



Office for  
National Statistics  
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# Regional Disposable Household Income Inventory for the United Kingdom

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**Compiled by:**

Debbie Cooper  
Fred Norris  
Charlotte Richards

Regional Economic Statistics,  
Office for National Statistics,  
Cardiff Road  
Newport  
NP10 8XG  
United Kingdom  
Tel: +44 (0) 1633 45 6878  
Email: [regionalaccounts@ons.gsi.gov.uk](mailto:regionalaccounts@ons.gsi.gov.uk)

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## Chapter 1

# Summary

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*Overview of organisation, methodology and sources*

## 1.1 How the compilation of regional Gross Disposable Household Income (GDHI) for the UK is organised

### 1.1.1 Organisation and responsibilities

Regional and National Accounts for the UK are produced by the Office for National Statistics (ONS), which is the National Statistical Institute for the UK. ONS is the executive body of the United Kingdom Statistics Authority (UK Statistics Authority). This is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. This structure was introduced on 1 April 2008.

As well as ONS, many other government departments and the three devolved administrations (Scotland, Wales and Northern Ireland) compile and publish statistics. All of these are subject to agreed standards of quality and independence, which are monitored by the UK Statistics Authority, and collectively they comprise the Government Statistical Service (GSS).

Within ONS, the Regional Economic Statistics branch is a sub-division of the National Accounts Coordination Division which, in turn, is part of the National Accounts and Economic Statistics Directorate. The branch is based at the ONS office in the city of Newport in Wales and currently consists of 11 full-time and one part-time staff.

The role of the branch is to compile annual estimates of regional Gross Value Added (GVA) using the Income and Production approaches, annual regional Gross Domestic Household Income (GDHI) and Net Disposable Household Income (NDHI), and annual regional Gross Fixed Capital Formation (GFCF). The branch also produces quarterly Welsh Short-Term Indicators (WSTI) figures. During the compilation process the branch uses data from many other parts of the ONS and the GSS.

### 1.1.2 Geographical structure

The annual regional GDHI estimates cover the UK as a whole and are broken down to [Nomenclature of Units for Territorial Statistics \(NUTS\)](#). NUTS is a hierarchical classification of spatial units that provides a breakdown of the European Union's (EU) territory for producing regional statistics which are comparable across the Union. Regional GDHI estimates are compiled at three levels of NUTS geography.

The NUTS boundaries are reviewed every three years. This recognises the need to keep pace with changing boundary requirements while ensuring a minimum period of stability between changes. Member States submit requests for boundary changes and these have to be ratified by the EU before they become live.

*Table 1: NUTS areas and their relationship to administrative areas in the UK*

<b>NUTS level</b>	<b>England</b>	<b>Scotland</b>	<b>Wales</b>	<b>Northern Ireland</b>	<b>Total UK</b>
1	9 English Regions	All Scotland	All Wales	All Northern Ireland	12
2	Counties, or groups of counties	Combinations of council areas	Groups of unitary authorities	All Northern Ireland	37
3	Counties, or groups of unitary authorities	Combinations of council areas	Groups of unitary authorities	Groups of district council areas	139

### 1.1.3 Timetable for releases and revisions

Regional GDHI estimates are published annually, in spring. Where  $t$  is the current calendar year, provisional GDHI figures for year  $t-2$  are published in spring of year  $t$ . At the same time, revised GDHI estimates for the period from 1997 to  $t-3$  inclusive are published. Revisions can on occasion be applied to the whole time series to reflect changes in methodology or improved source data.

The annual production of regional Net Disposable Household Income (NDHI) at the NUTS2 level is a legal requirement of the European Commission. The only distinction between the GDHI and NDHI estimates is that the latter are net of fixed capital consumption. In the household sector this relates to depreciation or 'wear and tear' on houses. Regional NDHI is sent to Eurostat at NUTS1 and NUTS2 levels. The deadline for submission of provisional NDHI data to Eurostat is December of year  $t$  (covering the calendar year  $t-2$ ). At the same time, revised NDHI for the period from 1997 to  $t-3$  inclusive are sent.

See section 2.1 for more details.

## 1.2 Overview of the methodology used to compile regional GDHI

### Note on Terminology

The following definitions apply throughout this document:

- **Regional indicator** is used to mean a variable measurable at the relevant regional level that is used to assign proportions of the component of GDHI at national (UK) level to the regional level, i.e. a divisor.

### 1.2.1 Overview

Regional GDHI estimates in the UK are compiled using a ‘top-down’ approach whereby the national control totals (consistent with the UK National Accounts Blue Book) are allocated to regions using the most appropriate available regional indicators. Estimates are produced at NUTS3 level and aggregated up to obtain NUTS2 and NUTS1 level estimates. These estimates are on a residence basis, i.e. incomes of individuals are allocated to the region in which they live. These estimates are produced at current basic prices which include the effects of price changes.

### 1.2.2 Publication

Regional GDHI estimates are constrained to national totals and are published six to nine months after the UK National Accounts ‘Blue Book’. The ‘Blue Book’ is the name given to the annual publication of United Kingdom National Accounts by the ONS. Provisional estimates of regional GDHI at NUTS1, NUTS2 and NUTS3 levels are published around 16 months after the end of the reference period.



## 1.3 Main sources and components used for the compilation of regional GDHI

### 1.3.1 Components

Gross Disposable Household Income is defined as the sum of the balances of primary and secondary incomes (resources less uses) and represents the amount available to individuals in the household sector for spending on consumption or saving, after income distribution measures (for example taxes, social contributions and benefits) have taken effect.

The household sector comprises all individuals in an economy, that is, people living in traditional households as well as those living in institutions such as retirement homes and prisons. The sector also includes sole trader enterprises (the self-employed) and non-profit institutions serving households (NPISH). Examples of the latter include charities and most universities.

A distinction can be made between the two stages of income distribution:

**The allocation of primary income account** shows the income of households generated from employment and ownership of assets. The balance of primary incomes is equal to total primary resources less total primary uses.

- Total primary resources: compensation of employees (income from employment), gross operating surplus (mainly rental, imputed or otherwise), mixed income from self-employment and property income received from financial assets.
- Total primary uses: property income paid (for example interest on mortgages, rent on land).

**The secondary distribution of income account** includes government redistribution of income. The balance of secondary incomes is equal to total secondary resources less total secondary uses.

- Total secondary resources: imputed social contributions (contributions paid to employees from employers' own resources rather than from a fund to which they would have made contributions), social benefits received (for example state retirement pensions, statutory maternity pay) and other current transfers received (such as financial gifts, non-life insurance claims).
- Total secondary uses: current taxes on income and wealth, social contributions and social benefits paid (employee's pension/social security contributions), and other current transfers paid (for example non-life insurance premiums).

$$\text{GDHI} = \text{Balance of primary incomes} + \text{Balance of secondary incomes}$$

**Table 2: Summary of main data sources for regional indicators used in apportionment**

<b>Data source</b>	<b>Nature of data</b>	<b>Use in Regional GDHI compilation</b>
HMRC Pay As You Earn wages and salaries income tax data (PAYE)	Administrative data provided by Her Majesty’s Revenue & Customs (HMRC), the national tax authority	Provides indicators that allocate compensation of employees, social contributions paid and taxes on income
HMRC Self-assessment Data	Administrative data provided by HMRC.	Provides indicators that allocate property income received and mixed income
HMRC Survey of Personal Incomes (SPI)	Sample survey data provided by HRMC, the national tax authority.	Provides indicators that allocate property income received and some social benefits received.
Various data sets from the Department for Work and Pensions (DWP)	Administrative data provided by the DWP	Provide indicators that allocate social benefits received.
Various data sets from the Department for Social Development in Northern Ireland (DSDNI)	Administrative data provided by the DSDNI	Provide indicators that allocate social benefits received.

Note: The data sources provided in the table above are the main data sources for indicators used in apportionment. However, there are numerous other data sources used in the compilation of regional GDHI.

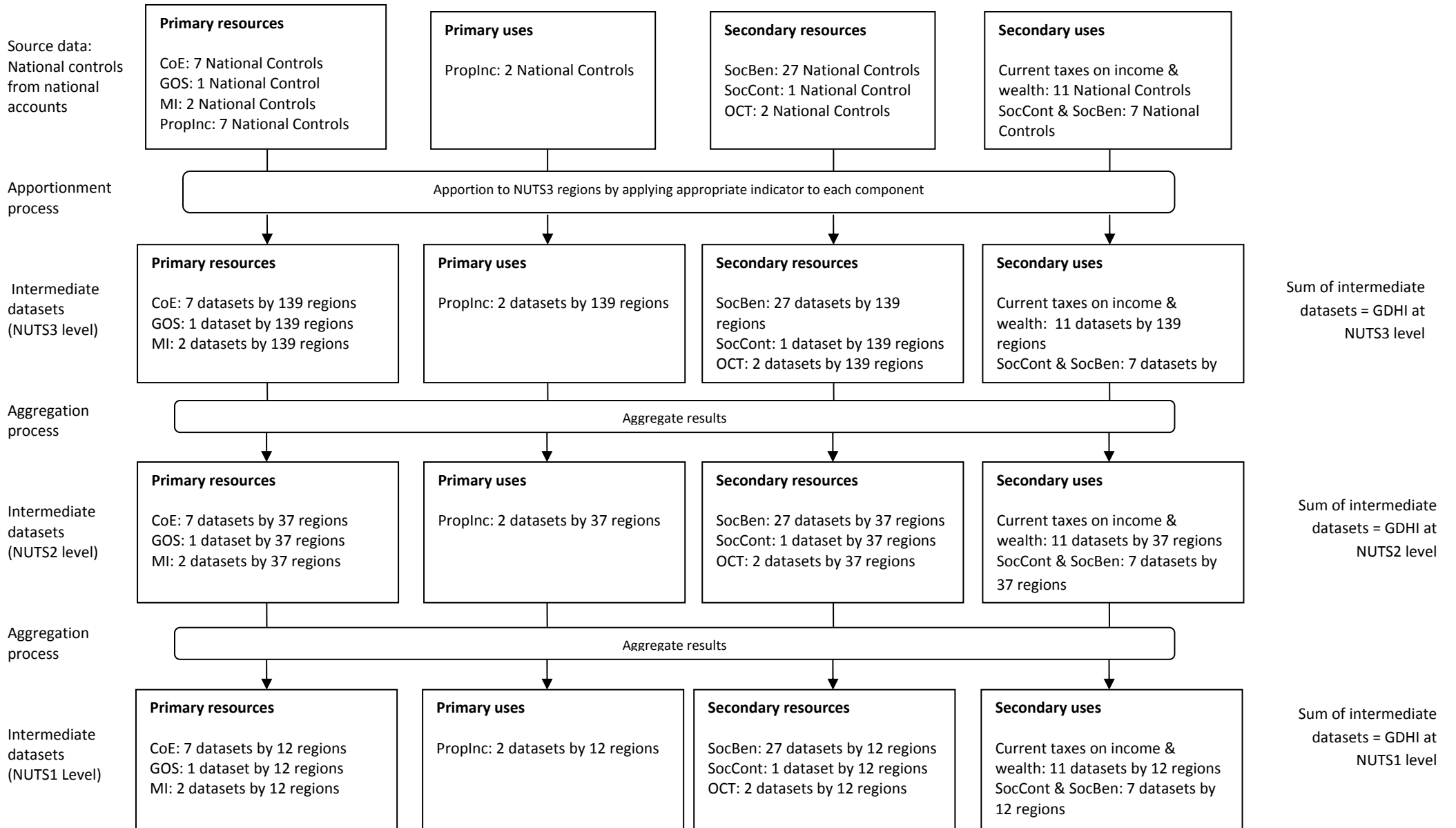
### **1.4 GDHI - Summary of regional apportionment and aggregation at the three geographical levels**

National aggregates (national control totals) are split and apportioned to NUTS3 regions using appropriate regional indicators. This is done at NUTS3 level because much of the indicator data are supplied at this level. These NUTS3 estimates are then aggregated up to obtain NUTS2 and NUTS1 level estimates.

The control totals are consistent with those in the latest published UK National Accounts Blue Book. They are supplied to the Regional Economic Statistics branch by National Accounts compiler branches. The source of the national control totals and the methodology by which they are compiled is outside the scope of this document. GDHI is not calculated at a level below NUTS3.

The following simplified process map gives an overview of the process that is followed.

**Figure 0: High-level process map**



## 1.5 Transition from gross to net disposable household income

In order to produce regional NDHI, the fixed capital consumption element of GDHI has to be removed.

The national fixed capital consumption element is first regionalised using the NUTS3 GDHI regional proportions. The resulting regionalised fixed capital consumption at NUTS3 level is then removed from the NUTS3 GOS/MI component. The components of disposable household income are then added using the newly estimated OS/MI component (GOS/MI net of capital consumption) to calculate NDHI initially at NUTS3 level and then aggregated to NUTS2 and NUTS1 levels.

## Chapter 2

# Publication

*Release and publication timetable, revisions policy, and availability to the public*

### 2.1 Timetable for release and publication of provisional and final estimates

Regional GDHI is published annually, in spring. Where  $t$  is the current calendar year, provisional GDHI figures are published in spring of year  $t$  covering the calendar year  $t-2$ . At the same time, revised GDHI for the period from 1997 to  $t-3$  inclusive are published. Revisions can on occasion be applied to the whole time series to reflect changes in methodology or improved data. Table 3 below illustrates this principle, using publication in the years from 2011 to 2013 as an example.

*Table3: Reference years of regional GDHI data published each spring*

	<b>Published in spring 2011</b>	<b>Published in spring 2012</b>	<b>Published in spring 2013</b>
NUTS1, NUTS2 & NUTS3	NUTS1, NUTS2 & NUTS3 GDHI first release: provisional estimates for reference year 2009	NUTS1, NUTS2 & NUTS3 GDHI first release: provisional estimates for reference year 2010	NUTS1, NUTS2 & NUTS3 GDHI first release: provisional estimates for reference year 2011
	Revised NUTS1, NUTS2 & NUTS3 GDHI estimates for the reference years 1997 to 2008 inclusive	Revised NUTS1, NUTS2 & NUTS3 GDHI estimates for the reference years 1997 to 2009 inclusive	Revised NUTS1, NUTS2 & NUTS3 GDHI estimates for the reference years 1997 to 2010 inclusive

The production of regional NDHI at the NUTS2 level is a legal requirement of the European Commission. Regional NDHI is sent to Eurostat at NUTS1 and NUTS2 levels. Provisional NDHI figures are sent to Eurostat by December of year  $t$  covering the calendar year  $t-2$ . At the same time, revised NDHI for the period from 1997 to  $t-3$  inclusive are sent.

## 2.2 Policy on benchmark revisions

In this context 'benchmark revision' is taken to mean occasional major or comprehensive revisions when a new methodology or new data source is introduced.

Revisions result from three main sources: revisions of the National Accounts Blue Book control totals, NUTS region border changes, and improvements in the regional indicator data. National revisions are reflected in the regional GDHI (and therefore NDHI). As regional GDHI is calculated using a top-down approach, revision of the national control totals results in reapportionment to the regions.

Geographic revisions may occur as a result of the triennial NUTS boundaries review, impacting on the populations of the NUTS regions. Such changes are reflected in the compilation of regional GDHI in the first publication following the release of a NUTS review.

National data are allocated to regions using appropriate indicators drawn from a wide variety of survey and administrative sources. The main datasets used are PAYE, SPI and self-assessment tax data from HMRC, as well as various data sets from DWP and DSDNI. The regionalisation process is subject to changes in indicator datasets and methodology. These changes will lead to revision of regional GDHI. If national totals, boundaries, or indicator data change, revisions will apply to the whole time series.

## 2.3 Comparability over time

The current datasets are calculated using methodology prescribed in The European System of Accounts 1995 (ESA95). Data are available on a consistent basis back to 1997. The GDHI estimates are benchmarked to the UK Blue Book totals for GDHI and are consistent with Tables 6.1.3 and 6.1.4 of the UK Blue Book.

The changes in line with The European System of Accounts 2010 (ESA10) will be introduced over a five year period with the first stage of full implementation in September 2014. Any changes in the UK Blue Book GDHI methodology resulting from the shift to the ESA10 methodology will be incorporated into the compilation of regional GDHI. These changes will not affect the comparability of GDHI over time. ONS does not make any special transmissions to international institutions other than Eurostat.

## 2.4 Availability to the public

Regional GDHI data are published at each NUTS1, NUTS2 and NUTS3 levels and at current basic prices for total GDHI, GDHI per head of population and GDHI per head indices.

Per head data takes account of the entire resident population of regions, sub-regions and local areas. The working population and the economically inactive are included. Estimates on a per head basis allow for the comparison of regions which are considerably different in absolute size.

Component level data are published at **NUTS1 & NUTS2** levels as follows:

Gross operating surplus/Mixed income

Compensation of employees

Property income received

Total primary resources

Property income paid

Total primary uses

Balance of primary incomes

Social contributions/Social benefits received

Other current transfers received

Total secondary resources

Social contributions/Social benefits paid

Other current transfers paid

Current taxes on income and wealth

Total secondary uses

Balance of secondary incomes

Component level data are published at **NUTS3** level as follows:

Balance of primary incomes

Balance of secondary incomes.

The data are published annually as an ONS statistical bulletin.

The [annual tables](#) can be viewed or downloaded from the ONS website. A [Timeseries Data Service](#) can also be accessed online from the ONS website.

## 2.5 Policy on metadata

No official international standard is used to describe metadata. Publications are accompanied by explanations and definitions of concepts used. Definitions and concepts used are consistent with those in the UK National Accounts.



## Chapter 3

# Methodology; principles applicable to all components

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*Details of the methodology used to compile regional GDHI*

## 3.1 General overview

### 3.1.1 Key points

- Regional GDHI in the UK is compiled using a top-down approach.
- Estimates are produced at NUTS3 level and aggregated up to obtain NUTS2 and NUTS1 level estimates.
- GDHI estimates are produced on a residence basis, i.e. incomes of individuals are allocated to the region in which they live.
- Regional NDHI at NUTS1 and NUTS2 levels are produced using estimates of regional GDHI.
- Where  $t$  is the current calendar year, the earliest publication of regional GDHI figures (at NUTS1, NUTS2 and NUTS3) are published in spring of year  $t$  covering the calendar year  $t-2$ .
- NDHI figures (at NUTS1 and NUTS2) are sent to Eurostat by December of year  $t$  covering the calendar year  $t-2$ .

### 3.1.2 The top-down approach

National aggregates (national control totals) are split and allocated to NUTS3 regions using the most appropriate regional indicators available (see chapter 5). The national totals are allocated to NUTS3 regions; these are then aggregated up to NUTS2 regions which are in turn aggregated up to NUTS1 regions (see process map in section 1.4. for an overview of the process).

The control totals are consistent with those in the latest published UK National Accounts Blue Book. They are supplied to the Regional Economic Statistics branch by National Accounts branches in the ONS. The UK regional GDHI estimates are constrained to the latest published UK Blue Book totals.

### 3.1.3 Component estimates

Estimates are published for the full set of components (see section 2.4) at NUTS1 and NUTS2 level, and for the balance of primary incomes and balance of secondary incomes at NUTS3.

## 3.2 Analysis process and peer review

**Input datasets** are compared to the data received for each variable in previous years. Large fluctuations against the previous year are investigated and any anomalous data that remain unexplained are followed up with the relevant data providers where appropriate. In some instances specific queries may be referred to the regional peer reviewers. The peer review group includes representatives from Northern Ireland Statistics and Research Agency (NISRA), Scottish Government, Welsh Government, Department for Business Innovation and Skills (BIS), the ONS regional statistician for London and ONS economists. Adjustments are made to the source datasets where necessary.

**Output datasets** are also subject to a rigorous quality assurance process, including looking at growth and shares, graphical time series analysis, and comparisons with previous data. Output data, at NUTS1, NUTS2 and NUTS3 levels are also sent for peer review and any resulting issues are investigated and rectified where necessary.

## Chapter 4

# Detailed description of sources of indicators used for apportionment

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*Descriptions follow of the main sources available to the Regional Economic Statistics branch to apportion regional GDHI.*

### 4.1 Income tax (PAYE) administrative data

Employees' income tax is deducted from their pay by their employers' wages departments and submitted to the tax authority (HMRC) under a system known as 'Pay As You Earn' (PAYE). Anonymised wages and salaries data from a 1% sample of PAYE records are supplied to the ONS.

Availability of information to Regional Economic Statistics:

- The PAYE forms sent to employers are consistently designed and available.
- The sample design is available.
- Sample sizes are available.
- Standard quality reports are available.
- Confidence intervals and coefficients of variation are not published.
- A letter from HMRC discussing deviant micro-data and regional sample sizes is submitted each year to the ONS with the data.

### 4.2 HMRC administrative data: self-assessment tax returns

Self-employed sole traders and partners complete self-assessment tax returns which are submitted to HMRC. These are used to generate data about reported profits.

Information on source:

- Self-assessment administrative data are used to create separate indicators for Mixed Income and Distributed Income of Corporations (part of Property Income received). The datasets used contain

reported profits of sole traders and partners, respectively, and these are used directly as indicators.

- The data are taken from self-assessment returns made by sole traders and partners for the purpose of paying income tax. They include 100% of self-assessment tax returns made in the UK, and so should cover all relevant firms, subject to tax evasion and other illegal activities. No adjustments are made for such activities by Regional Economic Statistics; however, HMRC does make such adjustments to create its final estimates.
- The address used to regionalise each return is the home address of the sole trader or partner who submits it, because this is the legal requirement of the self-assessment process. The indicators are therefore “residence” measures.

Availability of information to Regional Economic Statistics:

- Self-assessment forms are consistently designed and available.
- Standard quality reports are not available.

### 4.3 Survey of Personal Incomes (SPI)

This is a sample survey based on information held by HMRC on persons who could be liable to UK income tax for the income tax year. It is carried out annually by HMRC and covers income assessable to tax for each tax year. HMRC holds information about individuals who could be liable to UK income tax in three operational computer systems. Separate samples are drawn from each of these systems and then joined together to create the SPI.

Availability of information to Regional Economic Statistics:

- The sample design is available.
- Sample sizes are available.
- Standard quality reports are available.
- 95% confidence intervals are published.
- Description of regional results is extensive.

#### **4.4 Data from the Department for Work and Pensions (DWP)**

Various datasets are obtained from DWP administrative data (for example data on retirement pensions, widows' allowance, jobseekers' allowance, disability allowance, and income support, amongst others).

Availability of information to Regional Economic Statistics:

- The administrative data used are based on a 100% sample data where available and 5% sample data elsewhere.
- Sample sizes are not available.
- The sample design is not available.
- A standard quality report is available.

#### **4.5 Data from the Department for Social Development in Northern Ireland (DSDNI)**

Various datasets are obtained from DSDNI (for example data on retirement pensions, widows' allowance, disability allowance, and income support, amongst others). The data are available upon request from DSDNI.

Availability of information to Regional Economic Statistics:

- Standard quality reports are not available.
- Description of regional results is not provided.

## Chapter 5

# Other processes used in the compilation of regional GDHI

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### 5.1 Use of extrapolation

This refers to the carrying forward of existing structures, where no up-to-date data are available.

- HMRC Survey of Personal Income (SPI) data are used to allocate property income received and social benefits received to regions; the figures for year  $t - 1$  are attributed to year  $t$ .
- HMRC self-assessment data are used to allocate property income received and mixed income to regions; the figures for year  $t - 1$  are attributed to year  $t$ .
- HMRC Pay As You Earn (PAYE) data provides indicators that allocate compensation of employees, social contributions paid and taxes on income; the figures for year  $t - 1$  are attributed to year  $t$ .

### 5.2 Treatment of Extra-Regio

The NUTS classification makes provision for economic activity that cannot be assigned to any specific region. Such activity is allocated to Extra-Regio.

The European Commission task force for regional accounts methodology recommended that residence-based activities of embassy personnel and armed forces based overseas should not be allocated to Extra-Regio. The aim is to achieve a consistent approach across the 28 EU Member States.

Regional GDHI estimates are produced on a residence basis, that is, the incomes of individuals are allocated to the region in which they live. As a result, from the spring 2013 publication forwards, Extra-Regio estimates have been removed from the regional GDHI publication.

### 5.3 Transition from GDHI to NDHI

The production of regional disposable income of households is a legal requirement under the European System of Accounts (ESA 1995). Whereas GDHI is compiled for UK domestic use, the estimates provided to Eurostat (the statistical department of the European Commission) are net of consumption of fixed capital, to produce estimates of NDHI.

The national fixed capital consumption element is first regionalised using the GDHI regional proportions. The resulting regionalised fixed capital consumption at NUTS3 level is then removed from the GOS/MI component. The components of disposable household income are then added using the newly estimated OS/MI component (net of capital consumption) to calculate NDHI, initially at NUTS3 level and then aggregated to NUTS2 and NUTS1 levels.

## Chapter 6

# Specific methods and sources for compiling regional GDHI by component

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## 6.1 Compilation of regional GDHI

This section provides a detailed description of the methods used to regionalise the national controls (provided by National Accounts) for each of the GDHI components. As indicated in Figure 1, section 1.4, the GDHI national controls are regionalised to NUTS3 level. The GDHI components are then aggregated to NUTS2 and NUTS1 levels.

### 6.1.1 Primary resources

This is the sum of compensation of employees, property income received, mixed income and gross operating surplus.

#### *6.1.1.1 Compensation of employees (accounted for approximately 72.7% of UK primary resources 2012):*

**Definition:** this is the remuneration, payable by an employer to an employee, in return for the services of labour. It consists of wages and salaries, and employers' contributions. It differs from the CoE component of GVA since it includes wages and salaries paid to UK residents abroad less wages and salaries paid to non-residents in the UK.

- Wages and salaries: annual data from a 1% sample of the PAYE administered by HMRC are used as the main indicator in the compilation of regional wages and salaries estimates.
- Employers' contributions: an estimate of employers' contributions is produced by adding the components specified below.
  - Employers' social contributions to national insurance: the national control total is regionalised using HMRC PAYE data as a regional indicator.
  - Employers' other actual social contributions (contributions to funded and notionally funded pension schemes): the national control for notionally funded pension schemes is regionalised



using Labour Force Survey (LFS) employment data for industries P (education) and Q (human health and social work activities). The national control for funded pension schemes is regionalised using private sector income from employment which is estimated using LFS employee data and HMRC PAYE, partnership income and sole trader income data.

- Employers' imputed social contributions (benefits paid to employees from employers' own current resources, rather than from a fund to which they would have made contributions): national controls are regionalised using LFS public sector employment data.

#### ***6.1.1.2 Property income received (accounted for approximately 10.6% of primary resources 2012):***

**Definition:** this relates to income from the ownership of financial assets and tangible non-produced assets (land and sub-soil assets). It is the sum of distributed income of corporations, interest income, attributed income of insurance policyholders, and rent on land.

- Distributed income of corporations: an estimate of distributed income of corporations is produced by adding the components specified below.
  - Dividend income: a percentage mix (dividends over the sum of income from interest and dividends) is used as a control and Investment Income data from the SPI is used as an indicator.
  - Withdrawals from income of corporations: the national control is regionalised by using self-assessment data on partnership income (from HMRC) as an indicator.
- Interest income: the national control is regionalised using SPI investment income data.
- Attributed income of insurance policyholders: an estimate of Attributed Income of Insurance Policyholders is produced by adding the components specified below.
  - Non-reinvested component: employment income (wages and salaries and mixed income) is used as an indicator to apportion the UK total.
  - Reinvested component: an estimate of private sector employment income is used to regionalise the national controls.
- Rent on land: the national control is apportioned by total resident population. Population data is obtained from the ONS Population Estimates Unit for England, Wales and Northern Ireland; from the NISRA Demography Section for Northern Ireland; and from the General Register Office for Scotland for Scotland data. Total resident population data includes the economically inactive.

### *6.1.1.3 Mixed income (accounted for approximately 7.4% of UK primary resources 2012):*

**Definition:** this mainly comprises income from self-employment.

The national control total (excluding private dwelling rental income) is regionalised using sole trader income data from HRMC (self-assessment data). The national control for private dwelling rental income is allocated to regions in proportion to the total value of the privately owned dwellings in each region.

### *6.1.1.4 Gross operating surplus (accounted for approximately 9.2% of UK primary resources 2012):*

**Definition:** this relates to the household sector's rental income from buildings, including the imputed rent of owner occupied dwellings.

The national control total is regionalised using estimates of owner-occupiers' dwelling values in each area using data on numbers of dwellings and dwelling prices. This is done separately for England and Wales, Northern Ireland, and Scotland at NUTS4 before aggregation to NUTS3, adding together and prorating against the UK total (national control). Regional indicator data at NUTS4 level are obtained from the Department for Communities and Local Government (DCLG), Department of Finance and Personnel Northern Ireland (DFPNI) and University of Ulster, and the Scottish Government, respectively for England, Wales, Northern Ireland and Scotland.

## **6.1.2 Primary uses**

Primary uses consist of property income paid.

### *6.1.2.1 Property income paid (accounted for 100% of UK primary uses 2012):*

**Definition:** this comprises interest paid (on consumer or housing loans) and rent on land paid.

- Interest paid: the national control is regionalised using imputed rent (estimated as part of the GOS calculations) and average expenditure on interest data obtained from the ONS Living Costs and Food Survey (LCF) as indicators.

- Rent on land paid: the national control is regionalised using agricultural rent expenditure data from the Department for Environment, Food and Rural Affairs (Defra).

### 6.1.3 Secondary resources

This is the sum of social benefits received, other current transfers received, and imputed social contributions.

#### *6.1.3.1 Social benefits received (accounted for approximately 81.1% of UK secondary resources 2012):*

**Definition:** these are social benefits other than social transfers in kind. Social benefits are a tool for redistributing money (not only that funded by compulsory contributions to the social security system but also privately funded social benefits e.g. private pensions). It consists of social security benefits in cash, non-state pensions, and social assistance benefits in cash.

- Social security benefits in cash: an estimate of social security benefits in cash is produced by adding the components specified below.
  - State retirement pensions: the national control is apportioned using State Pension recipients data from DWP for Great Britain and from DSDNI for Northern Ireland.
  - Widows' and guardians allowances: the national control is regionalised using widows' allowance recipients' data obtained from DWP for Great Britain and from DSDNI for Northern Ireland.
  - Unemployment benefit and jobseeker's allowances: the jobseekers' allowance claimant count (data obtained from the ONS for Great Britain and from DSDNI for Northern Ireland) is used to assign national totals to NUTS3 regions.
  - Incapacity benefit: the amount of incapacity benefit by region is derived (recipients multiplied by average benefit paid) and used to regionalise national controls. The data used to derive the indicators is obtained from DWP (for Great Britain) and from DSDNI (for Northern Ireland).
  - Maternity benefits: population data (of zero to one-year-olds) are used to assign national totals to regions.
  - Statutory sick pay: population data (working age) are used to assign the national totals to regions.

- Redundancy fund benefit: the jobseekers' allowance claimant count (data obtained from the ONS for Great Britain and from DSDNI for Northern Ireland) is used to assign national totals to NUTS3 regions.
- Social fund benefit: 65 plus population for men and 60 plus population for women are used to regionalise national controls.
- Non-State Pensions (consists of private funded social benefits and unfunded employee social benefits): private pension income data obtained from the SPI are used as an indicator to assign the UK total to regions.
- Social assistance benefits in cash: an estimate of social assistance benefits in cash is produced by adding the components specified below.
  - Rent rebates: the national total is assigned to regions by using information on rent rebates paid by local councils (data obtained from DWP).
  - Rent allowance: the national total is assigned to regions by using information on rent allowances paid by local councils (data obtained from DWP).
  - Student grants and other local government transfers: the national totals are assigned to regions using population data of 15 to 24-year-olds.
  - Social assistance benefits from non-profit institutions serving households (NPISH): the population aged 16 and over is used as an indicator to assign the national control totals to regions.
  - War pensions and allowances: the currently used methodology regionalises the national control using Defence Advice and Statistics Agency (DASA) war pensions information.
  - Income support: DWP data on the amount of benefit received in each region is obtained (recipients x average weekly amount) and used to regionalise the national control. The national control does not account for Northern Ireland. Consequently, income support expenditure data at NUTS1 level (obtained from DSDNI) is used as control and income support information (obtained from DSDNI) is used as a regional indicator.
  - Income tax credits and reliefs: child and working tax credit statistics obtained from HMRC are used to regionalise the national control.
  - Child benefit: child benefit is run as a two-tier system (more money for the eldest child, lower rate for any additional children). The regionalisation methodology reflects that by multiplying the number of one-child families by the higher rate and the number of additional children (total number of children less one-child families) by the lower rate and then summing together. This sum is used to prorate the UK total. Indicator data are obtained from HMRC.
  - Voted jobseekers' allowance: the unemployment count is used as an indicator to assign the national total to regions. This does not capture Northern Ireland. There is no separate voted job seekers' allowance data available from the Northern Ireland Executive.

- Attendance allowance: for Great Britain, attendance allowance payments received (data obtained from DWP) are used to assign the national control. The national control does not capture Northern Ireland. For Northern Ireland, the expenditure data on Attendance Allowance at NUTS1 level are used as control and data on the recipients are used as indicator. The Northern Ireland data are obtained from DSDNI.
- Disability benefits: disability allowance received by Great Britain regions at NUTS3 level (obtained by multiplying the recipients by the average amount received) is used to apportion the national control. The indicator data are obtained from DWP. Northern Ireland is not included in the national control. Consequently, expenditure data on disability benefits at NUTS1 are used as national control and data on recipients are used as indicator. Data for Northern Ireland are obtained from DSDNI.
- Other Northern Ireland benefits: any remaining unallocated benefits for Northern Ireland are regionalised using NUTS3 total resident population data.
- Other social assistance benefits: any remaining unallocated benefits for Great Britain are identified and assigned to regions using total resident population data at NUTS3 level.

#### ***6.1.3.2 Other current transfers received (accounted for approximately 18.9% of UK secondary resources 2012):***

**Definition:** other current transfers are unrequited payments, with nothing received in exchange. In the household sector this comprises non-life insurance claims and miscellaneous current transfers.

- Non-life insurance claims: this component covers the value of claims received by the household sector on property, motor vehicle and health insurance policies held. However, it is assumed that claims equal premiums (as does the national control) and NUTS3 estimates are obtained using premiums information. Total UK motor vehicle premiums data are regionalised using the number of registered motor vehicles by region (obtained from the Department for Transport (DfT) for Great Britain and from Department for Regional Development Northern Ireland, DRDNI, for Northern Ireland). Premiums paid on medical insurances are currently distributed by total resident population. Property insurance premiums are derived by distinguishing between content and structure insurance. Incomes from the Primary account (wages and salaries, dividends and interest received, distributed income of corporations, mixed income, and gross operating surplus) are prorated to content insurance expenditure available by NUTS1 regions. For structure insurance, the value of dwellings is prorated to expenditure on premiums by NUTS1 regions. The sum of structure and content insurance estimates is constrained to the UK value of property insurance premiums. The sum of premiums paid on medical, motor vehicle and property insurance are prorated to the national control from the Blue Book.
- Miscellaneous current transfers: the national control for this is regionalised by total resident population at NUTS3 level.

### *6.1.3.3 Imputed social contributions (accounted for approximately 0.1% of UK secondary resources 2012):*

**Definition:** imputed social contributions are those paid directly by employers to their current and/or former employees, as well as other eligible persons. Payments are made directly to the entitled individuals without involving a social security fund, insurance enterprise, autonomous pension fund or the like.

The national control is regionalised using total resident population data as an indicator.

### **6.1.4 Secondary uses**

This is the sum of current taxes on income and wealth, social contributions and social benefits paid, and other current transfers.

#### *6.1.4.1 Social contributions and social benefits paid (accounted for approximately 51.4% of UK secondary uses 2012):*

**Definition:** social benefits paid relate to benefits paid by NPISH and some unfunded private schemes. Social contributions paid are contributions made by individuals to social insurance schemes to make provisions for social benefits (e.g. state retirement pension). The payments (which can be actual or imputed), may be made by employers on behalf of their employees, or by employees, the self-employed and the non-employed, on their own behalf. They may also be compulsory or voluntary.

Social contributions and social benefits paid are the sum of social benefits, employers' actual social contributions, employees' actual social contributions, social contributions of the self or non-employed and imputed social contributions.

- Social benefits: total resident population data is used to assign the national total to regions.
- Employers' actual social contributions: these are payments by the employer on behalf of employees to social security or various other pension funds. These are regarded as part of CoE in the primary income account, where they are a resource of the household sector. Consequently, regionalised data for employers' actual social contributions (part of secondary uses) are equal to the regionalised data for employers' actual social contributions (part of primary resources).
- Employees' actual social contributions: national controls are regionalised using appropriate LFS employment data, National Insurance contributions data from HMRC PAYE and private sector income from employment (estimated as part of CoE) as indicators.

- Social contributions of the self or non-employed: sole trader income by NUTS3 (estimated as part of mixed income), is used to regionalise the national control.
- Imputed social contributions: this is the equivalent of the employers' imputed contributions estimate at NUTS3 level which is estimated as part of CoE.

#### ***6.1.4.2 Current taxes on income and wealth (accounted for approximately 39.6% of UK secondary uses 2012):***

**Definition:** current taxes are compulsory, unrequited payments made by the household sector to the government sector. They consist of taxes on income and other current taxes. Inheritance taxes are excluded because they are regarded as exceptional payments.

- Taxes on income: data on income tax paid by employees (obtained from HMRC PAYE) are used to regionalise the national control.
- Other current taxes: this includes motor vehicle excise duty, council tax and payments by households to obtain certain licences. National totals are regionalised using DCLG data on council taxes, numbers of cars per region from DfT and ONS population (total resident population for passport fees and TV licences, and 20 plus population for boat licences) data.

#### ***6.1.4.3 Other Current Transfers (accounted for approximately 9.0% of UK secondary uses 2012):***

**Definition:** this consists of non-life insurance premiums and miscellaneous current transfers (which consist of a variety of current transfers including payments of court fines, certain government fees and transfers to and from the Rest of the World).

- Non-life insurance premiums: this is the equivalent of the NUTS3 non-life insurance claims estimated as part of other current transfers within secondary resources.
- Miscellaneous current transfers: the national control is regionalised by using population aged 16 and over as indicator.

### 6.1.5 Total GDHI

Household disposable income is defined as the sum of the balances of primary and secondary incomes (resources less uses) and represents the amount available to the household sector for spending on consumption or saving so that:

**Balance of Primary Incomes:** Primary resources less Primary uses

**Balance of Secondary Incomes:** Secondary resources less Secondary uses

$GDHI = \text{Balance of primary incomes} + \text{Balance of secondary incomes}$



## Chapter 7

# Quality Assessment and Improvement

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*A quality assessment of the methodology used in the compilation of regional GDHI*

### 7.1 Accuracy

This refers to the closeness between an estimated result and the [unknown] true value.

As the GDHI estimates are constrained to the Blue Book totals, the accuracy of the UK GDHI estimates is dependent on the quality of the Blue Book UK GDHI estimates. Below the UK level, NUTS1, NUTS2 and NUTS3 estimates are constrained to the UK totals.

Liaising with data suppliers ensures unusual movements in indicator datasets are queried. This allows ONS to maintain accuracy standards within the source data and improve the quality of our finalised outputs.

Once received, the indicator datasets are formatted. The various data providers each present the data in different formats. These are standardised before validation or analysis. Errors may arise from formatting issues, errors in data transfers or communication, or human error within the formatting process. As with all stages of analysis and quality assurance, consistent checking by production staff is essential and is the main form of error identification.

Sample sizes can vary from 100% (DSDNI data) to 1% (HMRC PAYE data). These variations are unavoidable in the collation of reliable time series data for the calculation of GDHI. Improvements in the GDHI methodology or changes in source data allow for reviewing the available sources for higher quality datasets or more timely publications. This is an ad-hoc and continuous process which does not include major revisions to the methodology of GDHI.

The vast majority of source data are annually updated; however some datasets are published biennially, or on an ad-hoc basis. These missing values are imputed. As with sample size, potential improvements to the methodology are reviewed whenever new data become available or when significant changes to the source data affect the final values. Where no recent estimate is available, the previous year's data may be used. It is important to note however, that these issues are rare due to the completeness of the main source data.

Due to the complex process by which the GDHI estimates are produced, it is not currently possible to define the accuracy of the estimates in terms of detailed statistical properties, for example through their standard errors. Therefore the reliability of the estimates, as measured by the extent of revisions, is often used as a proxy for their accuracy. UK estimates will be affected by revisions to the Blue Book control totals, whilst revisions to NUTS3 estimates will come from revisions to the data used to apportion the UK GDHI estimates and revisions to the Blue Book.

The tables below show the percentage revisions to the total GDHI estimates for 2011. Revisions due to national estimates refer to revisions due to the Blue Book control totals. Prior to 2011, the compilation of GDHI involved an Extra-Region category as part of the NUTS classification. This element of the NUTS classification is no longer relevant to estimates of GDHI, which are produced on a residence basis. 'Other revisions' refers to revisions to data used to apportion the UK national controls.

*Table 4: Percentage revisions to regional GDHI in 2011 by NUTS1 region*

2011	Total revision (%) <sup>1</sup>	Revision due to national estimates (%)	Other revision (%)
UK	2.2	2.2	0.0
North East	0.9	1.9	-0.9
North West	0.9	2.0	-1.1
Yorkshire and The Humber	1.0	2.0	-1.0
East Midlands	1.7	2.1	-0.4
West Midlands	1.9	2.1	-0.1
East of England	2.3	2.3	0.0
London	4.5	2.3	2.1
South East	3.1	2.5	0.6
South West	2.3	2.4	-0.1
Wales	1.2	2.0	-0.8
Scotland	1.5	2.0	-0.5
Northern Ireland	-2.6	2.1	-4.7

1. Figures may not sum to totals due to rounding.

Source: Office for National Statistics

The Regional Accounts revisions policy is that the latest year's data are provisional and may be subject to revisions the following year from data used to allocate GDHI to the regions. The whole time series is open to revisions from the Blue Book (which is used to constrain the UK totals and hence may lead to revisions to the sub-regional estimates).

It is important to note that there are other aspects of accuracy, which revisions analysis cannot attempt to measure. A value can be reliable (meaning 'not revised') without being accurate.

## 7.2 Timeliness and punctuality

Timeliness refers to the lapse of time between publication and the period to which the data refer. Punctuality refers to the gap between planned and actual publication dates.

Provisional estimates of regional GDHI at NUTS1, NUTS2 and NUTS3 levels are published around 16 months after the end of the reference period.

Regional GDHI estimates are constrained to national totals and are published six to nine months after the UK National Accounts Blue Book. The availability of key datasets in the production process is a factor in the publication timetable for example. HMRC SPI data becomes available 14 months after the reference period. Regional GDHI estimates have never missed publication deadlines due to data availability.

For more details on related releases, the [UK National Statistics Publication Hub](#) is available online and provides 12 months' advance notice of release dates. In the unlikely event of a change to the pre-announced release schedule, public attention will be drawn to the change and the reasons for the change will be explained fully at the same time, as set out in the [Code of Practice for Official Statistics](#).

## 7.3 Accessibility and clarity

Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the release details, illustrations and accompanying advice.

The regional GDHI first release can be downloaded for free at 9.30am on the day of publication. Regional GDHI time series data can also be downloaded for free from the National Statistics website.

All new releases are published on the ONS website. This website has been designed to meet the Web Content Accessibility Guidelines (WCAG) v1.0 Level Double-A standard. There are three different screen viewing schemes available, including a view to help visitors with dyslexia, and a high visibility and low graphic view.

General enquiries about the GDHI estimates, compilation methods, quality information or difficulties in finding the latest figures can be emailed to the Regional Economic Statistics team at regionalaccounts@ons.gsi.gov.uk or by telephoning 01633 456878.

## 7.4 Comparability

Comparability is the degree to which data can be compared over time and domain for example geographic level.

Data are available on a consistent basis back to 1997. Since international standards such as ESA95 (and shortly the ESA10) are used in the production of the regional accounts, the figures should be directly comparable with the regional accounts of other EU countries. However the revisions policies of these countries should be examined before comparing data for back periods.

The GVA estimates cover the UK as a whole and are broken down into NUTS regions. NUTS are a hierarchical classification of spatial units that provides a breakdown of the European Union's territory for producing regional statistics which are comparable across the Union. Regional GDHI estimates are compiled at three levels of NUTS.

Geography:

- NUTS1: 12 regions - Wales, Scotland, Northern Ireland and the nine English regions can be collectively referred to as regions. There is a thirteenth region known as Extra-Regio which accounts for economic activity that cannot be assigned to any specific region. For the UK this consists mainly of oil and gas extraction on the continental shelf and the activities of UK embassies and forces overseas;
- NUTS2: 37 regions - mainly groups of counties and unitary authorities; can be referred to as sub-regions; and
- NUTS3: 139 regions - principally individual counties and unitary authorities; also known as local areas.

The NUTS classification is reviewed every three years, based on Eurostat defined population thresholds. Any boundary changes are implemented across the entire time series of the regional GDHI publication.

## 7.5 Coherence

Coherence is the degree to which data, which are derived from different sources or methods but refer to the same topic, are similar.

The GDHI estimates are benchmarked to the UK Blue Book totals and are consistent with tables 6.1.3 and 6.1.4 of the UK Blue Book.

DWP produces two data sources which are similar to the GDHI release. One is the Family Resources Survey (FRS), which collects information on the incomes and circumstances of private households in the UK. The other is The Households Below Average Income (HBAI) release, which is used to indicate living standards as determined by disposable income, changes in income patterns over time and income mobility. HBAI uses household disposable incomes, adjusted for household size and composition, as a proxy for the material living standards of individuals or, more precisely, for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live. Neither the FRS nor the HBAI releases are ESA95 compliant. They also do not show information below NUTS1 level.

## 7.6 Plans for further improvement

Methodology is constantly being improved and improved methods will be introduced as and when appropriate. For example, we are currently researching the following topics:

- reviewing the use of HMRC data.

## Glossary of terms/acronyms

### **ABI**

Association of British Insurers. Trade association for the United Kingdom's insurance industry.

### **BIS**

Department for Business Innovation and Skills. The government department which invests in skills and education to promote trade, boost innovation, and help people to start and grow a business. BIS also protects consumers and reduces the impact of regulation.

### **Blue Book**

The main annual publication of National Accounts in the UK. It is available both on the ONS website.

### **CoE**

Compensation of Employees. This represents the total remuneration payable to employees in cash or kind, including the value of social contribution paid by the employer.

### **Control**

A control is a national (UK-level) total to which the regional estimates calculated by the ONS Regional Accounts team must sum.

### **Current Taxes on Income and Wealth**

These are compulsory, unrequited payments made by the household sector to the government sector.

### **DASA**

Defence Advice and Statistics Agency. This agency provides information about the number of UK armed forces personnel and where they are based.

### **DCLG**

Department for Communities and Local Government. The government department responsible for supporting local government, helping communities and neighbourhoods to solve their own problems, working with local enterprise partnerships, and supporting local fire and rescue authorities

### **Defra**

Department for Environment, Food and Rural Affairs. A UK government department responsible for policy and regulations on environmental, food and rural issues.

### **DFPNI**

Department of Finance and Personnel Northern Ireland. Devolved Northern Ireland government department in the Northern Ireland Executive responsible for securing the most appropriate and effective use of resources and service for the benefit of the community.

### **DfT**

Department for Transport. The government department responsible for supporting the transport network.

### **DSDNI**

Department for Social Development in Northern Ireland. The department responsible for urban regeneration, community and voluntary sector development, social legislation, housing, social

security benefits, pensions and child support in Northern Ireland.

**DWP**

Department for Work and Pensions. The government department responsible for welfare and pension policy.

**ESA95**

European System of Accounts 1995. European guidelines for producing the National Accounts in the UK from 1995 onwards.

**ESA10**

European System of Accounts 2010. This will be implemented as from 2014 and will replace the ESA95.

**Extra-Regio**

Economic activity that cannot be assigned to any specific region is assigned to this category. This element of the NUTS classification is no longer relevant to estimates of GDHI, which are produced on a residence basis.

**FRS**

Family Resources Survey. Provides up-to-date facts and figures about the living conditions and resources of people in the UK.

**Great Britain (GB)**

The collective name for England, Scotland and Wales. (Excludes Northern Ireland)

**GDHI**

Gross Disposable Household Income. The amount of money that all of the individuals in the household sector have available for spending or saving after income distribution measures (for example taxes, social contributions and benefits) have taken place.

**GFCF**

Gross Fixed Capital Formation. The acquisition less disposal of fixed assets and the improvement of land. It is calculated gross of any deduction for depreciation or consumption of fixed capital.

**GOS**

Gross operating surplus. The sum of income from self-employment ('mixed income'), gross trading profits and surpluses, non-market capital consumption, and rental income; less holding gains and FISIM.

**GSS**

Government Statistical Service. This is the community of all those involved in the production of official statistics in the UK.

**GVA**

Gross Value Added. The gross value added generated by any unit engaged in production activity.

**HBAI**

Households Below Average Income release is used to indicate living standards as determined by disposable income, changes in income patterns over time and income mobility.

**HMRC**

Her Majesty's Revenue & Customs. The government department responsible for the collection of most taxes throughout the UK.

**Regional indicator**

In the context of regional economic statistics, this means a variable measurable at the relevant regional level that is used to assign proportions of the component of GDHI at national (UK) level to the regional level, i.e. a divisor.

**LCF**

Living Costs and Food Survey. Continuous household survey conducted within the UK, examining household expenditure and income

**LFS**

Labour Force Survey. A residence-based sample survey answered by employees. The survey is carried out by the ONS.

**MI**

Mixed Income. This comprises income from self-employment relating to sole traders and rental income from private dwellings.

**National**

The term 'national' as used in this document refers to UK level.

**NDHI**

Net Disposable Household Income. This is GDHI net of fixed capital consumption (depreciation of fixed assets).

**NINIS**

Northern Ireland Neighbourhood Information Service. Provides free access to statistical and locational information relating to small areas across Northern Ireland. Information is available across a range of themes including Population, Health & Social Care, Education & Skills and Crime.

**NISRA**

The Northern Ireland Statistics and Research Agency. The statistical agency of the Northern Ireland executive.

**NPISH**

Non-Profit Institutions Serving Households. Includes organisations such as charities, universities, religious institutions, trade unions and members' clubs.

**NUTS**

Nomenclature of Units for Territorial Statistics. This provides a single uniform breakdown for the production of regional statistics for the EU.

**OCT**

Other Current Transfers. In terms of resources, these are unrequited payments, with nothing received in exchange. In terms of uses, this includes non-life insurance premiums and miscellaneous current transfers. The latter consist of a variety of current transfers including



payment of court fines, certain government fees and transfers to and from the Rest of the World.

### **ONS**

Office for National Statistics. Independent official UK body that compiles and publishes economic and demographic statistics.

### **PAYE**

Pay As You Earn income tax. Income tax withheld from the wages of employees and paid to HMRC by their employers. This is the standard method of taxing employees in the UK.

### **PropInc**

Property income. Return on the ownership of financial assets, made up primarily of rent (on land not buildings), interest and the distributed income of corporations (mainly dividends and repatriated profits).

### **SocBen**

Social benefits. In terms of resources these are social benefits received other than social transfers in kind. They include benefits such as social security benefits, pensions, unemployment benefits, and incapacity benefits, amongst others. In terms of uses, these are benefits paid by NPISH and some unfunded private pension schemes.

### **SocCont**

Social contributions. In terms of resources, these represent the counterpart to social benefits (less eventual employees' social contributions) paid directly by employers to their employees or former employees and other eligible persons. In terms of uses, these are payments to social insurance schemes to make provision for social benefits such as State Retirement Pension.

### **SPI**

Survey of Personal Incomes. Sample survey data provided by HRMC, the national tax authority. It is based on information held by HMRC on persons who could be liable to UK income tax for the income tax year.

### **UK**

United Kingdom. The collective name for England, Scotland, Wales and Northern Ireland.

### **UK Statistics Authority**

An independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. The Authority's statutory objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and ensure good practice in relation to official statistics.

### **WSTI**

Welsh Short-Term Indicators. These are designed to illustrate the economic progress of each industrial sector in Wales, quarter on quarter and year on year. They are produced on behalf of the Welsh Government by the Regional Economic Statistics branch.