond to the tax due on the income arising in that period, for example, if no tax has been paid but is due, or if tax payments cover more than 1 financial year. However, the amounts of tax deducted at source from some of the items which appear in the income schedule are not directly available. Estimates of the tax paid on bank and building society interest and amounts deducted from dividends on stocks and shares are therefore made by applying the appropriate rates of tax. In the case of income tax paid at source on pensions and annuities, similar adjustments are made. These estimates mainly affect the relatively few households with high incomes from interest and dividends, and households including someone receiving a pension from previous employment.

Rented dwellings

Expenditure on rented dwellings is taken as the sum of expenditure on a number of items such as rent, council tax, and water rates. For local authority tenants the expenditure is gross rent less any rebate (including rebate received in the form of housing benefit), and for other tenants it is gross rent less any rent allowance received under statutory schemes including the Housing Benefit Scheme. Rebate on council tax or rates (Northern Ireland) is deducted from expenditure on council tax or rates. Receipts from sub-letting part of the dwelling are not deducted from housing costs but appear (net of the expenses of the sub-letting) as investment income.

Rent-free dwellings

Rent-free dwellings are those owned by someone outside the household and where either no rent is charged or the rent is paid by someone outside the household. Households whose rent is paid directly to the landlord by the DWP do not live rent-free. Payments for council tax for example are regarded as the cost of housing. Rebate on rates (Northern Ireland), council tax or water rates (Scotland) (including rebate received in the form of housing benefit) is deducted from expenditure. Receipts from sub-letting part of the dwelling are not deducted from housing costs but appear (net of the expenses of the sub-letting) as investment income.

Owner-occupied dwellings

In the LCF, payments for water rates, ground rent, fuel, maintenance and repair of the dwelling, among other items, are regarded as the cost of housing. Receipts from letting part of the dwelling are not deducted from housing costs but appear (net of the expenses of the letting) as investment income. Mortgage capital repayments and amounts paid for the outright purchase of the dwelling or for major structural alterations are not included as housing expenditure, but are entered under “other items recorded”, as are council tax, rates (Northern Ireland) and mortgage interest payments. Structural insurance is included in “miscellaneous goods and services”.

Second-hand goods and part-exchange transactions

The survey expenditure data are based on information about actual payments and therefore include payments for second-hand goods and part-exchange transactions. New payments only are included for part-exchange transactions, that is, the costs of the goods obtained less the amounts allowed for the goods which are traded in. Receipts for goods sold or traded in are not included in income.

Business expenses

The survey covers only private households and is concerned with payments made by members of households as private individuals. Spenders are asked to state whether expenditure that has been recorded on the schedules includes amounts that will be refunded as expenses from a business or organisation or that will be entered as business expenses for income tax purposes, for example rent, telephone charges, travelling expenses and meals out. Any such amounts are deducted from the recorded expenditure.

Income

The standard concept of income in the survey is, as far as possible, that of 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. However, for a few tables, a concept of disposable income is used, defined as gross weekly cash income less the statutory deductions and payments of income tax (taking refunds into account) and national insurance contributions. Analysis in the equivalised income chapter and some other analyses of LCF data use “equivalisation” of incomes: in other words adjustment of household income to allow for the different size and composition of each household. For more information see the equivalised income chapter. The cash levels of certain items of income (and expenditure) recorded in the survey by households receiving supplementary benefit were affected by the Housing Benefit Scheme introduced in stages from November 1982. From 1984 housing expenditure is given on a strictly net basis and all rent or council tax rebates and allowances and housing benefit are excluded from gross income.

Although information about most types of income is obtained on a current basis, some data, principally income from investment and from self-employment, are estimated over a 12-month period.

For the annual publication of the results in the LCF Family Spending report, the following are excluded from the assessment of income:

- money received by 1 member of the household from another (for example, housekeeping money, dress allowance, children's pocket money) other than wages paid to resident domestic servants
- withdrawals of savings, receipts from maturing insurance policies, proceeds from sale of financial and other assets (such as houses, cars and furniture), winnings from betting, lump-sum gratuities and windfalls such as legacies
- the value of educational grants and scholarships not paid in cash
- the value of income in kind, including the value of goods received free and the abatement in cost of goods received at reduced prices, and of bills paid by someone who is not a member of the household
- loans and money received in repayment of loans

Details are obtained of the income of each member of the household. The income of the household is taken to be the sum of the incomes of all its members. The information does not relate to a common or a fixed time period. Items recorded for periods greater than a week are converted to a weekly value.

Particular points relating to some components of income are as follows:

Wages and salaries of employees

The normal gross wages or salaries of employees are taken to be their earnings. These are calculated by adding to the normal "take home" pay amounts deducted at source, such as income tax payments, national insurance contributions and other deductions (for example payments into firm social clubs, superannuation schemes, works transport, and benevolent funds).

Employees are asked to give the earnings actually received including bonuses and commission the last time payment was made and, if different, the amount usually received. It is the amount usually received that is regarded as the normal take-home pay. Additions are made so as to include in normal earnings the value of occasional payments, such as bonuses or commissions received quarterly or annually.

One of the principal objects in obtaining data on income is to enable expenditure to be classified in ranges of normal income. Average household expenditure is likely to be based on the long-term expectations of the various members of the household as to their incomes rather than be altered by short-term changes affecting individuals. Hence, if employees have been away from work without pay for 13 weeks or less, they are regarded as continuing to receive their normal earnings instead of social security benefits, such as unemployment or sickness benefit, that they may be receiving. Otherwise, normal earnings are disregarded and current short-term social security benefits taken instead. Wages and salaries include any earnings from subsidiary employment as an employee and the earnings of HM Forces.

Income from self-employment

Income from self-employment covers any personal income from employment other than as an employee: for example, as a sole trader, professional or other person working on his own account or in partnership, including subsidiary work on his own account by a person whose main job is as an employee.

It is measured from estimates of income or trading profits, after deduction of business expenses but before deduction of tax, over the most recent 12-month period for which figures can be given. Should either a loss have been made or no profit, income would be taken as the amounts drawn from the business for own use or as any other income received from the job or business. People working as mail order agents or baby-sitters, with no other employment, have been classified as unoccupied rather than as self-employed, and the earnings involved have been classified as earnings from “other sources” rather than self-employment income.

Income from investment

Income from investments or from property, other than that in which the household is residing, is the amount received during the 12 months immediately prior to the date of the initial interview. It includes receipts from sub-letting part of the dwelling (net of the expenses of the sub-letting). If income tax has been deducted at source, the gross amount is estimated by applying a conversion factor during processing.

Social security benefits

Income from social security benefits does not include the short-term payments such as unemployment or sickness benefit, received by an employee who has been away from work for 13 weeks or less, and who is therefore regarded as continuing to receive his normal earnings as described within “Definitions”.

Quantiles

The quantiles of a distribution divide it into a number of equal parts; each of which contains the same number of households. In Family Spending, quantiles are applied to both household expenditure and income distributions.

For example, the median of a distribution divides it into 2 equal parts, so that half the households in a distribution of household income will have income more than the median, and the other half will have income less than the median. Similarly, quartiles, quintiles and deciles divide the distribution into 4, 5 and 10 equal parts respectively.

Most of the analysis in Family Spending is done in terms of quintile groups and decile groups.

In the calculation of quantiles for this report, zero values are counted as part of the distribution.

Changes in definitions

Changes in definitions from 1991 to 2014 can be found in the “Living Costs and Food Survey Technical Report”. Changes to definitions made prior to 1991 can be found in earlier editions of Family Spending.

9 . Headings used for identifying 2014 income information

Income headings: Headings used for identifying 2014 income information

References in tables / Components separately identified
a. Wages and salaries
- Normal ‘take-home’ pay from main employment
- ‘Take-home’ pay from subsidiary employment
- Employees’ income tax deduction
- Employees’ National Insurance contribution
- Superannuation contributions deducted from pay
- Other deductions
Explanatory notes

(i) In the calculation of household income in this report, where an employee has been away from work without pay for 13 weeks or less his normal wage or salary has been used in estimating his total income instead of social security benefits, such as unemployment or sickness benefits that he may have received. Otherwise such benefits are used in estimating total income (see notes at reference e).

(ii) Normal income from wages and salaries is estimated by adding to the normal 'take-home' pay deductions made at source last time paid, together with the weekly value of occasional additions to wages and salaries (see Income in 'Definitions').

(iii) The components of wages and salaries, for which figures are separately available, amount in total to the normal earnings of employees, regardless of the operation of the 13 week rule in note (i) above. Thus the sum of the components listed here does not in general equal the wages and salaries figure in tables of this report.

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b. Self-employment

- Income from business or profession, including subsidiary self-employment

Explanatory notes

(i) The earnings or profits of a trade or profession, after deduction of business expenses but before deduction of tax.

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c. Investments

- Interest on building society shares and deposits

- Interest on bank deposits and savings accounts, including National Savings Bank

- Interest on ISAs

- Interest on Gilt-edged stock and War Loans

- Interest and dividends from stocks, shares, bonds, trusts, debentures and other securities Rent or income from property, after deducting expenses but inclusive of income tax (including receipts from letting or sub-letting part of own residence, net of the expenses of the letting or sub-letting)

- Other unearned Income

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d. Annuities and pensions, other than social security

- Annuities and income from trust or covenant

- Pensions from previous employers

- Personal pensions

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e. Benefits

- Child benefit

- Guardian's allowance

- Carer's allowance (formerly Invalid care allowance)

- Retirement pension (National Insurance) or old person's pension credit

- Widow's pension/bereavement allowance or widowed parent's allowance

- War disablement pension or war widow/widower's pension

- Severe disablement allowance

- Care component of disability living allowance

- Mobility component of disability living allowance

- Attendance allowance

- Job seekers allowance

- Winter fuel allowance

- Cold Weather Payment

- Income support

- Working tax credit

- Child tax credit

- Incapacity benefit

- Statutory sick pay (from employer)

- Industrial injury disablement benefit

- Maternity allowance

- Statutory maternity pay

- Statutory paternity pay

- Statutory adoption pay

- Health in pregnancy grant

- Any other benefit including lump sums and grants

- Social security benefits excluded from Income calculation by 13 week rule

Explanatory notes

(i) The calculation of household income in this report takes account of the 13 week rule described at reference a, note (i).

(ii) The components of social security benefits, for which figures are separately available, amount in total to the benefits received in the week before interview. That is to say, they include amounts that are discounted from the total by the operation of the 13 week rule in note (i). Thus the sum of the components listed here differs from the total of social security benefits used in the income tables of this report.

(iii) Housing Benefit is treated as a reduction in housing costs and not as income.

f. Other sources

- Married person's allowance from husband/wife temporarily away from home

- Alimony or separation allowances; allowances for foster children, allowances from members of the Armed

- Forces or Merchant Navy, or any other money from friends or relatives, other than husbands outside the household

- Benefits from trade unions, friendly societies etc. other than pensions

- Value of meal vouchers

- Earnings from intermittent or casual work over 12 months, not included in a or b above

- Student loans and money scholarships received by persons aged 16 and over and aged under 16

- Other income for children under 16 e.g. from spare time jobs or income from Trusts or investments

Source: Office for National Statistics

10 . Household characteristics and index to tables

Table B5 (65.5 Kb Excel sheet) and Table B6 (82 Kb Excel sheet) show characteristics of households and persons.

Table B7 (55.5 Kb Excel sheet) provides an index to tables in this report and previous editions of Family Spending.

11. Background notes

1. **Symbols and conventions used in Family Spending 2015 Edition**

   [ ] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

   .. The data is suppressed if the unweighted sample counts are less than 10 reporting households.

   - No figures are available because there are no reporting households.

   Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

   Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

   Period covered: Calendar year 2014 (1 January 2014 to 31 December 2014).

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