

A Minimum Income Standard for London 2016/17

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Minimum Income Standard for London

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Acknowledgements

The research team would like to thank all of the people who participated with enthusiasm and thoughtfulness in the discussion groups at the heart of this research.

Thanks also go to Nicola Lomax and Lisa Jones at the Centre for Research in Social Policy (CRSP) for co-ordinating the groups and providing administrative support for this project. Thanks too, to Mubin Haq at Trust for London, which funded this research, for his support and guidance throughout the project.

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Executive Summary

Key findings

This study explored with groups of London families what households in Inner and Outer London need for a minimum acceptable standard of living, and calculated the difference in minimum costs between London and the rest of the UK. Updating earlier research on a Minimum Income Standard for London, the study found that:

- Overall, 4 in 10 Londoners (41%) have an income below that needed for a minimum socially acceptable standard of living. The equivalent for the UK is 30%.
- Many costs in London are similar to those in other urban areas in the UK, but additional costs of living there continue to grow and mean that reaching a minimum decent standard of living in the capital costs between 18% and 56% more. The most significant additional costs are housing, childcare and transport.
- Private rents have grown much faster in London compared to the rest of the UK, by around 15% in two years at the cheaper end of the London market (outside of London the increase was 4%). This has resulted in increased living costs for those unable to access social housing.
- Transport costs in the capital have continued to grow, and recent fare freezes do not apply to travelcards. Many families in London face higher travel costs than those in other urban areas of the UK, because of the high cost of public transport.
- Childcare costs have continued to grow, and are higher than elsewhere in the UK. A cap on tax credit support for childcare costs is creating particular difficulties for working parents in London.
- Nearly 60% of children in London are in households with incomes below MIS, compared to 45% in the UK as a whole. Children in lone parent households are at particular risk of being below this level (over 80%).
- Just under three-quarters of Individuals living in social housing have insufficient incomes to afford a minimum budget. Over half in the private rented sector have incomes below MIS.
- Safety-net benefits fall well short of providing minimum costs for Londoners, covering only around a quarter of a minimum budget for working age singles and around half for families with children.
- Londoners earning the National Living Wage have disposable incomes of between a half and around 90% of what they need to meet minimum costs.
- Londoners need to earn between 40% and 70% more than households outside of the capital in order to reach a minimum socially acceptable standard of living.

- London families confirm the trend elsewhere in the UK, whereby parents have looked for more economical ways of meeting needs in tough times, such as by shopping around for gas and electricity.
- Overall a family in social housing needs to spend about 20% more living in London than in the rest of the UK, but if they need to rent in the private sector, it is up to 60% more in Inner and around a third more in Outer London.
- Non-working families in London are under increasing risk of having incomes well below MIS, due to policies such as the benefit cap and freezing of the Local Housing Allowance.

The context

The continuing growth in London costs, especially housing, has been a central focus of public and political attention in recent years. The new Mayor has promised to address these costs, and particularly to alleviate the impact of unaffordable rents and expensive public transport on people with modest incomes. The additional £3.15 billion promised by central government to help improve affordable housing will take some time to come on stream, although more immediately the Mayor has frozen public transport fares for pay as you go tickets, although not for weekly, monthly or annual travelcards. Meanwhile, private rents have been growing particularly fast at the lower end of the market, while family incomes have been hit by policies such as the benefit cap and the freeze on limits to tax credit support for childcare, both of which affect Londoners most because of high costs.

Method

This research updated the Minimum Income Standard for London to 2016. For families with children, this involved new research, asking groups of London parents to confirm or amend lists of items required by families, as a minimum, that had been drawn up for the UK as a whole earlier in the year. For other household types, the study updated 2014 research based on inflation; new research on what items these households need is planned for 2018 as part of a rolling updating programme.

The Minimum Income Standard for the United Kingdom builds consensus among members of the public about what different types of household require for an acceptable standard of living. This involves regularly bringing together groups of people from a range of social backgrounds to deliberate in detail over which items are needed in a household budget in order both to fulfil essential physical needs and to have the choices and opportunities that allow participation in society.

In this research, eight groups of London parents considered in what respects the things that Londoners need are the same or different from those identified by the 2016 research elsewhere in the UK. Separate groups looked at needs in Inner and in Outer London. The original 2014 research involved a further 21 groups.

Differences in London

The largest additional costs in London continue to arise as a result of more expensive housing, childcare and public transport costs. Parents in London accept that as a minimum, families can expect to live in flats, rather than houses as is the case outside London. Despite this more modest specification of accommodation in London, the rents identified as a minimum for each household type are far higher than outside London, in both the public and private sectors. Between 2014 and 2016, there was a further divergence in private rents between London and the rest of the country, especially at the lower end of the market: lower quartile rents grew more than four times as fast in Inner London (18%) than the rest of the UK (4%). Childcare costs also grew faster in London. In 2016, parents in both London and the rest of the UK included the choice of nursery provision for the first time, saying that being restricted to childminders could hinder children's chances for early learning and development. In the case of transport, parents in London confirmed that, unlike outside London, families do not need cars. Their travel model was similar to that specified in 2014, but some new concerns over the security of older children travelling on their own caused modest additional resources for an occasional tube or taxi to be allocated to the budget for Outer London teenagers who previously were deemed to rely on buses.

In most other respects, the minimum for families is much the same inside as outside London. Some small differences were confirmed, such as the need even for relatively smaller families to use a tumble dryer because of limited drying space in flats rather than houses. Food shopping is the same in content, but with a delivery charge for buying online included because of the lack of a car. Leisure costs are slightly higher because of increased prices of some activities such as going to the cinema, although unlike in 2014, there were no cases where families specified that in a London context families needed to do things like eat out more frequently (which had been justified by having smaller homes and having more dispersed social contacts, associated with doing more things outside the home). On the other hand, London families put greater emphasis than previously on being able to travel outside the city, to escape its stresses for a day, budgeting for six trips a year to somewhere like Brighton or Southend. Overall, families in both the UK and London research in 2016 included more economies than previously in their budgets, for example through shopping around for items like gas and electricity suppliers, which reduced the cost of such items.

Income requirements and the ability of Londoners to meet them

Overall, it costs £100-£160 a week more for a family to live in London. Compared with costs outside London, the total budget for a couple with two children is 18% more in Inner London and 21% more in Outer London; for a lone parent with one child, it is 22% in Inner and 17% in Outer London. These figures assume that families have access to social housing, but if renting private housing, this difference increases to between a third in Outer, and up to 60% in Inner London. For a single person without children, reliance on private housing now means that the additional amount required to live in Inner London as a minimum has risen to above half the cost of living outside London: 56% more – a substantial jump from just 47% in two years.

An out of work family in London can cover only just over half of its MIS budget through benefits. For those affected by the benefit cap, or whose housing benefits fall short of their rent because of the freeze on Local Housing Allowances, the situation will be even worse. For working families, the National Living Wage has helped improve incomes, but this has been offset by benefit cuts and by the capping of the amount of childcare eligible for support through Working Tax Credit or Universal Credit. A lone parent with a young child who works full-time in London falls over a third short of meeting the Minimum Income Standard. While the National Living Wage has brought single people outside London considerably closer to MIS, in London these gains have been more than offset by private rent increases. This underlines the importance of addressing costs and not just wages in London, if low-paid workers are to have a chance of regaining a decent standard of living.

The report therefore concludes that efforts to reduce costs, especially for housing in the next few years will be crucial to the fortunes of Londoners on low incomes. The Minimum Income Standard can provide a benchmark of how these costs are affecting the overall income required by London households to reach an acceptable living standard, and how this compares to Londoners' actual incomes.

1. Introduction

As all Londoners know, living in the capital is expensive. For some, this is a worthwhile price to pay for a metropolitan lifestyle and the opportunity to access high quality, well-paying jobs. Yet others do not have such opportunities, and over one in three Londoners are unable to afford even a minimum acceptable standard of living (Padley et al., 2017). For them, ever-rising costs mean not having the things deemed by the general public as part of a decent living standard for 2017.

This report provides new research on what comprises such a standard, appropriate to living in London today. It updates the Minimum Income Standard for London, funded by Trust for London, which was first calculated two years ago (Padley et al., 2015). London life changes rapidly, and so do costs. As a new Mayor develops policies seeking to address the high cost of housing and transport, maintaining an up to date benchmark of how much it costs for Londoners to meet their needs makes an important contribution to the debate.

The Minimum Income Standard (MIS) is the budget required to cover the basket of goods and services needed by households in order to have a minimum socially acceptable standard of living, as defined by members of the public. MIS is a major research programme that produces annual updates of the income a range of different household types need in order to afford an acceptable standard of living. The calculation of this income is based on detailed discussions among groups of members of the public about the goods and services households need to reach this minimum standard of living (see Box 1).

Box 1: **Minimum Income Standard – Summary**

What is MIS?

A Minimum Income Standard (MIS) for the United Kingdom is the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household in order to meet these needs and to participate in society.

How is it arrived at?

A sequence of groups has detailed negotiations about the things a household would need in order to achieve an acceptable living standard. They go through all aspects of the budget in terms of what goods and services would be needed, of what quality, how long they would last and where they would be bought. Experts check that these specifications meet basic criteria such as nutritional adequacy and, in some cases, feedback information to subsequent negotiation groups who check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to

eight people from a mixture of socio-economic backgrounds, but all participants within each group are from the category under discussion. So parents with dependent children discuss the needs of parents and children, working age adults without children discuss the needs of single and couple adults without children and pensioner groups decide the minimum for pensioners.

A crucial aspect of MIS is its method of developing a negotiated consensus among these socially mixed groups. It uses a method of projection, whereby group members are asked not to think of their own needs and tastes but of those of hypothetical individuals (or 'case studies'). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standard defined below. While participants do not always start with identical ideas about what is needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole can agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem able to reach a satisfactory conclusion, subsequent groups help to resolve differences.

What does it include?

Groups in the initial research defined MIS as: 'A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.'

Thus, a minimum is about more than survival alone. However, it covers needs, not wants, necessities, not luxuries: items that the public think people need in order to be part of society. In identifying things that everyone should be able to afford, it does not attempt to specify extra requirements for particular individuals and groups – for example, those resulting from living in a remote location or having a disability. So, not everybody who has more than the minimum income can be guaranteed to achieve an acceptable living standard. However, someone falling below the minimum is unlikely to achieve such a standard.

Who does it apply to?

MIS applies to households that comprise a single adult or a couple, with or without dependent children. It covers most households, with its level adjusted to reflect their make-up. The needs of over a hundred different family combinations (according to numbers and ages of family members) can be calculated. It does not cover families living with other adults, such as households with grown-up children.

Where does it apply?

MIS was originally calculated as a minimum for Britain; subsequent research in Northern Ireland in 2009 showed that the required budgets there are all close to those in the rest of the UK, so the national budget standard now applies to the

whole of the UK. This standard was calculated based on the needs of people in urban areas. A further project published in 2010 (Smith et al., 2010) looked at how requirements differ in rural areas, and the present series of reports (Padley et al, 2015) does the same for London. The London budgets can also be obtained in the online Minimum Income Calculator (www.minimumincome.org.uk), by clicking on the geographical options on the main results page. Outside the UK, the team responsible for the UK MIS has supported MIS projects employing the same method in Japan, Portugal, France and Austria. An ongoing MIS programme in the Republic of Ireland uses methods based on the UK work.

How is it related to the poverty line?

MIS is relevant to the discussion of poverty, but does not claim to be a poverty threshold. This is because participants in the research were not specifically asked to talk about what defines poverty. However, it is relevant to the poverty debate in that almost all households officially defined as being in income poverty (having below 60% of median income) are also below MIS. Thus households classified as being in relative income poverty are generally unable to reach an acceptable standard of living as defined by members of the public.

In 2014, the first MIS for London study provided a detailed account of what Londoners' agreed was needed for a minimum socially acceptable standard of living and explored the implications of this for incomes within the capital. While much had been said and written about how life in London is distinctive and different, prior to this first study there had been no systematic attempt to define what Londoners need as a minimum, how living in London impacts on the cost of achieving this minimum, and how this differs from the rest of the UK. Two years on from this initial study, and in the context of changing costs and incomes in the capital, the question of how much households need in order to achieve a minimum socially acceptable standard of living in London remains a critical one.

The previous study looked in detail at the needs of working age adults, with and without children, and pensioners living in Inner and Outer London. It took as its point of comparison the most recent UK MIS (Davis et al., 2014), and asked groups of members of the public in London to focus on the needs and costs which are different and/or additional to those specified in urban areas of the UK outside London. Since this first study was undertaken in 2014, the UK lists of goods and services needed for an acceptable standard of living by households with children have been researched from scratch – or 'rebased' – with these households specifying a slightly more economical budget (Davis et al., 2016). This rebase for families with children is part of a regular four-year cycle in which members of the public look afresh at what households need; the next such rebase will be in 2018 for households without children (working age and pensioners). The present update covering families with children in London follows on from this latest wave of research on the same groups in UK MIS, examining whether changes in social norms identified in urban areas outside London apply within London for households with children. It also allows for a consideration of other factors in the capital that may be affecting household needs, how these are met, and changes in household costs. Like the main MIS research that it follows, this London study was carried out in 2016, and is costed for April of that year.

Regularly reviewing and updating MIS, both in urban areas in the UK and in London, is important in order for the minimum income standard benchmark to reflect changes in society, regarding norms and expectations, and to capture changes in costs that impact upon how much households need to meet a minimum. Up to date assessments of London budgets are of particular importance given the ways in which certain costs have changed between 2014 and 2016. Within the private rented sector, for example, London has seen a far higher rate of increase than seen in urban areas of the UK outside London; MIS allows the impact of these changes on minimum budgets to be explored in detail.

Updating MIS is also important because of the ways in which the findings of the first MIS London study have been used. A revised approach to calculating the Living Wage, bringing the methods for London and outside London into line, draws on information from the MIS research which therefore needs to be kept as up to date as possible (D’Arcy and Finch, 2016). The MIS London research has also been used for a reappraisal of London Weighting (Hirsch, 2016).

Report Structure

Chapter Two looks at recent developments affecting costs and incomes in London. There is a focus is on housing, transport and childcare and how costs in these areas have changed over recent years, and this chapter also looks at how wages, benefits and employment trends in the capital are affecting incomes. Chapter Three sets out the methods used in researching MIS London, and how they have been applied in this study. Chapter Four explores what groups in Inner and Outer London agreed were the different and additional goods and services needed to achieve a minimum socially acceptable standard of living. Chapter Five compares the London and UK MIS budgets, looking at the additional costs different households in London face, and at how much Londoners therefore need for a minimum income standard. Finally, Chapter Six pulls out the key findings of this new research in London.

2. The context: London costs and London incomes

The ability of Londoners to make ends meet continues to be influenced by rising costs. The original MIS London report noted significant differences in costs driven largely by housing, childcare and public transport. Between April 2014 and April 2016, private rents are estimated to have risen exactly twice as fast in London as elsewhere in Britain, 7.2% compared to 3.6% (ONS, 2017a), and much faster for smaller properties towards the cheaper end of the market. In the same period the cost of a nursery place for a child over two rose by 8.6% in London and 5.7% in the rest of the country (Family and Childcare Trust, 2014 and 2016). Public transport fares started rising more slowly in London, by 2.5% in 2015 and less than 1% in 2016, but this was still ahead of inflation. Travelcard fares rose somewhat faster than average fares and bus fares in the UK generally only rose by just over 1% in total during this period. Meanwhile, there has been a severe pressure on services, as local authority budgets continue to be squeezed, and London Councils forecast a £2 billion 'funding gap' by 2020 (London Councils, 2016).

London's new Mayor, Sadiq Khan, has promised to address inequalities in the capital, with a particular focus on housing and transport policy. The policy with the most immediate impact on costs is the freezing of some Transport for London fares from 2017 to 2020 (Mayor of London, 2016a), but in 2017 this did not apply to weekly, monthly or annual travelcards on which many Londoners rely, which increased by 2.3%. Over the longer term, the aim is to increase substantially the supply of housing in London that is affordable to people on modest incomes. In autumn 2016, central government committed just over £3 billion to building 90,000 'affordable homes' in the capital, all of them to be started by 2021. The Mayor has set out plans for 30% of these to be at a London Affordable Rent, using existing social rents as a starting point, and 30% to be either shared ownership or rentals at a 'London Living Rent' (a third of gross median income in the borough where housing is built), with a route to buying the property (Mayor of London, 2016b). He is also seeking to use planning regulation to improve the number of affordable homes within new private developments (Mayor of London, 2016c).

This chapter looks at costs and incomes in London, including the costs of housing, transport and childcare; and an overview of how wages, employment, unemployment and benefits influence the level of low incomes in the capital.

Housing

In recent years, there has been a shift in housing patterns in the capital. In 2014-15, just under half of Londoners owned their homes, compared to around 60% a decade earlier; in the rest of England, 66% are owner occupiers, down from 73% in 2004/5 (DCLG, 2016a). Over a quarter of London households (27%) were in the private rented sector (PRS), compared with 18% outside London, and 23% were in the social rented sector, compared to 16% nationally. There appears to be no clear sign of this trend halting, with the private rented share having risen from 24 to 27% since the data reported on two years ago (although year to year figures for London are volatile).

As set out in Chapter 4 below, working age Londoners without children do not expect to be able to get allocated social housing, or to be able to afford owner occupation on modest incomes. In the MIS model therefore, living on a low income means private renting for this group, but the cost of social housing remains relevant for families with children and pensioners.

Social Housing

In 2015, the East of England and London regions reported the highest proportion of local authorities where weekly social rent was more than three quarters of salaries for the bottom 10% of earners (ONS, 2016a). Social rents are both higher and more variable in London than in the rest of the country, with the average council rent in the most expensive borough, Wandsworth, over 40% higher than in the least expensive, Havering. The average local authority rent, across property types and sizes, is £111 a week in Inner London and £105 a week in Outer London, compared to £89 in England as a whole (DCLG, 2016a).

The gap between the rents charged by Housing Associations in London and elsewhere has also increased dramatically over the last twelve years, and these differences have continued to grow in the past two years of data. The long-term change is illustrated in Table 1. What it shows is that the gap rose in percentage terms for housing associations but not local authorities, but it rose greatly in cash terms for both, because of the general rise in social rents. Overall, someone in social housing could typically expect to spend around £10-20 more on rent in London than the England average in 2003, but by 2014/15 this had doubled to around £20-40 more.

Table 1:
Average social rents, London compared to England average, 2003 and 2014/15

2003	London	England	Difference (£)	Difference (%)
	Local Authority			
1 bed	£56.13	£44.34	£11.79	27%
2-bed	£63.81	£49.29	£14.52	29%
3-bed+	£72.46	£52.99	£19.47	37%
	Housing association			
1 bed	£57.49	£49.54	£7.95	16%
2-bed	£68.20	£57.16	£11.04	19%
3 bed	£79.33	£62.38	£16.95	27%
2014/15	London	England	Difference (£)	Difference (%)
	Local Authority			
Bedsit & 1-bed	£92.07	£72.23	£19.84	27%
2-bed	£106.53	£80.95	£25.58	32%
3-bed+	£126.24	£92.34	£33.90	37%
	Housing association			
Bedsit & 1-bed	£109.34	£78.66	£30.68	39%
2-bed	£125.69	£90.38	£35.31	39%
3-bed+	£144.24	£103.28	£40.96	40%

Source: Wilcox 2004 and 2016.

The Private Rental Sector

There are more people in London living in privately rented accommodation (27%) than in social housing (23%) (DCLG, 2016a). In 16 of the 33 London boroughs, more than 30% of private renters are claiming housing benefit (Jarvie, 2014). Housing benefit is capped at a level originally set at a rent below which 30% of local properties are available, but has been frozen since 2016, so that many claimants do not have their full rent covered. Private sector rents exceed social housing rates by a wider margin in London than the rest of the country, for example the average weekly private rent in London in 2014-15 (£298) was more than twice the average social rent (£129), whereas outside London, the average private rent (£147) was just over one and half times that of the average social rent (£91) (DCLG, 2016b).

Reflecting changes in the housing market, since 2014 MIS has calculated rents based on the PRS for working age people without children. Budgets for single people cover rent for an economical one-bedroom flat in the PRS, at the lower quartile. Extra space requirements of couples are accommodated by allowing for rental costs at the median

for a single bedroom property. London rents are between 1.9 and 2.6 times as much as the average for England for various sizes of property at the lower quartile (VOA, 2016). This represents a cost on top of the national average of £89 per week for a studio flat and £212 a week for a three-bed property. The proportional difference paid for living in London is lower when renting a room in shared accommodation – the provision for single people of working age in the calculation of the London Living Wage (D’Arcy and Finch, 2016) – rather than a whole property, but is still significant. For a room only, lower quartile rents in London are 1.5 times higher than the national average. This difference can add between £30 and £48 per week to the costs faced by ‘sharers’ in London when compared to other regions of England and is £40 more than the national average.

These gaps between London and the rest of the country are increasing. Between 2013/14 and 2015/16, for example, the average weekly cost of renting a one-bed property in the PRS rose by 5.1% (£32) in London, whilst rising by 3.9% (£22) across England as a whole (VOA, 2014a; 2016). The increase has been sharper for dwellings towards the cheaper end of the London market: lower quartile rents for one-bedroom properties in London rose by £32 per week (15%) between 2013/14 and 2015/16 (VOA, 2014a; 2016). In addition to the increases in the cost of renting in the PRS, there are differences in the prices that people living in Inner and Outer London pay to rent. The average lower quartile rent for one-bed homes in 2015-16 was £287 a week in Inner London and £207 a week in Outer London. (VOA, 2016).

Council tax

The average Band C yearly council tax rate set for 2016-17 is £1,000 in Inner London and £1,280 in Outer London, compared to a country-wide average of £1,530 (DCLG, 2016d). Despite this being lower than the national average, a higher proportion of households in London are paying council tax in Band C or above, due to higher property values in the capital. Only a minority (44%) of properties in London lie in bands A, B or C, compared to two thirds (66%) nationally (VOA, 2014b). Because of this difference, although Band C tax is lower in London, the average council tax paid per dwelling is similar to the national average: only 64 pence per week less than for England in 2016, slightly narrowing the gap from an 85 pence difference two years previously (DCLG, 2016c).

Since the abolition of council tax benefit in April 2013, responsibility for providing council tax support has fallen to local authorities. Most local authorities adopted ‘minimum payment’ schemes, which have led to many more households having to pay a contribution to council tax. As of October 2016, there were only seven local authorities in London still offering 100% council tax support. Four had adopted a policy of minimum payments under 10%, ten had a level between 10 and 20%, and twelve had a minimum payment over 20% (Ashton et al., 2016).

It has been reported that those affected by minimum payment schemes have responded to the additional cost by cutting back on spending on essentials like food, clothing and heating, or by borrowing money to avoid falling into arrears. Over the past two years (the first two years of ‘localisation’), London boroughs reported that over 100,000 households had fallen into arrears. In 2015/16, over 19,000 claimants were referred to bailiffs, a 51% increase on 2014/15; and 81,000 claimants were charged a total of £8.9 million in court costs, an increase of 10,000 claimants and £400,000 since 2014/15 (Ashton et al., 2016).

Transport

The cost of transport in London was a key area of difference in the previous MIS London study. Most significantly, unlike households with children living outside London, groups decided that Londoners do not need a car in order to have a minimum socially acceptable standard of living (see below). The present study is therefore concerned with public transport costs.

The most common way of paying for public transport journeys in London is with an Oyster card. A monthly Oyster travel card for Zones 1-3 costs £146 for adults aged 18-64 (2016 prices); more than twice the cost of public transport for UK MIS 2016, which includes enough for a four-week bus pass. In the last MIS London study, groups decided that a Zones 1-4 Oyster travel card would be needed to allow Inner Londoners to access employment opportunities and this currently costs £178.60 a month. In Outer London, groups said that a Zone 1-6 oyster travel card would be needed, which, at £227 (2016 prices) per month, costs more than three times the amount allocated for public transport in the UK MIS budgets.

Until the current freeze in Oyster fares, the costs of public transport in London had risen very rapidly. Between 2008 and 2016, individual tube fares increased by 37% and bus fares by 54% (DfT, 2016a; DfT, 2016b). In 2016, the new Mayor of London, Sadiq Khan, confirmed his decision to freeze TfL fares until 2020, although so far this has only applied to pay as you go fares. (Mayor of London, 2016a). The Mayor also introduced a 'hopper ticket' that allows passengers to make two bus or tram journeys for the price of one within a one hour period. The second stage of this new policy, intended to be introduced in 2018, will charge the same amount for an unlimited number of bus or tram journeys within an hour and will include bus journeys made either side of journeys made by other modes of public transport.

Childcare

The cost of childcare tends to rise year-on-year. According to the Family and Childcare Trust's most recent survey (see Table 2), living in London adds around £40 per week to the cost of 25 hours of formal childcare at a nursery or with a child minder (the typical amount of childcare that a parent working part-time might use, or the extra hours a parent working full-time in England might use on top of their allocation of 15 hours' free provision for three- and four-year-olds). This represents an addition of between 31% and 41% to the average costs for England, and results largely from the high costs of business premises in London (Bell et al., 2012; London Assembly, 2012). After-school child minding for older children based on 15 hours 'dropoff' care costs on average 38% more in London. As shown in Table 2, with the exception of an after-school childminder, costs have risen faster in London than elsewhere in the past two years.

Table 2:
Average weekly childcare costs in London and England, 2016 (% change since 2014)

Childcare provision	London	England
Nursery, 25 hours (under 2)	£158.73 (+13%)	£118.13 (+6%)
Nursery, 25 hours (2+)	£148.74 (+9%)	£113.06 (+7%)
Child minder, 25 hours (under 2)	£148.12 (+9%)	£105.33 (+5%)
Child minder, 25 hours (2+)	£146.81 (+6%)	£104.42 (+3%)
After-school child minder, 15 hours	£88.17 (-6%)	£63.96 (-1%)
After-school club, 15 hours	£54.39 (+11%)	£48.90 (+1%)

Source: Family and Childcare Trust, 2016: Table one

If eligible for support, parents may claim 70% of their childcare costs through Working Tax Credit (or 85% if they receive Universal Credit) providing these costs do not exceed the cap of £175 per week for one child or £300 with two children. In 2016, there were 11 local authorities where the average cost of part-time childcare exceeded this cap and left parents to make up the difference between the £122.50 allowance (i.e. 70% of £175) and the total cost, paying, on average, £81.53 a week. Nine of these local authorities were in London; the other two were in the South East of England (FCT, 2016).

The failure to raise the cap is a particularly important source of rising costs in London at present, which makes the childcare picture different even from two years ago. This can be illustrated by considering the situation of a London family who just hit the cap in 2014, i.e. paying £175 a week, for one child's nursery place. Their net childcare costs, after receiving the additional tax credit for childcare, would have been £52.50, i.e. 30% of £175, or £26.25 if on Universal Credit. With nursery costs in London rising by 8.6% over the past two years, on average the fee would increase by £15.05 a week, costing them £785 a year. Because of the cap, all of this would be paid for by the family, increasing their net childcare bill by nearly 30% if on Working Tax Credit, or nearly 60% if on Universal Credit.

Parents may also struggle to secure free nursery hours for very young children. The target of the poorest 20% of families with two-year-olds receiving 15 hours of free childcare (see DfE, 2013) by September 2013 was not met, with only 41% of local authorities across the country having enough places for those eligible (FCT, 2014: 19); this had grown to 71% by 2015-16, but is still a substantial shortfall. The lack of provision in London has been highlighted as being particularly problematic and the uptake of free places for eligible two-year-olds was 46% in London in January 2015, compared to 58% nationally (DfE, 2015). Over the next five years, parents in England and Scotland will see their hours of free early education increase, which may help to ease some of the pressure on working parents in London, but concerns have been raised that a lack of funding is likely to undermine attempts to deliver this model (NDNA, 2016).

Wages

Wages overall are higher in London than anywhere else in the country, but since London has more unequal pay than any other region, the difference is greater at the top than it is at the bottom of the distribution. In 2016, the median weekly wage for full-time employees was, at £671 per week, 25% higher than the national median (ONS 2016b). The highest earning 10% of employees in London receive at least £1,420 a week, £350 or a third more than in the next highest region. The bottom 10% make no more than £340 a week, just £40 or 13% more than their equivalents in the next highest region (Aldridge et al., 2015).

Just over one in five workers across the country (22%) earn less than the voluntary Living Wage. Despite the higher rate set for the Living Wage in London, relatively fewer workers there are low paid by this criterion (18%) than in any other region other than the South East. However, these regional differences are not large, and the nearly one in five Londoners earning below the Living Wage comprise over 700,000 individuals, more than in any other region (KPMG, 2016).

An important development in the past two years has been the introduction of the National Living Wage, a higher statutory minimum wage rate for over-25s. Unlike the voluntary Living Wage, the same rate is applied in London as elsewhere in the UK. Its potential benefits in terms of enabling Londoners to make ends meet are therefore more modest than for the rest of the country, where many costs are lower.

Londoners' gender, ethnicity and age profiles strongly correlate with the distribution of low pay in the capital, as they do in the country as a whole. Women are significantly more likely to be low paid than men. In 2014, 16% of London's jobs done by male employees and 22% of those done by female employees paid less than the London Living Wage. In the rest of the UK, 18% of jobs done by male employees and 29% of those done by female employees paid less than the Living Wage. Both sexes have seen a fall in the proportion of jobs that pay the Living Wage over time but the gap has been widened through a greater reduction in jobs paying wages at this level for females (ONS, 2015).

London Weighting

Many Londoners receive a 'London weighting' payment in recognition of the higher living costs specific to the city. The level of weightings has not risen in line with either costs or earnings over the last thirty years. At £3,561, the 2014 average for Inner London represents little increase on what some Londoners were receiving in the late 1980s. For example, in the public sector, nurses have seen an increase from £3,268 in 2002 to £4,158. In the financial sector, bank employees have seen no increase on 2002's average of £4,000, which had risen from £3,000 in the late 1980s. Considering that public transport is up to four times as expensive as in 1987 and the cost of a London home more than five times the 1987 price, it is clear that London Weighting is doing less than previously to compensate for higher London costs (Hirsch, 2016).

Employment

Over the last three decades, London has become firmly embedded in the global economy. There has been an increase of jobs in 'high value business services', such as those in the financial, insurance and information and communication industries, and a corresponding decline in manufacturing jobs. Data show that employment opportunities in London are different from those in the rest of Britain as up to a third of jobs in these expanding sectors are located in the capital (GLA Economics, 2015a). The city's growing population also boosts demand for localised services, creating jobs in education, health and customer services (GLA Economics, 2016).

Employment is more likely to be full-time in London. In 2016, 87% of men and 65% of women working in London were working full-time, compared to 73% and 51% respectively for the UK as a whole (ONS, 2017b). However, London also has one of the highest numbers of zero hours contracts. The precarity of living with no guaranteed minimum hours of work, or other flexible working arrangements that yield varying income levels, may result in difficulties in managing household expenditure (Hill et al., 2016a). The Labour Force Survey estimates that for October to December 2014, the region with the highest number of zero-hours contracts was the South East (14.1% – 97,300), followed by the North West (11.2% – 77,500) and London (11.1% – 76,700). Average hours worked in London dipped between 2012 and 2014, having risen quite steadily since 2011, recovering from a dramatic fall during the global economic downturn (GLA Economics, 2015b). London also has the highest rate of self-employment in the UK, with 18% of workers being self-employed and just over half of these on low pay (Broughton and Richards, 2016).

Not being guaranteed a minimum number of working hours can affect Londoners' ability to meet their basic needs in terms of paying rent and bills. There can be further complications in navigating the benefits and tax systems when employment or earnings are irregular and households potentially find themselves missing out on entitlements where systems are insufficiently responsive or faced with benefit repayments if their income is underestimated (GLA Economics, 2015b). Atypical working hours can have a huge impact on people's lifestyles and living standards. While for some, flexible working might be beneficial and cost-saving for their childcare arrangements, others struggle to find a pattern that ensures quality of life for their household or miss out on employment opportunities because of caring responsibilities.

Unemployment

London experienced a less significant increase in unemployment than the rest of the country during the global economic downturn. Nevertheless, the capital has for more than two decades had an employment rate lower than the UK average. This has been widely attributed to the particular profile of the city's population, but research has found that Londoners' demographic characteristics are insufficient to explain the unemployment rates that persist in the capital, particularly with regard to parental and especially maternal employment. Female Londoners in general give different reasons for being out of employment from those given by men, with 43% of women and only 7% of men giving 'looking after family/home' as the reason for their economic inactivity in 2013-2014. Economically inactive men were more likely to be studying or long-term or temporarily sick (GLA, 2015b).

Despite the government's continuing drive to 'make work pay', costs associated with working mean that for some it is not as worthwhile to work in London as it is elsewhere, regardless of the potential for higher pay. In particular, the high costs of childcare highlighted earlier lower the financial rewards that many parents in London are able to gain by working (Jarvie, 2014: 9).

Benefits

In November 2016, the government introduced a lower cap on the total amount of benefit payments that households are eligible for, which will affect four times as many households as the previous cap introduced in April 2013, as the annual amount drops from £26,000 nationwide to £23,000 in London and £20,000 elsewhere. Lower caps of £13,400 outside London and £15,410 in London apply to single adults without children. The new cap will affect 88,000 households, an increase on the 79,000 previously capped. Half of those affected by the previous cap were council or housing association tenants (IFS, 2016).

Nearly half (49%) of households affected by the initial introduction of the benefit cap were in London. Families with no parent in work are affected most by the overall benefit cap, with a home in any of London's boroughs beyond the reach of those with three or more children unless they can supplement their housing costs with other benefits, find adequate employment or move to smaller accommodation that would be below the minimum standard of living. The other alternatives would be to move out of London, or to move in with extended family, which could bring new problems such as overcrowding. An unemployed single adult would not receive a level of housing benefit that covers all of their housing costs in 11 of London's boroughs, even if they found a home whose rent was at the lower quartile value for the area (London's Poverty Profile, 2016). The new cap will affect both smaller families and very small families in high-rent areas. In London and other high-rent areas in the south east, lone parents with two children will have their housing benefit capped below Local Housing Allowance, meaning that it will not fully cover private rental costs anywhere in London (Citizens' Advice, 2015).

Early reporting of the impacts of the benefit cap include Londoners turning to low-paid self-employment such as cleaning work, which has raised concerns that having to respond rapidly to the reduction in income may leave some ill-prepared for the demands of self-employment and risk falling foul of the tax and benefits systems and incurring debt (Citizens' Advice, 2015).

Londoners are being affected by the other cuts to welfare that have hit households all over the country, and in some cases are more vulnerable to their effects as a result of higher costs. The impact of the long-term freezing of the cap on childcare rates eligible for support through tax credits is referred to above. The freezing of Local Housing Allowances also has a disproportionate effect on Londoners as a result of higher and faster rising private rents. For social tenants, the under-occupation penalty – also known as the 'bedroom tax' – is set at 14% of rent for one additional bedroom, which is therefore higher in London where social rents are greater: on average, it exacts a £20 weekly penalty in London, compared with £13 in the East Midlands (Hirsch 2016: 25).

Against the background described above, the remainder of this report assesses what incomes households of different types need now in order to reach a minimum acceptable standard of living. Certain demographic groups are less likely to attain this standard than others, and some of these are groups who also face additional difficulties particular to London. In particular, families with children, the demographic group with the highest risk of falling below MIS (Padley et al., 2017), experience higher costs in London in the form of childcare and some may struggle to access the best value childcare that suits their family life because of competition for places. As we have seen, this has been exacerbated by rising childcare costs and frozen limits of support. Meanwhile, the effect of high and (in the private sector) rising rents is hitting the worst-off families harder through the tightening of housing benefit. All this makes it more relevant than ever to monitor how minimum income requirements for Londoners are evolving.

3. Methodology

This chapter sets out the methodology that was used in this research. The study was based on the same principles as all UK MIS research. MIS centres around in-depth discussions with groups of members of the public, who are asked to explore in detail the goods and services required by different households in order to meet a minimum socially acceptable standard of living. Instead of focusing on what they themselves consider to be necessary to reach this minimum, members of the public focus on reaching agreement on what is required by different ‘case study’ households. In the UK MIS, groups are regularly tasked with putting together household budgets from scratch – referred to as a ‘rebase’ – but in this project, London groups were asked to consider and review the lists of goods and services compiled in urban locations in the UK, outside of London, in 2016. In the UK MIS, budgets were compiled from scratch for households with children in 2016 and the focus of the new research in London was on the needs of these households and how these may be different to those in the UK outside of London. The research also looked at whether what is needed for a minimum acceptable standard of living has changed since the previous research in London in 2014. For households without children, the same research is planned for 2018: compiling from scratch the UK MIS budgets, followed by research in London reviewing the results in the London context.

The groups in this project were focused on:

- reviewing the goods and services agreed in urban locations outside of London – in the UK MIS – as those that provide a minimum socially acceptable standard of living;
- identifying which, if any, of these goods and services would be either inadequate or unnecessary for people living in households with children in Inner and Outer London; and
- agreeing how the list of goods and services should be adjusted, altered or added to so that households reach the same standard of living in London.
- reflecting on any changes since 2014 in these adjustments.

This approach of checking for variations from the UK MIS lists has been used in a growing number of projects where the focus is on identifying differences in requirements that arise because of differences in particular areas of life. The approach not only enables these differences to be identified, but also allows a calculation of their consequences for minimum income requirements. This approach has been used to develop budgets, for example, in remote and rural Scotland (Hirsch et al., 2013), as well as identifying the different and additional needs of individuals with visual impairment (see Hill et al., 2017, 2016b).

Reviewing household budgets for families with children in London¹

Orientation groups

The research undertaken in 2014 in Inner and Outer London identified three key areas of life where both costs and needs were different for households living in London: housing, transport and childcare. This new research began with two ‘orientation’ groups – one in Inner and one in Outer London – whose focus was on these three areas. These groups, as in all the groups in this project, brought together parents with dependent children to discuss the needs of these households. Groups were asked to consider the overall housing, transport and childcare needs of households with children, living in the capital. Presented with the ‘case study’ families defined by the number of adults and children and its location, they discussed what type of accommodation they would require, how they would meet their transport needs and the type and quantity of childcare they needed to access. The decisions agreed within these orientation groups were taken forward into the next stage of groups.

Principal review groups

Two principal review groups, one in Inner and one in Outer London, were tasked with reviewing the detailed lists of goods and services compiled in the UK MIS in 2016 for households with children, and amending these to reflect the different and/or additional needs of these households in London. As in all MIS research, participants in groups discuss and agree what people living in the same kind of household as themselves need for a minimum socially acceptable standard of living; groups within this project comprised parents living in either Inner or Outer London, who discussed the needs of families with dependent children living in the capital.

The MIS London groups all started from the same definition of a ‘minimum standard of living’, developed by groups in the initial stages of the ‘main’ UK MIS research in 2006. This definition states that:

A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society.

Changes to the existing lists of goods and services, and/or to the quantities of items, included in UK MIS budgets were made with reference to this standard and what is needed to reach rather than exceed it. Crucially, participants were asked to consider what needs to be different for families with dependent children *because they are living in London*, rather than introducing differences because groups disagreed with whether or not something should be included as a minimum need in the UK generally.

Each of the London groups was asked to consider the needs of families with dependent children across either Inner London or Outer London, rather than focusing on the location in which they lived. In this way, the research produced minimum budgets for households with dependent children in Inner and in Outer London, rather than for specific boroughs.

Participants reviewed the lists of items representing a minimum income standard for the UK, reflecting on whether these lists would meet the minimum standard of living defined above in London. More specifically, groups were asked to reach agreement about:

¹ For a detailed discussion of the needs of working-age adults without children and pensioners, see Padley et al., 2015.

- What – if any – goods and services need to be added to existing lists in order for London households to reach a minimum socially acceptable standard of living
- What – if any – goods and services within the UK MIS budgets are not needed in order for London households to achieve this standard
- What – if any – goods and services need to be amended or revised in order for households in London to reach a minimum
- Why these changes are needed.

Follow up and final review groups

Follow up and final review groups were subsequently held in Inner and Outer London – one of each of these types in each location. In these groups, participants reviewed the lists of goods and services needed by households with dependent children to reach the minimum and any changes or adjustments that had been made to these by the first set of groups. Follow up and final groups both comprised different participants to the initial groups. This is of critical importance in ensuring the robustness of the approach; changes made to the lists of goods and services are reviewed by more than one group and final adjustments are only confirmed if and when agreed by more than one group.

Recruitment

Participants were recruited for groups, face-to-face by recruiters in public locations, and were generally living in areas close to where the groups were conducted. As in the previous MIS London research, Inner and Outer London were defined according to the definition used by the Greater London Authority, set out in Figure 1.

**Figure 1:
Inner and Outer London**



In total, 88 people participated in the fieldwork undertaken in London. Participants in groups were recruited to include a reasonable balance of genders and although participants were not recruited according to ethnicity, every attempt was made to make sure that no individual group was dominated by any one ethnic group. Participants were recruited on the basis of where they lived (Inner or Outer London) and household composition (parents with dependent children). Groups included participants with children across a range of ages, from toddler to secondary school aged children, and from both couple and lone parent households. As in all MIS research, groups were recruited to include participants from a range of socio-economic backgrounds, so that the budgets drawn up by groups represent the needs of the population in general rather than being rooted in any one experience of the world.

Updating the budgets for working age adults and pensioners

For households without children, there has been no new research this year in the contents of a minimum ‘basket’ of goods and services in London. Instead, the budgets for these households have been updated based on price increases between April 2015 and April 2016, which are estimated by applying changes in the relevant components of the Retail Prices Index (RPI) to the categories of goods and services included in MIS budgets. The exceptions to this are costs associated with public transport and housing, for which changes are calculated based on increases in the cost of London travelcards and London rents respectively. Given that these two areas were identified in 2015 as a key source of difference between life in London and elsewhere in the UK (Padley et al., 2015), it is helpful to use this more specific price data, rather than rely on a general inflation index.

Calculating the cost of a Minimum Income Standard for London

Where goods and services are identified by groups as different for households with children in London, these differences have been discussed in detail and the UK MIS budgets are adapted to produce budgets for London. This includes where and how often goods and services need to be bought and also how services are accessed in London. Where groups have agreed that items are the same as in UK MIS, it is assumed here that the costs facing households are the same. This assumption is based on the pricing of household and personal goods at retail chains that have national pricing policies, and consequently items cost the same price when bought in London as elsewhere.

In general, UK MIS budget totals are reported excluding both housing and childcare costs. This is because these are costs where there is significant variation across the UK. However, in order to capture fully the importance of higher housing and childcare costs in London, this report presents minimum budgets both with and without these costs.

The MIS London budgets presented here make use of childcare costs calculated using Family and Childcare Trust figures for Inner and Outer London (FCT, 2016). Private rents, for working age households without children, have been calculated separately using lower quartile rents from Inner and Outer London boroughs (VOA, 2016). Social Rents are calculated as in the UK MIS, using a weighted average of Local Authority and Housing Association rents in London. The available data do not distinguish between Inner and Outer London and therefore social rents included in budgets here are based on averages for London as a whole. The cost of contents insurance has been estimated using quotes for appropriate housing at a range of postcodes in Inner and Outer London.

The fuel budgets in UK MIS, and also in MIS London, are based on the accommodation having gas central heating as this is what groups say would be typical. The fuel costs for different household types are calculated by an expert in domestic energy, based on floor plans chosen as not atypical, from a database of social housing stock. Prior to 2016 domestic fuel costs were based on a standard dual tariff from Scottish Power, selected as being not the highest and not the lowest available. In 2016 UK MIS groups said that one of the reasons that it was important for households to be able to access the internet was to be able to use price comparison websites to get better deals. For this reason, domestic fuel budgets are now based on the lowest available online tariff at the time of costing (in January 2017 this was TOTO energy). This has resulted in a significant reduction in fuel costs compared to the previous London budgets, also contributed to by an updated model of fuel consumption used in the calculations (for more detail on this see Davis et al., 2016, p9).

4. What do families in London need as a minimum?

This chapter reports the decisions reached by groups of parents in Inner and Outer London in 2016 about what is needed to reach a minimum living standard, and why. Where there was no clear consensus for change, or clear rationale for why things would be different in London, the budgets remained the same as those for households detailed in UK MIS. (A similar description of the results for households without children can be found in Padley et al., 2015)

Housing

In line with the overarching principle of MIS budgets, the housing provision identified as part of the minimum is based on the needs agreed by groups, taking into account the availability of different types of accommodation. Groups agreed that rented social housing was the minimum acceptable standard for families with children. These households are therefore assumed to meet their minimum needs through social housing. In contrast, in previous MIS research involving working age adults without children, groups both inside and outside London, have specified that such adults would need to rent from the private sector, as the chance of people in this category without additional needs being able to access social housing was seen as too unlikely to be used as the basis for indicative housing costs (Davis et al., 2014; Padley et al., 2015).

Groups were asked what size of accommodation lone and partnered parents with between one and four children need. They agreed the same model for housing in both Inner and Outer London as in the previous research conducted in 2014. As before, they acknowledged that the ideal is for children to have a bedroom each, because of the need for a space of their own and privacy (particularly with mixed gender siblings) as they got older, but that would not be possible in larger families with more than two children. Groups also acknowledged that while it can be difficult to access, social housing was still the minimum socially acceptable level of accommodation for a family. They said that a two bedroom flat would be adequate for lone and partnered parents with one child. For larger families with two or more children they said that a three bedroom flat would offer sufficient flexibility without the family having to relocate. This size of dwelling would also be suitable for larger families with three or four children, provided the bedrooms were of a reasonable size. Parents said it was important that families should be able to have stability and remain in the same location as the children grew up.

Woman: 'I just think keep them in one home, which is their home, because moving is really unsettling so I think they should both have three bedrooms.'

Outer London (Group 01)

Woman: 'Parents and their children need to be settled somewhere. It's their own property: they've got somewhere to live and they're settled as a family, because it's not fair ... You get a phone call from your landlord and you've got to go next month. Then you've got to go to the Council with your bags and you don't know where you're going to be living: you're in limbo.'

Inner London (Group 02)

This conclusion about the number of bedrooms needed by different household types is similar to the findings of the UK MIS research conducted with parents in 2016. Participants both in London and in UK MIS acknowledged that there was a tension between what was probable, in terms of social housing allocation, and what they felt the minimum acceptable standard should be. This is particularly the case in households with two children, where families would be likely to be housed in a two- rather than three-bedroom flat or house, or face a reduction in housing benefit because of under-occupation (the so-called 'bedroom tax').

The assumptions of the housing models used in MIS for families with children inside and outside London, are detailed in the table below.

Table 3:
Housing assumptions in UK and London MIS, households with children

Household Type	Accommodation in UK MIS	Accommodation agreed for MIS London
Lone parent/couple parents plus one child	Two bedroom house (social housing)	Two bedroom flat (social housing)
Lone parent/couple parents plus two children	Three bedroom house (social housing)	Three bedroom flat (social housing)
Lone parent/couple parents plus three children	Three bedroom house (social housing)	Three bedroom flat (social housing)
Couple parents plus four children	Three bedroom house (social housing)	Three bedroom flat (social housing)

Transport

Budgets for families in UK MIS include a second-hand car per household (with an additional adult bus pass in two parent families) to enable families to access employment, goods and services and participate in social and cultural activities. In 2014, Inner and Outer London groups said that the majority of transport needs could be met using public transport, something that was confirmed in this study in 2016.

The decision not to include a car, while confirming previous MIS research, was not reached easily. Some participants talked about difficulties relating to access to public transport, of travelling with young children, the needs of families who have to get to different destinations in a short time frame and distance between destinations.

Woman 1: 'When you've got two children to get to school and you've got to get yourself to work as well, and relying on public transport as well, because I struggle with my car and two children, two different schools. I feel like I'm having a heart attack in the morning trying to get them there and try and be on time at work and I need to work to support my family. And the buses aren't reliable, public transport's not reliable.'

Man: 'Exactly.'

Researcher: 'What do other people think?'

W2: 'It's convenient.'

Researcher: 'Is this the need to have or is it the nice to have?'

W3: 'No, it's the need.'

W4: 'If you work in central London then you're not going to be driving in anyway, but obviously if you work near where you live, but not near a bus stop then yes you do need a car.'

W5: 'A three and a one year old, she needs to drive. Really. I'm just thinking out loud.'

W1: 'You can't get on a bus with them.'

Outer London (Group 05)

However, while some individuals were clear that they did not feel they could meet their own needs without a car, groups also discussed the costs of motoring, including other expenses such as parking charges. Even where people did own a car they said they would still use public transport to commute to work, because London traffic meant that travelling by car was not necessarily quicker.

Woman 1: 'You're not going to get anywhere that you need to get on time if you're in a car from my experiences.'

Man: 'And even if you use the public transport or you use a car it's not a big difference in these days. Prices of the fares and all that is just booming all the time.'

W2: 'Yes.'

W1: 'Your best bet is getting a train.'

W3: 'That's expensive.'

W1: 'You don't get traffic, do you?'

W4: 'Yes it's faster.'

W1: 'But you get around the traffic especially red lights.'

Inner London (Group 02)

Woman: 'I think transport links where I live I've got everything on my doorstep but everyone in [location] can get anywhere you need to. Transport generally runs quite well in London. Also buses have got bus lanes so they're not caught up in traffic so I don't think they need it that's a nice to have.'

Outer London (Group 01)

On this basis, the eventual consensus was that public transport would be adequate in most cases, with car ownership being the 'nice to have' option.

Researcher: 'So we have to think about where we set this bar, because if you say the answer is a car, that means you're saying that every household in Outer London needs a car.'

Woman 1: 'It's lovely to have a car. I used to drive but the cost was too much for me. I'm a single mum. When we were two it was fine, with three children I don't know how I've done it up until now because I have to get them to school and get to work in Central London. I take the train from [station], so once I get them to school I have a one year pass, one year Oyster, so I just jump on anything.'

[...]

W2: 'You still need a car. It's not easy, because sometimes you're taking them to school and it's raining and maybe you have just one umbrella and the kids.'

W3: 'But that would be nice to have a car in that situation, but you don't actually need it in that situation.'

[...]

W3: 'You make it work.'

W4: 'Yes you would. I mean to be honest I got a car for the first time three years ago at 39. I managed, in fact I didn't feel like I was managing, but I only had one child at that time. (...) But it still feels like a luxury, I sort of feel that I don't deserve the car because I kind of feel like I could survive without it.'

[...]

W5: 'It's actually a luxury. I mean if you've got a car then great, but some people can't afford it. I mean there's lots of transport links now. Look at the underground after 1.00am and things like that. People get by.'

Outer London (Group 05)

In specifying families' transport requirements, groups agreed that parents would need a pre-paid Oyster travel card covering Zones 1-6 for those living in Outer London and Zones 1-4 for Inner London adults, again the same model as two years earlier. This is in recognition that people often have to commute to other parts of the city to work, and may have to cross the central Zones (Zones 1-2) in order to reach their final destination. Groups thought that it was unrealistic to expect most people to be able to pay for an annual travel pass, and said that the cost of a monthly pass should be included.

In London, children under the age of 11 are able to travel on almost all forms of public transport at most times for free. Children aged 11-15 are required to pay half the adult fare for travel on Underground, Overground, Docklands Light Railway and National Rail

services, and can use buses and trams for free within Greater London. Parents in the previous research in Inner London said that travelling by bus might make children late for school because of heavy traffic or if the bus terminated unexpectedly. They said that it was a reasonable expectation that secondary school pupils might have to cross Zone 1 in order to get to school and might live or attend a school in Zone 3. They therefore included the cost of underground journeys in Zones 1-3 five days a week in term time for secondary school children to get to and from school, and said that journeys out of term time could be made using the bus for free. Inner London parents in 2016 agreed with this model.

In Outer London parents added slightly to the specification for secondary school aged children, raising particular concerns about safety. Parents agreed that it was likely that children in Outer London might have longer journeys than those living in Inner London and that in Outer London it was less common to live near to an underground station, so the journey home would probably still involve children having to take at least one bus, and possibly two or three. The consensus reached was that if the child was travelling home later in the evening than usual – for example, from an after school club - it was important for them to be able to access other forms of transport. This would have an additional cost but would mean a shorter and safer journey. Outer London parents therefore added £7.50 a week for secondary school children to cover occasional additional travel costs incurred when travelling outside of normal school times using other means of transport, such as Uber, to get home safely.

Man 1: 'If we put in £10 a week at least for cabs because sometimes they will need it. That's what I think.'

Researcher: 'How do people feel about that?'

M1: '...OK the bus is free but sometimes that kid, a 14-year-old girl or boy in high school, has extracurricular activities. Their parents might not be able to pick them up or whatever transport they've arranged for them or whatever's happening and now it gets dark really quick I wouldn't want my 14-year-old daughter coming back from, changing two or three buses, I wouldn't feel comfortable with it, so on that odd occasion when she's doing something extra I'd pay for a cab fare back, which would probably cost £6 or something.'

Woman 1: 'I think that would be the odd occasion, because I think whether you've got a car or not you have to make certain choices and one of those choices would be about logistically how you're going to get somewhere. We've got a car but we still have to sometimes decide is it going to be worthwhile going to an afterschool club or should we stick to lunchtime clubs because there may be an issue with pickup, so you're always making choices, whether you've got the money to fund it or not. So in the same way if you knew that once a week your child would have to get a cab back maybe you could choose not to do that activity and pick a different one.'

M1: 'I'm saying on the odd occasion.'

W1: 'On the odd occasion sure.'

[...]

W2: 'For me school in terms of the distance for school would be maximum of an hour's journey whichever transport you use and then I think what everyone's been saying I totally agree that it's about opportunities, so if my child wants to

or needs to go somewhere for personal or course development then I'd want to have that flexibility to be able to afford to get her there.'

Outer London (Group 03)

Woman: 'I think it should cover a certain amount within the month for train fares ... or emergencies they need to get home quickly, waiting for buses in the cold late at night or whatever.'

Outer London (Group 01)

Woman: 'I think safety for your children as well. I don't let my daughter get three buses to school in the morning, it's dark. She's not streetwise (...) She gets the school bus home, they provide, but in the mornings there's no school buses, so she has to get three buses or she can get the private bus and that costs me £1.50 a day.'

Outer London (Group 05)

One of the key differences in conversations in the Outer London groups conducted in 2016 compared to the previous research was the emergence of apps enabling people to book private hire vehicles such as Uber. Parents said Uber taxis were cheaper than conventional minicabs or taxis, and offered a greater degree of safety, as driver details would be sent in advance and it was possible to track specific vehicles so that they had a better idea of where their child was when they were travelling in this way.

Woman: 'And I think for safety reasons as well. Holly is 14², you don't want her to be coming home from her judo class at 7.30pm in the winter on the bus because it's not safe. I don't think it's safe for a child to be travelling alone on public transport. [...] You feel safer using Uber because you know who the driver is, what the number plate is, so if in the future I send a taxi to pick up my daughter I just feel that it's a safer way rather than just a cab company or hailing a cab.'

Outer London (Group 03)

When questioned about why this might have changed since the research was last conducted, parents in Outer London said that they felt that the city had become a more dangerous place to live – and that there was a heightened perception of risk.

Researcher: 'Do you think something has changed in the last two years that now Holly may need that?'

Woman 1: 'Crime levels in the area, safety.'

Researcher: 'In two years?'

W1: 'Yes definitely.'

Man 1: 'Yes definitely I would agree with that.'

[...]

W2: 'Definitely in this borough we're hearing more about the gang stuff and the crimes and stuff, so whether it's actual or whether we're just hearing more about it I don't know, but because we're hearing it we're more cautious.'

Outer London (Group 03)

² Holly is the name of the case study secondary school child whose needs are explored in this research.

Man: 'I think the thing that may have changed in the last two years as well, it might be longer is it's also about safety. It's about whether you want children waiting at a bus stop, going on public transport or whether you're a bit more protective than we used to be because of what goes on.'

Outer London (Group 07)

In both Inner and Outer London, groups included a family railcard per household, in order to get discounts on rail travel. They also included an annual budget for rail travel of £120 per adult and £60 per schoolchild in order to enable families to visit friends and relatives and travel to other parts of the UK. This amount was based on the assumption that tickets would be booked online, in advance of travelling, in order to get the best deals. Children below school age would travel for free. The transport budget also includes money for a return trip by rail and taxi to enable families to travel to the UK-based holiday destination annually.

Table 4:
Transport provision in UK and London MIS, households with children

Household Type	Transport agreed in UK MIS	Transport agreed in MIS London – Inner London	Transport agreed in MIS London – Outer London
Lone parent	Car Second hand bike	Monthly zone 1-4 Oyster card Family railcard £120 for rail/coach journeys per year for visiting friends/relatives £35 rail and £20 taxi return journey to holiday destination Second hand bike	Monthly zone 1-6 Oyster card Family railcard £120 for rail/coach journeys per year for visiting friends/relatives £35 rail and £20 taxi return journey to holiday destination Second hand bike
Couple parents	4 weekly local bus pass (for one parent) Car (per household) Second hand bike each	Monthly zone 1-4 Oyster card (each) Family railcard £120 for rail/coach journeys per year (each) £70 rail and £20 taxi return journey to holiday destination Second hand bike (each)	Monthly zone 1-6 Oyster card (each) Family railcard £120 for rail/coach journeys per year each £70 rail and £20 taxi return journey to holiday destination Second hand bike
Toddler/ pre-school child	Bike as birthday/ Christmas present	Bike as birthday/Christmas present	Bike as birthday/Christmas present
Primary school child	Bike as birthday/ Christmas present	Bike as birthday/Christmas present £60 for rail/coach journeys each year £15 rail return journey to holiday destination	Bike as birthday/Christmas present £60 for rail/coach journeys each year £15 rail return journey to holiday destination
Secondary school child	Bike as birthday/ Christmas present 10 bus journeys per week to get to and from school	Bike as birthday/Christmas present 10 peak tube journeys per week to get to and from school and free bus travel £60 for rail/coach journeys per year £15 rail return journey to holiday destination	Bike as birthday/Christmas present Free bus travel to school £7.50 per week for other travel costs £60 for rail/coach journeys per year £15 rail return journey to holiday destination

Food shopping

The food included in the UK MIS is based on weekly menus compiled from groups' suggestions of likely meals. In general, these follow a pattern of three meals a day (breakfast, lunch and an evening meal) with one lighter meal. Younger children also have a morning and afternoon snack, while school children have a snack in the evening either before or after their main meal. The weekly shopping basket includes a small amount of chocolate and a small packet of sweets for the children, and a modest amount of alcohol for the adults. A nutritionist ensures that the food and drink included meet nutritional guidelines for a balanced diet.

All the food and drink required for households is itemised and compiled into shopping baskets, based on a combination of meals cooked from scratch and some convenience options, including some frozen food and ready-made items like a jar of pasta or curry sauce. The baskets are priced at a major supermarket (currently Tesco, as the most prevalent retailer of this type) with a national pricing policy, meaning that items cost the same across the UK. As elsewhere in the UK, London groups agreed that while some people chose to use a range of different shops, including discount stores such as Aldi or Lidl, this was not always practical because of time and transport issues, so food is priced in one store.

Woman 1: 'Out of like Tesco, Morrison's, Asda I think they're all the same.'

W2: 'And Sainsbury's.'

W1: 'Yes.'

W2: 'All the same price range.'

Researcher: 'So would some be more expensive for some things?'

W1: 'Yes but they all want to beat each other they've all got the same sort of offers on or deals on.'

W2: 'If one has one offer one week the other one will have the same thing the following week.'

Researcher: 'OK. Would they be going to a big supermarket like a large supermarket?'

W3: 'Yes.'

W4: 'If they have sense yes because the local ones are more dear than the bigger ones.'

Man 1: 'It's also convenience, isn't it? So if they have the big one there they don't need to run across. If they're smart as you say then go to the bigger shop. All the frozen stuff comes from Iceland get it all in there and they should be alright.'

W2: 'They might not have time. They might just do that one shop.'

W5: 'Lots of people do their shop online.'

W1: 'And you can budget better online.'

Inner London (Group 02)

While MIS London groups confirm the content of the UK food baskets, and the national pricing policy makes costs almost identical, the lack of a car in London produces a small additional charge for delivery. Participants in Inner and Outer London agreed that it was not practical for parents to have to bring home a weekly shop on public transport, especially if they had their children with them. They said that much of the routine weekly food shop would be bought online and included £60 for an annual pass from a supermarket (e.g. Tesco, Asda etc.), in order to get food and other shopping delivered. This means a weekly delivery cost of £1.15 a week, less than in the previous MIS London provision, in which parents allocated £3 a week for delivery. In 2016, groups said that as online grocery shopping had become more commonplace and supermarkets competed for custom the price of delivery had decreased.

Household goods

This section includes the majority of the items found in the home:

- furniture (tables, chairs, sofas, beds, wardrobes, drawers)
- flooring (carpets, laminate, tiles)
- small electrical goods (lamps, kettle, iron, toaster, hairdryer)
- bedding
- appliances (cooker, fridge freezer, washing machine)
- cooking and kitchenware (saucepans, utensils, crockery, cutlery etc.)
- cleaning equipment and materials (vacuum cleaner, washing up liquid etc.)

Groups in both Inner and Outer London agreed that the vast majority of the contents of the home are not different based on where households live and that families would use the same retailers as those specified in UK MIS. The result is that the cost of the items included in both UK and London MIS is the same, based on items priced at large retailers with national pricing policies. Groups also included £35 to cover a delivery each year from Ikea, which would be needed if replacing larger items of furniture. This is different to UK MIS in which families would use a car to transport the majority of items.

As in 2014/15, groups in London discussed whether or not households needed to have a tumble dryer. The decision reached was similar to that reached in UK MIS – larger households need a tumble dryer because of the volume of laundry. However, in Inner and Outer London, groups agreed that households with two or more children need a tumble dryer, whereas in UK MIS a tumble dryer is needed in larger households with three or more children.

In London parents talked about the difficulties of drying wet washing and how, for example, this could lead to damp, which could in turn exacerbate or cause health problems, such as asthma. The space available for drying laundry was also a consideration. Having washing hanging up around the home was inconvenient and inefficient – if it took too long to dry it could start to smell and might need re-washing.

Washing hanging up in the home also made social participation difficult because there was nowhere else to put it if guests came round. This was particularly the case in London where flats rather than houses are specified as the minimum accommodation and consequently there is likely to be less space than for households in UK MIS, as well as less access to outside areas where laundry could be dried. Some participants raised concerns about air quality and said that even if outdoor drying facilities were available they would not use them because of the levels of pollution. Survey data from 2015 shows that London air quality was a cause for concern for many (Warbis, 2015), and improving it remains a focus for policy makers (Howard, 2015; 2016).

Man 1: 'This is a need, you need to dry your clothes otherwise they're going to be damp. You can't wear smelly clothes.'

Woman: 'It use to take me three days to dry my washing sometimes when I had an airer and I was in a one bedroom flat.'

M1: 'Because you can't wash your other clothes until those are dry and you've got space.'

Outer London (Group 03)

Woman: 'I mean I can only go on what I use mine for, so I went, well up until two without having a tumble dryer, it was only when I had my little, my smallest one, which made three children, that it just become a bit too much trying to find space. I'm only in a small flat so I don't have nowhere else to put it. So for me a tumble dryer was a necessity at that time, but like I say I don't rely on it for absolutely everything.'

Inner London (Group 06)

Household services

This section includes costs for mobile phones and landlines, babysitting, postage and delivery services. These were not thought to be different for families living in London so groups agreed to include the same level of provision as in UK MIS. A cheap contract mobile phone (£7.50 a month) is included for adults and secondary school children, with a £5 a month top up for extra data for each parent. Households with children also have a landline phone as well, principally as a back-up measure. Households have a £15 a year for postage to cover sending Christmas and birthday cards, and any other postage.

Childcare

Groups said that working parents would need childcare for children under school age, and that the budgets need to include full-time childcare at a nursery, between the hours of 8am and 6pm every weekday. This is a change from the research in 2014, where parents said that this could be provided by a childminder. This shift is the same as that seen in UK MIS in the 2016 rebase of family budgets, where groups' focus was on early years development in more formal childcare settings in order to promote a successful transition into education. Participants said that children would have greater opportunities for socialisation at a nursery than with a childminder, as they are

only able to look after a small number of children, and especially younger children, at any one time. They also pointed out the advantages for working parents, as nurseries could provide a point of contact with other parents and a way of developing a support network.

Woman 1: 'Nursery is better for learning because there's more facilities, they've got other children, lots of members of staff.'

W2: 'Socialising and stuff like that.'

[...]

Man 1: 'Free education training that prepares them for school.'

M2: 'And also the children improve their social skills by mixing with other children.'

W2: 'Yes.'

W3: 'And also getting to know children and other parents in your community.'

M1: 'Yes.'

W1: 'That's important.'

W3: 'So you get to know people, speak about schools and you get to know things, connect with your community...'

Outer London (Group 01)

Parents in Inner and Outer London said that in order to enable parents to work, primary school children would need to attend breakfast and after school clubs during term time and a holiday play scheme for 10 weeks in school holidays. This replaces the previous model in London where the primary school child would have been looked after by a childminder before and after school.

Clothing

Groups in Inner and Outer London agreed that the clothing and footwear listed in the UK MIS was adequate for London households and could be bought from the same retailers as elsewhere in the UK. There was more detailed discussion about school uniform, and participants had experience of a range of different requirements, depending on which schools their children attended.

For the most part groups said that the list of items required by school children in London was the same as in UK MIS, but there were some variations in how much of this could be purchased from high street stores or supermarkets and how much had to be branded or 'regulation' items from school stockists. In Outer London parents added a blazer to the primary school child's school uniform list and agreed that this would be purchased from an officially approved supplier, together with jumpers, book bag and tie. Inner London parents also added a blazer and said that in addition to these items, the child's PE shirt and PE bag would be from a school stockist.

In 2016 parents in both Inner and Outer London said that all the uniform requirements for secondary school children would need to be priced at a school stockist, whereas in the previous London research and in the 2016 UK MIS budgets, parents said

the trousers, skirts and shirts could be bought from a supermarket. Parents gave examples of schools that specified a cut or type of skirt and a particular design or colour of school shirt that meant that it was only possible to buy these items from the school's designated supplier. Parents mentioned that the change to academy status often resulted in a change to uniform as part of a new school identity.

Woman 1: 'What I found at secondary school is they started off having logos and then we spent our money on a certain amount of uniform and then they decided to change the whole uniform together, the design and everything. So what we had spent our money originally [on] gets put to the side and if they come to school in that uniform you're getting sent home.'

[...]

W2: 'It's something about academies, new identities that they have and there's been a whole load of schools, particularly secondary schools in London have converted to become academies away from maintained schools. And I think there has been an effort to stamp their new identity.'

Outer London (Group 07)

Woman 1: 'I can get my son's shirts from M&S, blue ones, and they will charge you £11 and in the school they charge you £20. M&S have got a little pocket on, but when they say to the kids "Take your jumper off" they see a pocket and they say "They are not our shirts". And they make them take their jumper off.'

Researcher: 'Just out of interest, what are the kind of penalties if you are found wearing a shirt that isn't theirs?'

W2: 'You get a detention.'

Man 1: 'They make you sign an agreement before the kid starts school to make sure the uniform matches.'

W1: 'You're agreeing to the terms and conditions of the school.'

Inner London (Group 08)

Groups in the previous research conducted in London had similar discussions, but the move seems to be towards parents having to buy more items of uniform from school stockists than before, and particularly for secondary school pupils. This trend has been identified in research on school uniform, which indicated that nearly a third of parents surveyed reported recent changes in their child's school uniform, and that these changes were more likely to affect those attending academy schools (Davies, 2015).

Personal goods and services

This section includes all:

- toiletries
- cosmetics
- home healthcare products (e.g. plasters, pain relief)

- nappies and wipes for younger children
- hairdressing
- healthcare costs for adults – eye tests and money for glasses, dental care (check-ups and a treatment per year) and prescriptions (all of which are free for children).

London groups agreed that mostly people need the same kinds of toiletries and personal care items regardless of where they live so this part of the budget remained almost entirely unchanged. The exception to this, as in the previous research, was hairdressing, which groups have consistently said is more expensive, especially in Inner London, and particularly for school age children and adults, although younger children's haircuts were thought to be available at the same price as outside London because mostly this involves a very simple trim. Groups agreed to increase the money allocated for haircuts, and this was particularly noticeable for the (female) secondary school child, who groups said would have to pay the same as an adult woman, rather than being able to get a cheaper cut.

As in the previous research, some groups suggested that the budgets would need to be increased to cater for differing needs of London's diverse ethnic population, as for some people haircare can be more expensive, requiring different and additional products and more frequent trips to the barber/hairdresser in order to keep it tidy and presentable. However, groups also acknowledged that individual preferences and needs in this area are highly variable. MIS seeks to find a level below which no one should fall, but it cannot reflect the needs of every individual, and this is the case in all areas of the budgets. Consensus was therefore reached that the costs included reflected what was considered to be a minimum, but that some individuals would need more than this.

Social and cultural participation

This part of the budget incorporates various elements relating to families' social and cultural participation inside and outside the home, including:

- home entertainment, including a television and DVD player, a laptop and broadband internet
- birthday and Christmas presents, toys and pocket money
- leisure activities (this includes eating out, although these costs are calculated as part of the food and drink element of the budgets)
- holidays and day trips
- other incidental expenditure, for example books, stationery, printing photographs and documents.

For the most part, London groups did not feel that families' leisure requirements were particularly different to those of people living outside London. Groups agreed that the same types and frequency of activities for parents – for example playing a sport,

going to an exercise class or for a swim once or twice a week – would be the same regardless of location and the budget included for this in UK MIS was adequate (£20 per household for adults). They said that the children’s budgets were also adequate for similar types of activities as those described in the UK MIS budgets. These might include for example, a weekly swim or soft play for younger children, cubs and swimming lessons for primary school children and attending Guides or some kind of sports activity for secondary school children.

However, some activities, for example going to the cinema, were likely to be more expensive in London than elsewhere. For this reason, groups in both Inner and Outer London said that the £30 included in the UK MIS budgets for partnered parents to be able to have some time together as a couple once a month was too low and increased it to £50 each time. They also increased the secondary school aged child’s pocket money from £5 to £10, and their budget for being able to do some form of paid activities in the school holidays from £20 to £30 a week. Groups in Inner London increased the money allocated for the secondary school child’s birthday outing – for example, to pay for them and up to three friends to go to the cinema, bowling or to see a film – from £60 to £80, and parents in Outer London increased the amount for older school children to be able to spend on a monthly trip to meet up with friends from £5 to £10. London groups agreed with the UK MIS allocations of money for eating out four times a year as a family, saying that the budget for this was enough to give a degree of choice so families could choose whether to eat somewhere inexpensive more often or for it to be more of a special occasion less frequently.

It is not possible to draw a direct comparison between how London families’ social participation costs differed from those outside London in 2014 and 2016, since in each year it was being compared to a different UK starting point. However, it is worth noting that while in both cases parents pointed to activities being more expensive in London, there were no cases in 2016 of these activities being different in scope or frequency in London than elsewhere in the UK. In 2014, there had been cases where Londoners specified more frequent eating out – particularly for working age adults without children, but also for parents in Inner London, who said that three times a year (in the UK budgets) was insufficient and changed this to once a month. London MIS households are assumed to live in smaller accommodation than those outside London, and this may justify the need for more social activities outside the home. In 2016, parents’ agreement that eating out four times a year as a family was sufficient, as a minimum, both in Inner and in Outer London may have been influenced by the spending amount per person having been raised to provide for a more ‘special’ but less frequent meal, which would allow greater flexibility – offering families the potential to go out for a more modest meal more often.

Both Inner and Outer London groups agreed with the UK MIS budgets for Christmas and birthday presents as they did not think that people needed a different amount of money for gifts than those living elsewhere.

London parents agreed that families need to be able to go on a family holiday once a year, which was the same decision as that made by parents outside London, and that the same type of holiday would meet this need – a one week self-catering, UK-based break in a holiday park, e.g. Haven or Butlins.

In addition to this, although some participants said that they enjoyed living in the capital, others talked about the need to travel out of London for a change of scene.

This was partly to get away from the stress of living in the city, and partly so that children could experience different types of environment, as well as to be able to visit friends and relatives living outside the capital.

Woman: 'I actually love being in London. I used to work in London, I don't now I work locally, so I actually enjoy going into London because there's so much to do and see. My older daughter, she's 16, and she goes into London quite a lot on her own, she goes to Camden or Carnaby Street. The others I do take but they've gone passed museums and things, but there's so much and I just love it. The other Sunday I just went up and walked along the Southbank because there was something going on, so I don't feel the need to get out of London. I enjoy London. I was born in East London and I don't know I just love it.'

Outer London (Group 07)

Woman 1: 'Because it's really nice to get out into the greenery or by the seaside give your children other stuff other than the urban kind of concrete jungle that we live in. I think that's a real need for children to be out.'

W2: 'Yes I do agree.'

Man 1: 'What every month?'

W1: 'Yes.'

W2: 'I agree.'

M1: 'Do you do that?'

W1: 'Yes. It's a need.'

[...]

W1: 'Pete and Joanne³ would definitely need to go out of London once a month.'

Researcher: 'Why?'

W1: 'Because it's good to get out - it's the whole thing about quality of life. You know having what you need necessary to participate in society. It's not just London there's society outside of London as well that's definitely a need to get the kids out of London.'

Researcher: 'Is that something that you feel is specific to living in London?'

W2: 'Yes.'

Outer London (Group 01)

Woman 1: 'I would say it sounds quite reasonable looking at some of the trips I've done over the summer and the costing, because you can always get deals, you can book in advance and stuff like that, that's quite reasonable. (...) Because it's only £10 or something to get to Brighton for an adult.'

[...]

W2: 'I don't really travel that much but that sounds like a reasonable budget to include annually.'

Inner London (Group 08)

³ These are the names of the case study couple parents.

Groups included the cost of an annual family railcard (which gives a one third discount on some rail fares) and said that trips would be planned and purchased in advance online in order to make the most of discounts and deals. After discussion they agreed to include £20 per adult and £10 per child per trip to be able to make six return trips a year to locations outside London, for example Southend, Bournemouth, Brighton or the New Forest. This is somewhat higher than the £54 a year for each adult and £15 a year for each school child in Inner London in 2014, and £100 a year for each adult and £50 a year for each child in Outer London. In UK MIS the family would use the car for daytrips and visits to friends and family.

Groups also agreed to include an annual day trip for the family, for example to a theme park or zoo. They agreed with non-London parents that deals were always available and that families could make the most of deals and discounts, so £100 per household would be enough to pay for entry for the family, provided that they shopped around carefully. Although some Inner London parents thought that this amount might be too low there was no clear rationale to explain why it would cost these families more than others, so the amount remained the same as in the rest of the UK.

5. The additional costs of living in London

As in the previous research (Padley et al., 2015), the discussions that groups had about what is needed for a minimum socially acceptable standard of living in London reveal that, for the most part, the goods and services households with children need are similar or identical in London and in urban areas of the UK outside London. There are small differences in what is needed in some categories – for example, the higher cost of hairdressing within the capital or different clothing as part of a school uniform – but in general, households with children need a comparable range of food, clothing and household goods as that agreed in UK MIS. However, as in 2014, there are some other categories where costs are substantially different. This is partly because of differences in prices, particularly for housing and childcare, and partly because the way in which needs are met is different, particularly for transport.

This chapter looks at the budgets needed by selected households in Inner and Outer London, comparing these to the budgets for the same households in UK MIS and to the budgets presented in the previous MIS London research. The budgets for households with children presented here are those that have been reviewed and amended in this research. The budgets for working age adults and pensioners were reviewed and amended in the previous research and the results presented here have been updated based on differences in prices, as estimated by the Retail Prices Index, with two notable exceptions – housing and transport. In these two areas, the updated figures reflect actual changes in London costs.

This chapter also examines the composition of additional costs for households with children, and at the implications of the additional costs that arise from living in London for income requirements in both Inner and Outer London. The focus here is largely on the four core households at the heart of UK MIS (see Davis et al., 2016) as these allow much of the diversity of experience across demographic groups in the capital to be captured. In looking at the implications of the additional cost of living in London for income requirements, this chapter also comments on costs in some living situations not addressed in MIS – most importantly in the context of London, single working age adults living in shared accommodation and families unable to get social housing.

Overall differences in minimum household budgets

The previous MIS London research reported that the budgets required by many households in Inner and Outer London to reach a minimum socially acceptable standard of living were greater than those needed in urban locations elsewhere in the UK, although with significant variation in the additional cost of a minimum standard of living across different household types. This remains the case in 2016. The figures set out in the Appendix give the detail of these differences. In most respects the pattern is very similar to that shown in the original London research, in 2014.

To start off with, Figure 2 and Table 5 look at differences in weekly budgets for day to day living before the cost of rent and childcare is taken into account. These figures show that, proportionately, pensioners in Inner London have the most substantial additional weekly costs, nearly a quarter (23%) more than in the UK MIS. For a lone parent with one child in Inner London, the weekly cost of a minimum standard of living is 4% less than in the UK MIS. In Outer London, single working age adults need nearly a fifth (19%) more than in UK MIS, while a couple with two children need just over 10% more.

Figure 2:
Additional weekly budgets compared to urban UK households (April 2016 prices, excluding rent and childcare)

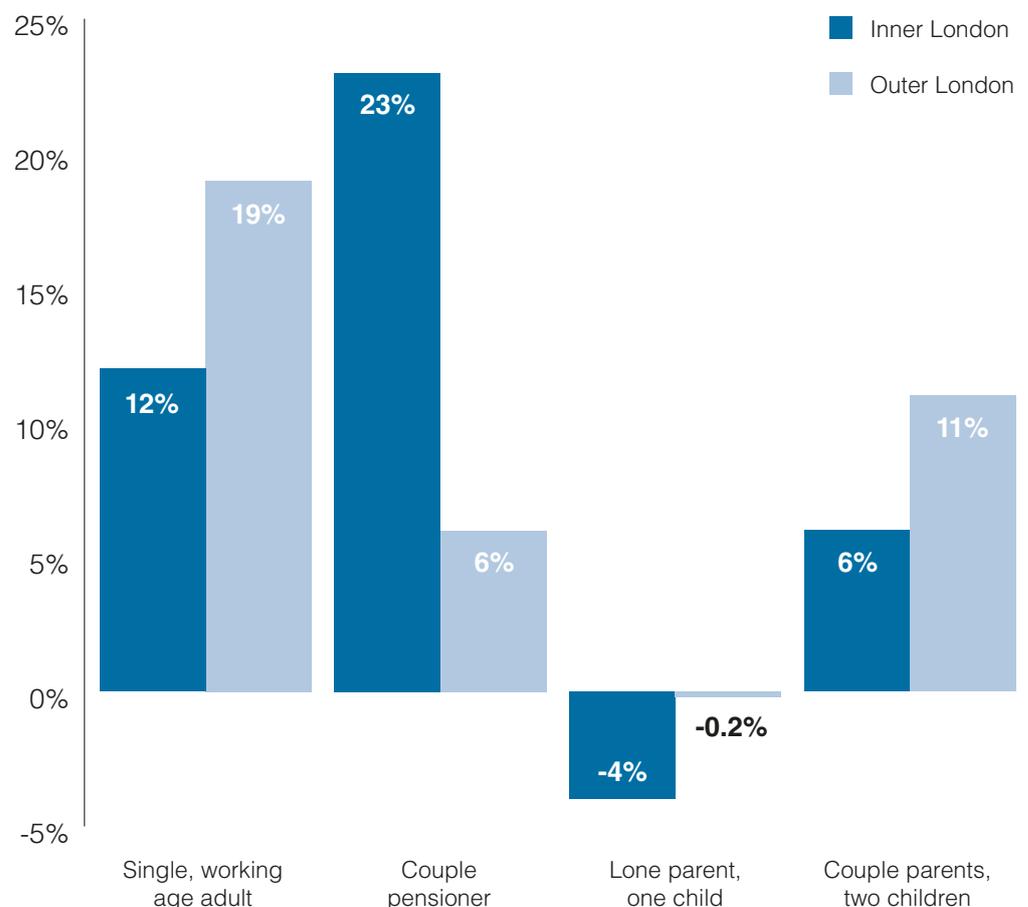


Figure 2 and Table 5 look only at the additional weekly budgets for four illustrative households. MIS data can also be used to calculate budgets for a wider range of household types, for which very similar patterns emerge. Excluding rent and childcare, the additional costs are greatest in Inner London for pensioners, whereas in Outer London households with children – specifically couple parent households – and working age adults face the most significant additional costs. In general, there is little difference between the weekly budgets for lone parent households specified in UK MIS and those detailed in Inner and Outer London.

These general patterns can be explained by the higher costs of social participation specified by Inner London pensioners compared to those outside London (see Padley et al., 2015), and the significantly greater cost of travel in Outer London for couples with children and working age adults. Couples with children face greater additional living costs than lone parents. This is because most of the cost difference, other than from housing and childcare, comes from transport, and whereas lone parents and couples outside London face the same fixed cost of owning a car, in London the cost of buying a travelcard for each parent in a couple is twice that of a lone parent.

The percentage differences between London and the rest of the country shown in Table 5 and Figure 2 are similar in 2016 to 2014. For households without children, the baskets used are the same, so this percentage has not changed when rent and childcare are excluded. For families with children, the new research has produced minor changes in the small percentage difference in London. For a lone parent with one child, Outer London budgets were 3% higher in 2014 but almost identical in 2016; Inner London budgets fell from no difference to 4% lower. For a couple with two children, the difference rose from 8% to 11% in Outer London and from 5% to 6% in Inner London.

Table 5:
Comparison of weekly MIS budgets for urban UK households and London households (April 2016 prices, excluding rent and childcare)

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)	
		Inner London	Outer London
Single, working age	£198.85	£222.69 (12%)	£236.54 (19%)
Couple, pensioner	£267.39	£328.32 (23%)	£282.77 (6%)
Lone parent, one child (aged 0-1)	£297.02	£285.62 (-4%)	£296.35 (-0.2%)
Couple parents, two children (one aged 2-4; one primary age)	£455.90	£485.09 (6%)	£504.95 (11%)

When housing and childcare are included in the weekly budgets needed to reach a minimum socially acceptable standard of living, the picture changes: these costs remain the principal source of difference between London and urban UK outside of London (Figure 3 and Table 6). Including housing and childcare, it is single working age adults, living on their own in Inner London who face proportionally the greatest additional costs. In 2014, single working age adults living alone in Inner London needed just less than 50% more than their counterparts in urban UK outside of London; by 2015, this had risen to over 50% and in 2016, these individuals need 56% more for an acceptable standard of living.

Figure 3:
Additional weekly budgets compared to urban UK households, 2014 and 2016 (including rent and childcare)

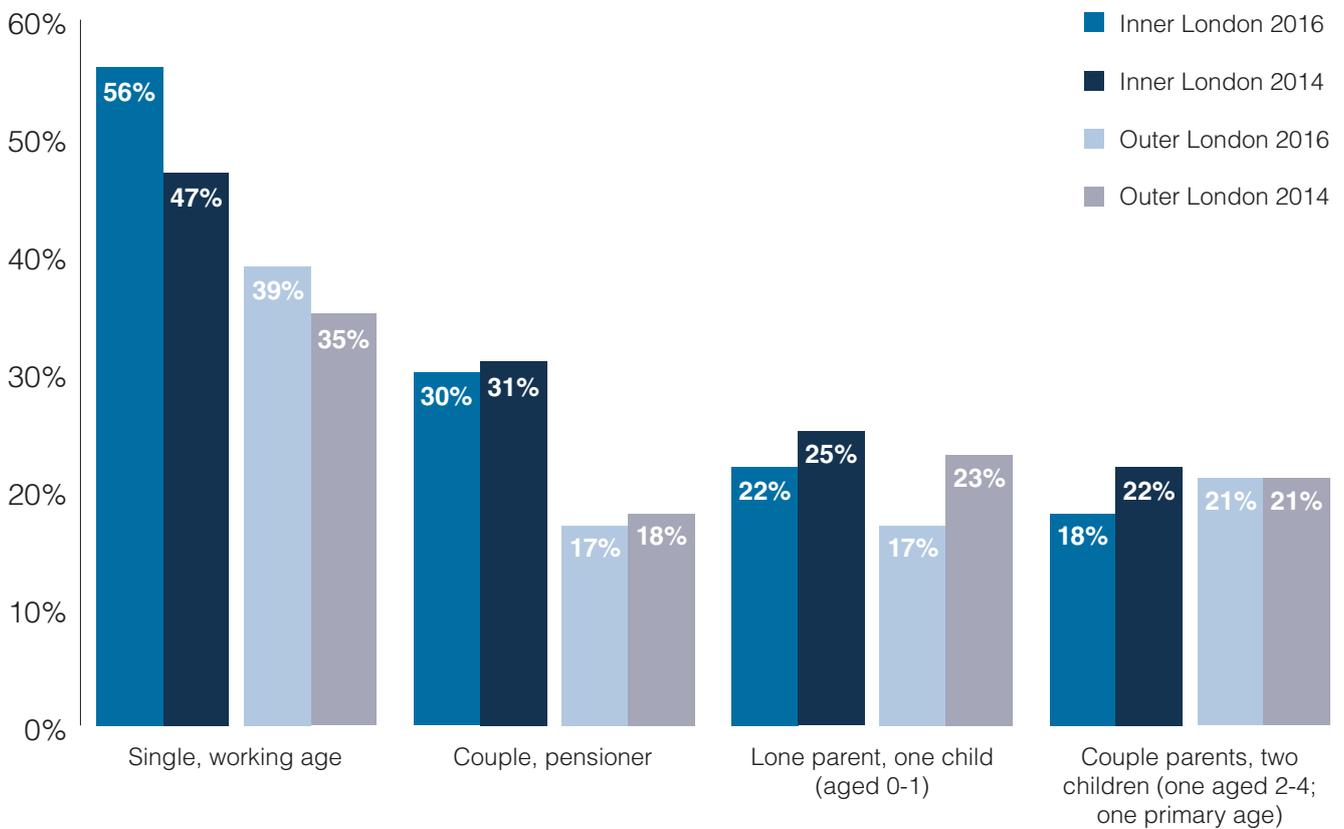


Table 6:
Comparison of weekly MIS budgets for urban UK households and London households including rent and childcare: £ April 2016 prices; % difference 2016 and 2014 for comparison

Household type	Weekly budget outside London (UK MIS) £2016	London weekly budget (£)2016 and % difference from UK MIS					
		Inner London			Outer London		
		£	%2016	%2014	£	%2016	%2014
Single, working age	£286.53	£447.22	56%	47%	£399.33	39%	35%
Couple, pensioner	£353.21	£459.60	30%	31%	£414.05	17%	18%
Lone parent, one child (aged 0-1)	£593.87	£725.49	22%	25%	£692.83	17%	23%
Couple parents, two children (one aged 2-4; one primary age)	£776.28	£912.85	18%	22%	£935.77	21%	21%

The increase in additional costs for working age adults without children can be explained through the high and rising cost of renting privately in London, with rent now accounting for just over half of the total household budget for this group. In 2016, lower quartile rent for a studio flat in Inner London was £224.53 a week, while non-housing costs were £222.71 each week. This is far higher than the single person's specification outside London even though it covers a flat rather than a studio. Furthermore, not only is the cost of renting in the private sector significantly greater in London, but rents have also increased at a far higher rate in the capital compared to the rest of the UK, as Table 7 shows.

Table 7:
Increases in rents 2014 to 2016 (£ per week, based on lower quartile private rents)

Household type	2014	2015	2016	Percentage increase 2014 to 2016
Single working age adults (living alone)				
UK MIS	£84.06	£86.13	£87.68	4.3%
Inner London	£190.77	£205.25	£224.53	17.7%
Outer London	£143.38	£147.29	£162.79	13.5%
Couple working age adults (living alone)				
UK MIS	£92.78	£94.28	£96.63	4.1%
Inner London	£257.70	£280.31	£295.23	14.6%
Outer London	£182.28	£193.94	£208.20	14.2%

As set out in Chapter 4, groups of parents with dependent children in both Inner and Outer London were agreed that social housing still constituted the minimum socially acceptable level of accommodation. This means that unlike single working age people who rely on private renting, the gap in housing costs between London and the rest of the country has not increased. Indeed, since social rents are now being reduced by 1% a year throughout the country, the additional cost for families of social rents being higher in London than outside is starting to reduce. In the case of childcare, there has been no clear-cut trend in additional London costs. The fact that families both inside and outside London now say that families need the choice of nursery provision, not just childminders, has raised MIS childcare budgets in both places. However, since the gap between childminder and nursery fees is smaller in London than outside London, this has not increased additional childcare costs in the capital. This explains why, even though childcare costs in London have not reduced, the overall family budgets in London are greater than outside by a slightly smaller percentage in 2016 than 2014, as shown in Figure 3 and Table 6. These overall costs are still around 20% higher in London.

It is important to note however that additional family costs in London are in practice much higher for those who cannot access social housing. Parents in the London MIS

groups recognised that this is not an option for all families, and that some are exposed to significant additional housing costs in the private sector. Using lower quartile rents in the PRS for Inner and Outer London boroughs – mirroring the current basis for housing costs in MIS for working age households without children – a family with one child in Inner London would need over 56% more than the same family living in private rented accommodation in the UK outside London. In Outer London a family with one child would need at least a third more than the same family living in the PRS in urban areas outside London. Not only would living in the private rather than the social rented sector considerably increase the weekly budget needed for a minimum standard of living, but it would also have a significant impact on the amount that these households need to earn in order to reach this standard of living.

Composition of additional costs

Tables 8a and 8b provides a breakdown of where, other than from rent and housing, the differences in costs arise when comparing London with the rest of the country. In most cases, transport dominates. For single people, this is related to the high cost of public transport in London compared to public transport elsewhere. For families, the comparison is between public transport in London and running a small second hand car elsewhere: this produces a saving in London for lone parents, but for couples with children, who require two adult travelcards, the London cost is greater. The most significant non-transport difference is the higher cost of social and cultural participation for pensioners identified in the previous research and explained in Padley et al. (2015).

Table 8a:
Components of additional costs for Inner London households (excluding rent and childcare)

Household type	Of which (£)						
	Additional Inner London weekly cost (£)	Transport	Food & alcohol (including eating out)	Personal goods and services	Heat and power	Social and cultural	Other
Single, working age	23.86	20.77	3.14	2.01	-1.66	0.13	-0.53
Couple, pensioner	60.94	-3.71	13.96	1.69	4.5	40.91	3.59
Lone parent, one child (aged 0-1)	-11.97	-9.93	0	0.63	-0.37	0	-2.3
Couple parents, two children (one aged 2-4; one primary age)	29.18	16.99	0	4.15	3.65	5.7	-1.31

Table 8b:
Components of additional costs for Outer London households (excluding rent and childcare)

Household type	Of which (£)						
	Additional Outer London weekly cost (£)	Transport	Food & alcohol (including eating out)	Personal goods and services	Heat and power	Social and cultural	Other
Single, working age	37.71	35.9	2.81	1.04	-1.66	0.13	-0.51
Couple, pensioner	15.38	-7.03	12.41	0.83	4.5	1.25	3.42
Lone parent, one child (aged 0-1)	-1.24	1.21	0	0.63	-0.37	0	-2.71
Couple parents, two children (one aged 2-4; one primary age)	49.04	39.27	0	2.11	3.65	6.18	-2.17

Income comparisons and earnings requirements

In addition to setting out the minimum budgets required by households, the Minimum Income Standard allows calculations of how these budgets compare to income on benefits and the National Living Wage, how they compare to the official poverty line and how much working households would need to earn in order to have the necessary disposable income for an acceptable standard of living.

Table 9 shows that safety-net benefits fall short of meeting the needs of Londoners, and that those living in London in most cases have a larger shortfall than those in urban areas outside London. Out-of-work benefits provide around a quarter of the minimum income (net of rent and council tax) needed by working-age singles in London, while families with children have just over half their minimum needs met. Since out of work households have most or all of their rents covered by housing benefit and it is assumed that they do not need childcare, the differences in the adequacy of benefits inside and outside London reflect additional costs excluding these items shown in Table 5 above. Thus, for lone parents, who have similar everyday living costs, benefits provide a similar proportion of needs across areas. For couples with children, especially in Outer London, and for single working age people without children, high transport costs mean that benefits are less adequate than elsewhere in the UK. Pensioners, in receipt of pension credit receive almost enough to reach MIS outside London, but in Inner London fall 21% short of meeting their needs, due to the additional cost of social participation referred to earlier.

Table 9:
Londoners' income compared to MIS: safety-net benefits 2016

Safety-net benefits* as % of MIS budget			
Household type	UK outside London <i>(2014 in italics)</i>	Inner London <i>(2014 in italics)</i>	Outer London <i>(2014 in italics)</i>
Single working age	39% (40%)	25% (35%)	26% (33%)
Pensioner couple	98% (95%)	79% (77%)	93% (89%)
Lone parent one child, aged 0-1	54% (57%)	56% (57%)	54% (56%)
Couple two children, primary and preschool age	61% (57%)	57% (54%)	55% (52%)

*Post-rent income on Income Support or Pension Credit, including Child Benefit, Child Tax Credit and Winter Fuel Payment.

Although there has over the long term been a decline in the adequacy of benefits in relation to minimum budgets set out in MIS, there has been little change in the proportion of a minimum budget provided by benefits for families with children since 2014. There has been a slight decline in benefit adequacy for lone parents. For couples with children, benefits as a proportion of MIS increased from 54% to 57% in Inner London and from 52% to 55% in Outer London between 2014 and 2016. This reflects a more modest specification of certain requirements, including for social participation in the 2016 UK MIS rebase, and a move to more shopping around, for example for gas and electricity, taking advantage of online price comparisons. These economies were confirmed by London parents in the present research.

The picture is very different for working age adults, renting in the private sector. Their Housing Benefit entitlement is capped at maximum Local Housing Allowance rates for each area, originally set at the 30th percentile rent for appropriate properties in each area, but uprated by the Consumer Prices Index since 2013 and frozen since 2016. The result is that with general inflation close to zero, someone paying the maximum reimbursable rent in 2014 would have had to pay for all of the steep London rent increases over the following two years themselves, and this is the assumption made in Table 9. As a consequence, a single working person, in receipt of out-of-work benefits, is left with only a quarter of what they need as a minimum in 2016. This represents a substantial fall in the adequacy of out-of-work benefits between 2014 and 2016.

Table 10 compares the minimum needed for a socially acceptable standard of living to median household income, showing the proportion of median income represented by MIS budgets. This allows for a comparison with the commonly used 'poverty line' drawn at 60% of median household income. Table 10 uses the most recent available data, for 2014/15, from the Households Below Average Income (HBAI) series (Department for Work and Pensions, 2016) and compares this to an average of minimum budgets for 2014 and 2015. This shows that in London, all minimum household budgets are above the poverty line, and that many are significantly above this level. The budgets needed for a minimum socially acceptable standard of living are between around 60% and just over 90% of median household income.

Table 10:
MIS compared with median income (2014/15)

MIS as % of median income, after housing costs (poverty line is 60%)*			
Household type	UK outside London	Inner London	Outer London
Single, working age	75%	86%	91%
Couple, pensioner	59%	73%	62%
Lone parent, one child	85%	85%	88%
Couple parents, two children	77%	85%	88%

*Based on MIS and income distribution in 2014/15.

The previous MIS London report showed that few households are able to reach a minimum income, working full-time on the National Minimum Wage. Despite the introduction of a higher national minimum for over-25s in 2016, in the form of the National Living Wage (NLW), this still does not provide enough for workers to reach MIS. Table 11 shows that working full-time on the NLW, single working age adults living on their own in both Inner and Outer London have just over half of what they need for a minimum standard of living, a smaller proportion than was provided by the National Minimum Wage in 2014. Conversely, single working age adults in urban areas in the UK outside of London have seen incomes rise relative to MIS following the introduction of the NLW: in 2014 single working age adults outside London had a shortfall of around 30% of a minimum budget, while in 2016 the shortfall had decreased to 23%. With rents making up such a significant proportion of single working adult budgets in London, even a substantial increase in the minimum wage still leaves this group well short of MIS. As a consequence, the gap between the adequacy of a low-paid single person's income inside and outside London has widened greatly.

This finding underlines the extent to which the living standards of a single person renting privately in London on a low income are tied to the housing market. Between April 2014 and April 2016, someone aged over 25 working full-time on the minimum wage would have seen their pay rise by 14%, an exceptional rate of increase bringing in £23 a week extra after paying tax and National Insurance. However, the rent of an Inner London studio flat at the lower quartile increased by £34 in the same period, pushing disposable income down.

Table 11:
Londoners' income compared to MIS: National Living Wage (2016)

Disposable income working full-time on National Living Wage (National Minimum Wage in 2014), as % of MIS budget*			
Household type	UK outside London <i>(2014 in italics)</i>	Inner London <i>(2014 in italics)</i>	Outer London <i>(2014 in italics)</i>
Single working age	77% (69%)	55% (61%)	54% (57%)
Lone parent one child, aged 0-1, supported by tax credits	67% (85%)	45% (55%)	50% (60%)
Lone parent one child supported by Universal Credit**	82%	48%	52%
Couple two children, primary and preschool age, supported by tax credits	88% (82%)	76% (74%)	73% (72%)
Couple two children supported by Universal Credit**	96%	88%	84%

*After rent, council tax and childcare costs

** Not shown for 2014, when roll-out of UC to families had not commenced

For households with children, working full-time on the NLW also leaves them short of MIS. However, while single working age adults in London have not been helped by a higher minimum because of significant increases in private rents, for a couple with children living in social housing, working full-time on the NLW provides a greater proportion of a minimum budget than was provided by the previous minimum wage. For those helped by Universal Credit, which provides more childcare support than tax credits, the shortfall has shrunk to 12% in Inner and 16% in Outer London. But not all families have gained. The lone parent example used in MIS, with a child aged 0-1, has seen a substantial deterioration, with now only around half of the required income being provided by work once the cost of childcare is accounted for. In this case, support for childcare through tax credits or Universal Credit hit their cap in London, causing the high additional cost for families referred to above. On the other hand, for a lone parent with a child aged 3 or 4, who gets 15 hours of childcare paid for and therefore the cap is not reached, the situation is not as bad – with income reaching around two-thirds of what is needed in Inner and nearly three-quarters in Outer London. These variations underline how important actual childcare costs are for London families' living standards. Just as rising rent levels can dwarf the impact of pay increases for private tenants in London, so the level of childcare bills and the extent to which they are supported by the state can do so for families with young children.

Overall, then, households in London on out of work benefits and the NLW are still falling much further short of MIS than corresponding households living in urban areas outside the capital. It is also clear that because of the high cost of housing, childcare and other additional expenses, the wages that households in London require to reach a minimum are considerably higher than elsewhere in the UK.

In these circumstances, only families with relatively well-paying jobs have a prospect of reaching a minimum acceptable living standard in London. For a couple with two children – one pre-school and one primary age – both working full-time and paying for full-time childcare, each parent needs to earn £18,906 outside London (under the tax credit system), £29,898 in Outer London (58% more) and £28,378 in Inner London (50% more), in order to cover their minimum costs. If this household of a couple and two children were unable to access social housing and were instead renting in the PRS, paying an average lower quartile rent, each would need to earn £33,265 in Outer London and £35,406 in Inner London. A lone parent, with a toddler, needing full-time childcare, would need to earn £35,500 outside London. Within both Inner and Outer London, lone parent’s earnings need to be more than £45,000 a year. The reality is that these earnings requirements in London are substantially above what the majority of workers in low-paid jobs could hope to earn, posing real challenges for households with children in meeting their minimum needs.

Table 12:
Earnings needed to reach MIS

Household type	UK outside London	Inner London Earnings needed	% difference compared to UK	Outer London Earnings needed	% difference compared to UK
Single, working age 2016	£17,300	£29,600	71%	£25,700	49%
Single, working age 2014	£17,100	£27,100	58%	£24,500	43%
Couple two children, primary and preschool age, 2016 (each parent)	£18,900	£28,400	50%	£29,900	58%
Couple two children, primary and preschool age, 2014 (each parent)	£20,400	£28,800	41%	£28,500	40%

A single person living on their own in urban areas in the UK outside London, needs to earn £17,311 a year in order to achieve a minimum socially acceptable standard of living. In Outer London, this requirement increases to £25,691 (50% more) and in Inner London to £29,633 (71% more). These calculations are based on a working age individual living on their own in a studio flat, but many single adults in London live in shared accommodation. Someone renting a room in a shared house would need to earn around £20,600 a year in Outer London and £21,700 a year in Inner London in order to reach MIS.

Households below the Minimum Income Standard in London

The Minimum Income Standard for London provides the basis for analysis of the proportion of individuals within the capital with incomes below this publically-determined threshold. That is, to look at the proportion of individuals in London whose incomes mean that they do not have everything they need in order for a minimum socially acceptable standard of living. Building on the methodology used to calculate indicators of income adequacy for the whole of the UK (Padley et al., 2017), it is possible to look at the proportion of individuals living in London in households with incomes below MIS, and to examine how this has changed over time. The data presented here provide single-year 'snapshots' of income adequacy within the capital, for three demographic categories: working age adults, pensioners and children. The figures use MIS London budgets for 2010/11 and 2014/15 and compare these to income data for London, from the Family Resources Survey, for the corresponding years.

Table 13 shows that in 2014/15 41% of all individuals in London were below MIS, significantly higher than the 30% of individuals below MIS in the UK as a whole, and an increase from 39% in 2010/11. The total number of individuals below MIS in London increased from around 3.1 to 3.5 million between 2010/11 and 2014/15. While the proportion of all individuals below MIS has increased over this period, it is clear that both the risk of having an insufficient income and the increase in risk is not spread evenly across demographic groups. The greatest risk of being below MIS is amongst children, with 57% below this threshold in 2014/15, an increase of more than 10% since 2010/11. This is well above the 45% of children below MIS in the UK as a whole in 2014/15 (Padley et al., 2017). The risk of being below MIS was significantly higher for children living in lone parent households (83% in 2014/15) compared to children living in couple parent households (48% in 2014/15), although children in both have seen an increased risk since 2010/11. Among children below MIS in both 2010/11 and 2014/15 just less than two-thirds are in couple parent households and just more than a third are in lone parent households.

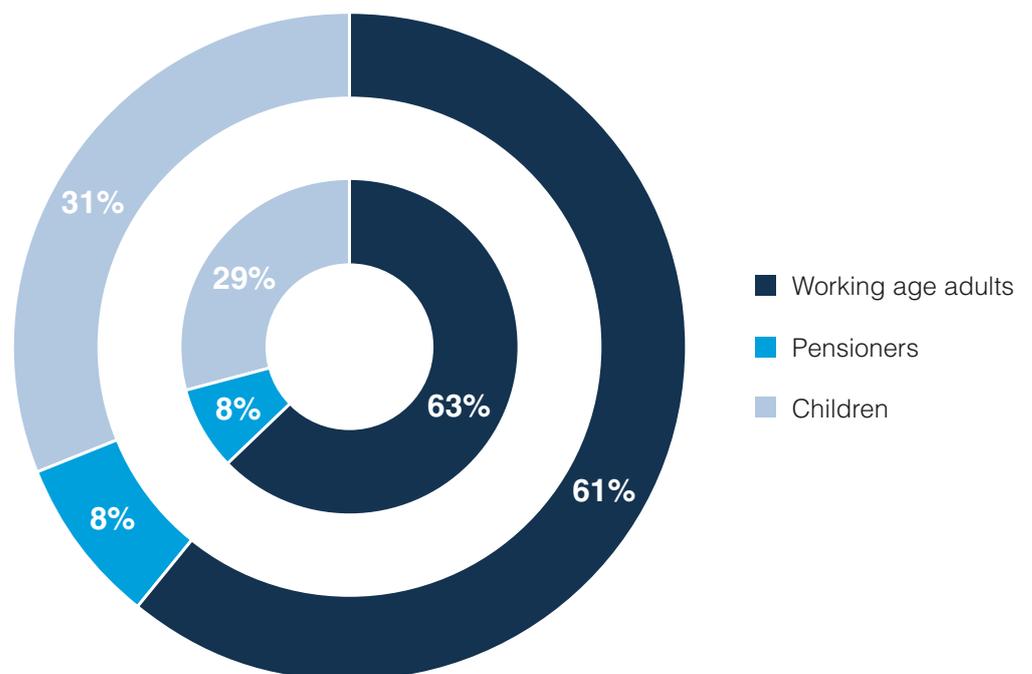
Pensioners in London face a lower risk of having incomes below this level than either working age adults or children and their risk has not increased significantly over this period. In comparison with pensioners in the UK as a whole, however, pensioners in London face a considerably higher risk of having an inadequate income: 15% of pensioners in the UK as a whole are below MIS compared with 27% in London (Padley et al., 2017).

Table 13:
Proportion of individuals below MIS in 2010/11 and 2014/5, by demographic group

Demographic group	Proportion below MIS		Number below MIS (millions)	
	2010/11	2014/15	2010/11	2014/15
Working age adults	38%	39%	1.9	2.1
Pensioners	23%	27%	0.2	0.3
Children	51%	57%	0.9	1.1
London total	39%	41%	3.1	3.5

Figure 4 shows the composition of individuals with incomes below MIS in London in 2010/11 and 2014/15. There has been little change in the composition of those below MIS in London, with working age adults accounting for around 60% in both 2010/11 and 2014/15, broadly echoing the pattern for the UK as a whole. There has been a small increase in the proportion of individuals below this threshold who are children, but children account for a smaller proportion of the total in London compared to the UK as a whole.

Figure 4:
Composition of individuals below MIS 2010/11 (inner circle) and 2014/15 (outer circle)



In addition to looking at the differences between these three broad demographic groups, it is also possible to look at how the *risk* of being below MIS varies for individuals according to housing type and at the *composition* of individuals below MIS by housing type. Table 14 shows that those living in the social rented sector have the greatest risk of having an income below MIS and that this risk increased between 2010/11 and 2014/15, with nearly three-quarters of individuals in social housing having an insufficient income. The risk of insufficient income in the private rented sector is not as great as in the social sector, but more than half of those in private rented housing in London had an income below MIS in 2014/15. Looking at the composition of those below MIS by housing type, individuals in either the private or social rented sectors account for more than three-quarters of all those below MIS in 2014/15, an increase of five percentage points since 2010/11. This means that around 2.7 of the 3.5 million individuals below MIS in London are living in the rented sector.

Table 14:
Changes in the risk of falling below MIS by housing type, and the composition of those below MIS by housing type

Housing type	2010/11		2014/15	
	Risk of being below MIS	Composition	Risk of being below MIS	Composition
Social rented sector	71%	35%	74%	38%
Private rented sector	57%	38%	55%	40%
Owned outright	19%	10%	18%	8%
Owned with mortgage	19%	17%	19%	14%

6. Conclusion

The two years since the original Minimum Income Standard for London study have seen important changes in the political and economic conditions affecting Londoners' ability to reach a minimum living standard. Some of these changes are already affecting costs and incomes; others could do so in the years ahead.

Among these changes have been the results of two elections and a referendum in 2015 and 2016. The 2015 general election brought in a government committed both to further cuts in working age benefits and to better minimum pay through the 'National Living Wage'. The cuts have had a greater impact in London than elsewhere, because of their targeting of families with high costs. Conversely, the wage improvements do not go as far to helping Londoners, because they are not adjusted for the higher incomes that they require to make ends meet. A second election has brought in a Mayor, Sadiq Khan, who promises to address the long-standing inequalities around housing and transport. Plans for significant investment in housing that is more affordable than current stock, the introduction of a London Living Rent linked to local incomes, the freezing of TfL fares, albeit selectively, until 2020 and the introduction of the TfL 'hopper' fare are all initiatives targeted at those on modest to low incomes. It is too early, as yet, to assess the long-term impact of these initiatives on London households' ability to reach a minimum acceptable standard of living.

A third vote, the EU referendum, has brought future economic uncertainty and a new government with a 'softer' rhetoric towards welfare and the role of the state in supporting those who are struggling to get by. Future reports will monitor the overall impact of these competing forces.

The present research confirms that households with children have broadly similar needs in London compared to elsewhere in the UK, but higher costs in some areas – particularly in rent, childcare and transport.

The most significant change between 2014 and 2016, affecting the incomes people living in London need in order to reach a minimum, has been the substantial increase in rents in the private rented sector. While expectations regarding the size of accommodation in London are moderated by the constraints imposed by existing housing stock, London minimum rents for a working-age single, based on modest, lower quartile private rents, increased by 18% between 2014 and 2016 in Inner London, more than four times the rate of increase in the UK (4%). This now makes the single working age adult minimum budget in Inner London more than 1.5 times that for a comparable household in the UK outside London. Households with children are currently assumed in the main MIS London calculations to be housed within social housing, where rents are more than 50% higher than in the UK outside London, but substantially lower than in the private rented sector. Families unable to access social housing, on the other hand, have seen much higher, and rapidly rising rents.

London parents in 2016 identified broadly the same travel requirements as in 2014. Unlike outside London, they said that a family does not need a car, although high public transport costs mean that for many families transport is more expensive overall.

In some respects travel became more expensive, both because of fare increases and because parents felt that older children needed a bit more flexibility in sometimes using a tube or a taxi rather than a bus, due to new security concerns. On the other hand, the effort to contain fares overall and the extra flexibility of the hopper fares will be helpful in the future.

In other areas of spending, households with children across the UK have gradually adjusted their specification of minimum needs to the wider economic context, identifying certain needs that can be met more economically than previously, such as by shopping around for utility providers and having more modest models of eating out. Such economies are being confirmed in London. There remain some aspects of living in the capital that brought additional costs, such as the need for a tumble dryer when households have two children, rather than three as in the UK outside London, or the additional costs of social participation where prices were higher. The pressures of living in London, in relatively confined accommodation, continues to bring certain additional costs; in the present research, families increased the budget for travelling outside London, as an 'escape', saying that six economical day trips a year would be suitable.

Overall, the minimum cost of living is about 20% more for a family in London than outside London. This assumes access to social housing, but for a family in private rented housing, it is over 50% more in Inner London – a similar difference as for a single person, who is assumed not to have access to social housing – and around a third more in Outer London. Even in social housing, parents in London require earnings of at least £28,000 a year each to reach a minimum standard. Those depending on the National Living Wage can fall more than 50% short of meeting a minimum disposable income in some cases, although closer to 25% short in others. Among different London family types, those with young children who require full-time childcare have done worst in the past two years, because their childcare requirements are above the level subsidised by the tax credit system, so families must pay for all fee increases themselves. For single people on the National Living Wage, gains from additional earnings have been cancelled out by increased rents.

The dominance of housing costs as the driver in increasing the income needed for Londoners to get by highlights the key role that both truly affordable housing and ensuring adequate support for housing costs could play. Currently, with private rents increasing rapidly, especially at the cheaper end of the market, the introduction of a reduced benefit cap and the freeze on Local Housing Allowances, a growing number of households in London are likely to find making ends meet a real challenge. The fact that rents alone can wipe out gains from the steep earnings increase represented by the National Living Wage underlines why tackling high costs is at least as important as addressing low pay in London. The selective freeze on TfL fares is the first tangible step in doing so, although of limited benefit in its first year because it does not extend to travelcards. Turning the tide of recent years, in which living costs have grown so much faster in London than the rest of the UK, is a much bigger, long term process.

Appendix

Table A: Minimum weekly household budgets in London and the UK

£ per week (2016 prices)	Single, working age		
	UK MIS	Inner London	Outer London
Food	44.72	47.86	47.53
Alcohol	4.89	4.89	4.89
Tobacco	0.00	0.00	0.00
Clothing	7.12	7.70	7.70
Water rates	5.67	4.99	4.99
Council tax	15.19	15.09	15.09
Household insurances	1.21	0.84	0.86
Fuel	15.96	14.30	14.30
Other housing costs	1.95	1.95	1.95
Household goods	12.19	12.22	12.22
Household services	2.96	2.96	2.96
Childcare	0.00	0.00	0.00
Personal goods and services	14.00	16.01	15.04
Motoring	0.00	0.00	0.00
Other travel costs	26.89	47.66	62.79
Social and cultural participation	46.11	46.24	46.24
Rent	87.68	224.53	162.79
Total (excluding rent and childcare)	198.85	222.71	236.56
Total (including rent and childcare)	286.53	447.24	399.35

£ per week (2016 prices)	Couple, Working age		
	UK MIS	Inner London	Outer London
Food	80.69	86.61	86.61
Alcohol	9.58	9.58	9.58
Tobacco	0.00	0.00	0.00
Clothing	14.23	15.39	15.39
Water rates	5.67	6.06	6.06
Council tax	20.25	20.11	20.11
Household insurances	1.16	0.84	0.86
Fuel	19.03	16.84	16.84
Other housing costs	1.95	1.95	1.95
Household goods	16.10	13.18	13.18
Household services	5.41	5.41	5.41
Childcare	0.00	0.00	0.00
Personal goods and services	25.61	29.14	26.58
Motoring	0.00	0.00	0.00
Other travel costs	53.77	95.31	125.56
Social and cultural participation	76.73	76.86	76.86
Rent	96.63	295.23	208.20
Total (exc. rent and childcare)	330.17	377.27	404.99
Total (inc. rent and childcare)	426.80	672.51	613.19

£ per week (2016 prices)	Single, Pensioner		
	UK MIS	Inner London	Outer London
Food	44.44	52.76	51.27
Alcohol	6.67	7.49	7.49
Tobacco	0.00	0.00	0.00
Clothing	6.19	6.54	6.54
Water rates	5.67	4.99	4.99
Council tax	15.96	15.09	15.09
Household insurances	1.21	0.84	0.86
Fuel	13.85	16.84	16.84
Other housing costs	1.95	1.95	1.95
Household goods	14.71	14.26	14.26
Household services	7.71	8.47	8.47
Childcare	0.00	0.00	0.00
Personal goods and services	16.29	17.25	16.74
Motoring	0.00	0.00	0.00
Other travel costs	12.54	5.57	2.98
Social and cultural participation	39.59	64.22	47.41
Rent	78.10	117.15	117.15
Total (exc. rent and childcare)	186.77	216.26	194.88
Total (inc. rent and childcare)	264.87	333.41	312.03

£ per week (2016 prices)	Couple, pensioner		
	UK MIS	Inner London	Outer London
Food	71.99	84.48	83.00
Alcohol	7.81	9.29	9.22
Tobacco	0.00	0.00	0.00
Clothing	12.37	13.09	13.09
Water rates	6.69	6.42	6.42
Council tax	20.25	22.99	22.99
Household insurances	1.63	1.07	0.90
Fuel	17.16	21.66	21.66
Other housing costs	1.95	1.95	1.95
Household goods	16.09	16.26	16.26
Household services	7.75	8.54	8.54
Childcare	0.00	0.00	0.00
Personal goods and services	32.62	34.31	33.45
Motoring	0.00	0.00	0.00
Other travel costs	13.07	9.36	6.04
Social and cultural participation	58.00	98.91	59.25
Rent	85.83	131.28	131.28
Total (excluding rent and childcare)	267.39	328.33	282.77
Total (including rent and childcare)	353.21	459.61	414.05

£ per week (2016 prices)	Lone parent, one child (aged 0-1)		
	UK MIS	Inner London	Outer London
Food	56.85	56.85	56.85
Alcohol	4.31	4.31	4.31
Tobacco	0.00	0.00	0.00
Clothing	22.54	22.54	22.54
Water rates	9.39	6.02	6.02
Council tax	17.72	16.82	16.82
Household insurances	1.66	2.50	2.09
Fuel	14.73	14.36	14.36
Other housing costs	1.92	1.92	1.92
Household goods	20.35	19.67	19.67
Household services	17.27	19.09	19.09
Childcare	211.03	308.59	265.20
Personal goods and services	25.84	27.04	27.04
Motoring	51.51	0.00	0.00
Other travel costs	3.78	45.36	56.50
Social and cultural participation	49.15	49.15	49.15
Rent	85.83	131.28	131.28
Total (excluding rent and childcare)	297.02	285.62	296.35
Total (including rent and childcare)	593.87	725.49	692.83

£ per week (2016 prices)	Couple parent, two children (one aged 2-4; one primary school age)		
	UK MIS	Inner London	Outer London
Food	100.96	100.96	100.96
Alcohol	9.01	9.01	9.01
Tobacco	0.00	0.00	0.00
Clothing	44.05	44.74	44.67
Water rates	9.87	6.69	6.69
Council tax	23.62	22.43	22.43
Household insurances	1.99	3.36	2.55
Fuel	17.67	21.32	21.32
Other housing costs	1.92	1.92	1.92
Household goods	25.05	24.25	24.25
Household services	12.45	14.27	14.27
Childcare	228.41	283.39	286.46
Personal goods and services	39.09	43.23	41.21
Motoring	55.45	0.00	0.00
Other travel costs	21.86	94.30	116.58
Social and cultural participation	92.90	98.60	99.08
Rent	91.97	144.37	144.37
Total (excluding rent and childcare)	455.90	485.09	504.95
Total (including rent and childcare)	776.28	912.85	935.77

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