

CENTRE FOR LONDON

Levelling Up in London

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**Levelling up in London:
Phase 1 Report: Challenges for London
and Londoners**

By Claire Harding, Josh Cottell and Daniel Urquijo

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Summary

With its focus on addressing geographic inequality, the government's levelling up agenda has paid little attention to inequalities within London and the difficulties that many Londoners face. We are worried that it could lead to reductions in government funding for London, deepening inequalities in the city and making life even harder for the most vulnerable. We are therefore asking the government to take these needs into account when making decisions about funding for London.

This report sets out what London's needs are, how they affect Londoners, and the challenge of getting a hearing for these issues.

London has acute levelling up needs of its own

- Some Londoners are very wealthy, but others live in deep poverty: by many measures, London has the highest poverty rates in the UK. Child poverty rates are particularly high.
- Poverty in the capital is not distributed evenly: people from some ethnic groups, women, families with children, and disabled people are at higher risk of living in poverty.
- For many people, pay and benefits in London are not high enough to meet the extra costs of living in the city – and the cost-of-living crisis will make their situation harder.

Much of this need is driven by high housing costs

- Poverty is higher in London because housing costs in the capital are far above the national average. Too many people live in inadequate homes or don't have a home at all.
- Londoners need more social and affordable homes, but changes to the allocation of government funding risk fewer affordable homes being built in the future.
- This could make it harder to recruit key workers in the city, force people to move to other areas, and put pressure on their public services and housing.

Cuts to transport services in London could force more people into poverty

- Most of Transport for London's funding comes from fares, meaning that it has fallen into serious financial trouble since the COVID-19 pandemic cut the number of people travelling.
- Since 2020, Transport for London has been funded through a series of short-term deals with central government. It is not yet clear what the long-term funding outcome will be.
- If services are cut, it will be harder for people to travel for work or study. Bus services – which are more important to people on low incomes in London – are at particular risk of cuts.

Delivering public services in London costs more

- It is more expensive to deliver public services in London, mostly (but not only) because of higher staff costs – staff need help to meet the extra costs of living here.
- Governments have historically recognised this through funding formulas with London (or regional) weightings.
- This weighting has already been removed for the university teaching grant, and there is a risk that it may be cut or removed from other sectors as well. This would deepen inequalities within London.

Local authorities and the GLA can help with the levelling up missions but their funding is at risk

- Local authorities in London – and in many other parts of England – have seen their discretionary spending reduced sharply in the last decade.
- This makes it harder for them to address local levelling up priorities, such as helping people in their area to improve their skills.
- If central government cuts funding to London’s local authorities as part of the levelling up agenda, it could make poverty worse.

London’s advocates need to tell our city’s story better

People who want to draw attention to London’s challenges often find it hard to get their messages heard, and they are sometimes met with scepticism from people elsewhere in the UK. “London” is often used as a shorthand for government, the financial sector, or the city’s elites – obscuring the challenges faced by many of the people who live here. Today’s political arithmetic means that neither Labour nor the Conservatives have much to gain from highlighting need in London – much to the frustration of some of their own MPs and councillors. There are of course differences within the capital, but it will be easier to get a good outcome for London if key organisations are able to speak with a united voice.

What we are asking of central government

Levelling up has great potential. Far too many people across the UK are held back by their personal circumstances and difficulties associated with the place they live – both within London and outside it. **It is in Londoners’ interest for other parts of the UK to level up.** The UK’s economy is over-reliant on London: this makes life harder for lower-income Londoners because it means more people want to live here, leading to rising house prices. It also means that the talents of people who live outside London are underused, so the whole country loses out from lower economic growth.

We are asking central government to **recognise the challenges for Londoners living in tough circumstances** when they make funding allocations for healthcare, education, local government, transport and housing. While London faces different challenges to other parts of the country, addressing its problems is no less important.

Despite its high level of social need, London is a net contributor to the UK Treasury. If individual wages and company profits fall, then the amount of money the government has to spend across the country will also shrink. We will discuss this economic contribution – as well as the capital’s social and cultural contributions – in our next levelling up report.

What we are doing at Centre for London

This report aims to help London’s advocates make the argument for the extent and diversity of our city’s needs. It forms part of Centre for London’s year-long project on levelling up. Our Phase 2 report, out later this year, will look at London’s contribution to the rest of the UK and argue that neglecting the capital risks poorer outcomes for the whole country.

Centre for London is also running events, publishing papers, and making connections in London and beyond with people who share our aims. More information is available on our website at <https://www.centreforlondon.org/project/levelling-up-london/>.

1. Barriers to communicating London's challenges



The challenge

Activists, campaigners and politicians – and of course Londoners themselves – are well aware that millions of people in London live in poverty. In recent years, however, it has often felt difficult to get this message across. This difficulty has contributed to the current framing of the levelling up agenda as it applies to London. It may be that people aren't hearing the message that there is real and serious need in London, or that they do not believe it: equally, they may believe it but still believe that issues in other places are more pressing.

Electoral arithmetic

London is not currently a key political battleground in national elections. This is partly because Labour now dominates the city at general elections, currently holding 48 of the 73 seats in London, though in 1979 it held less than half.¹ The Conservatives also faced some high-profile losses in the 2022 local elections in London, which may make it even less likely that the area will become a major focus for political campaigning. As a result, the city's needs are low on the political agenda, and politicians from both major parties tell us that this is a source of frustration to them.

London as "different"

The idea of London being different to the rest of the UK is not new. It crystallised in the 1980s as financial institutions based in London became increasingly successful while traditional industries declined, leaving many parts of the country worse off. Perceptions of difference grew further in the 1990s and 2000s as the city became increasingly associated with New Labour, and strengthened with the Brexit referendum in 2016. Although Londoners were more likely to vote "Remain" than people living in other English regions, this statistic risks obscuring differences within the city: 1.5 million Londoners voted "Leave" – twice as many as in the North East.²

A related challenge is that narratives about London tend to be about inner London. This is where most major institutions are located: media stories and TV and film portrayals tend to be about these areas too, whether glossy Hollywood versions of Notting Hill or social realist stories of life in tower blocks. These portrayals don't necessarily reflect the lives of people in outer London, and they make it harder to forge alliances between places in outer London and areas elsewhere in the UK that face similar issues.

"London" as a shorthand

Part of the problem with articulating London's need is that when people talk of "London" in the media or public debate, they're often not primarily referring to the geographical place or the nine million people who live here. In discussions about policy and politics, "London" often means the UK government, frequently in opposition to local/regional government or the devolved administrations. It can also mean big national institutions like the BBC, or the financial institutions based here. The problem with this is that it associates London with power and money – while of course many Londoners have little of either.

The second issue with London-as-shorthand is perhaps more subtle: the idea that there are a distinct set of "London values". Framed positively, these are about being modern, liberal, cosmopolitan. Framed negatively they mean stuck up, snooty, out of touch.³ Some people perceive descriptions of urban areas (including London) as "diverse" or "different" to contain coded racism, although of course this is by no means always the case.

Media narratives and public perceptions

Media stories about London are often negative about the city and its people. There is a narrative that London gets more public spending than it needs or deserves. Polling in April 2022 showed that 25 per cent of people outside London strongly supported reducing “funding, jobs and opportunities” in London to “increase them in other parts of the UK”, while 33 per cent were somewhat supportive.⁴ Perceptions of unfair resource allocation go back further than the era of “levelling up”: in 2018, a clear majority of people outside London thought that London got “more than its fair share of public spending”.⁵

Londoners themselves are not opposed to levelling up the rest of the country: in polling for Centre for London in late 2021, 71 per cent said they would support levelling up if the rest of the country had the chance to improve its quality of life. But nearly half of Londoners think that the capital’s problems are not getting the attention they need from government.⁶

Productivity versus poverty: is the government right to prioritise elsewhere?

Prioritising spending in places other than London has been justified by central government on the basis that productivity in the capital is higher than in most other parts of the UK.⁷ This is true – though productivity does vary across London boroughs⁸ – but the inference that London therefore does not need help is misleading. Indeed, London’s productivity, and inability to deal with the pressure it brings, is a key driver of poverty. It creates a high concentration of well-paid jobs and wealthy companies in a fairly small area, drawing more and more people to move to the city, thereby causing massive house price inflation as well as pressure on roads and public transport. The government’s Levelling Up White Paper acknowledges this challenge. Increasing productivity elsewhere in the UK would be to London’s advantage if it took pressure off the housing market and slowed house price growth, giving people everywhere in the UK more choice about where to live and work.

Our Phase 2 report for this project will look in more detail at the productivity relationship between London and the rest of the UK, as well as at how we speak about shared challenges and opportunities. It will also look more closely at the views of Londoners and people living elsewhere in the UK about levelling up and relationships between different parts of the country.

2. Poverty in London



Why poverty matters to levelling up

Statements from central government about levelling up often imply that there is little poverty in London. This isn't true: by some measures, poverty in London is the worst in the country. Londoners' likelihood of living in poverty varies according to where they live, but these geographic inequalities within the city don't always get the attention they deserve.

Income and inequality

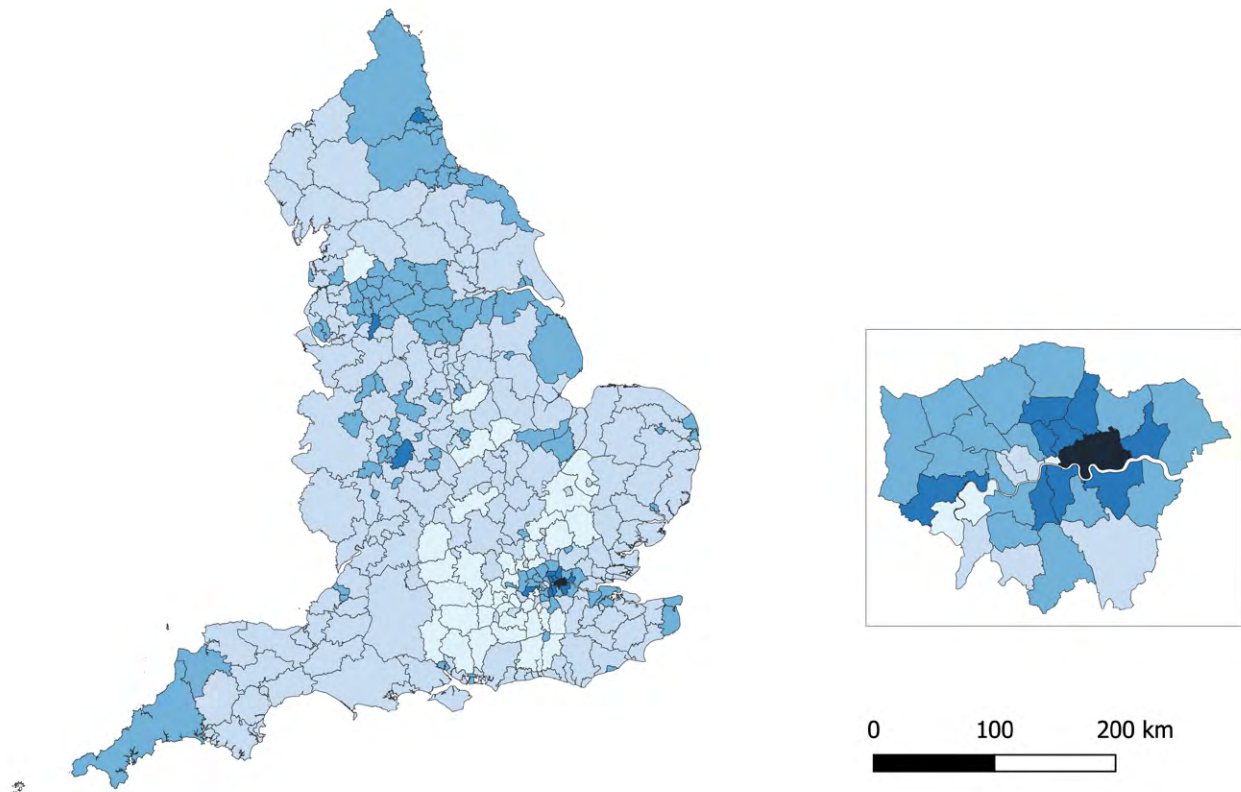
At £615 per week, London's median income is well above the UK average of £533.⁹ But these figures don't tell the whole story, since they fail to take into account the high cost of housing in the city. Looking at median income after housing costs, London's falls to £474 per week – roughly similar to the UK average (£462) but below that of Scotland (£480), the East of England (£486) and the South East (£517).¹⁰

While the median income after housing costs in London is similar to the rest of the UK, there is much greater income inequality in London than elsewhere. The richest 10 per cent of Londoners have an income 10 times higher than that of the poorest 10 per cent, while for the rest of the UK it is 5 times higher.¹¹ Wealth (rather than income) is also distributed more unevenly in London than across the rest of the UK. In London, the richest 10 per cent of people own 61 per cent of wealth, while the poorest 50 per cent of people own just 5 per cent. By comparison, across the rest of the UK, the richest 10 per cent of people own 40 per cent of wealth.¹²

Map 1: Child poverty after housing costs 2019/20

Percentage of children aged 0-15 years who are living in households with below 60% median income after housing costs

12.4% - 20% 20% - 30% 30% - 40% 40% - 50% 50% - 55.8%



Source: Child poverty after housing costs, data;¹³ Child poverty after housing costs, map¹⁴

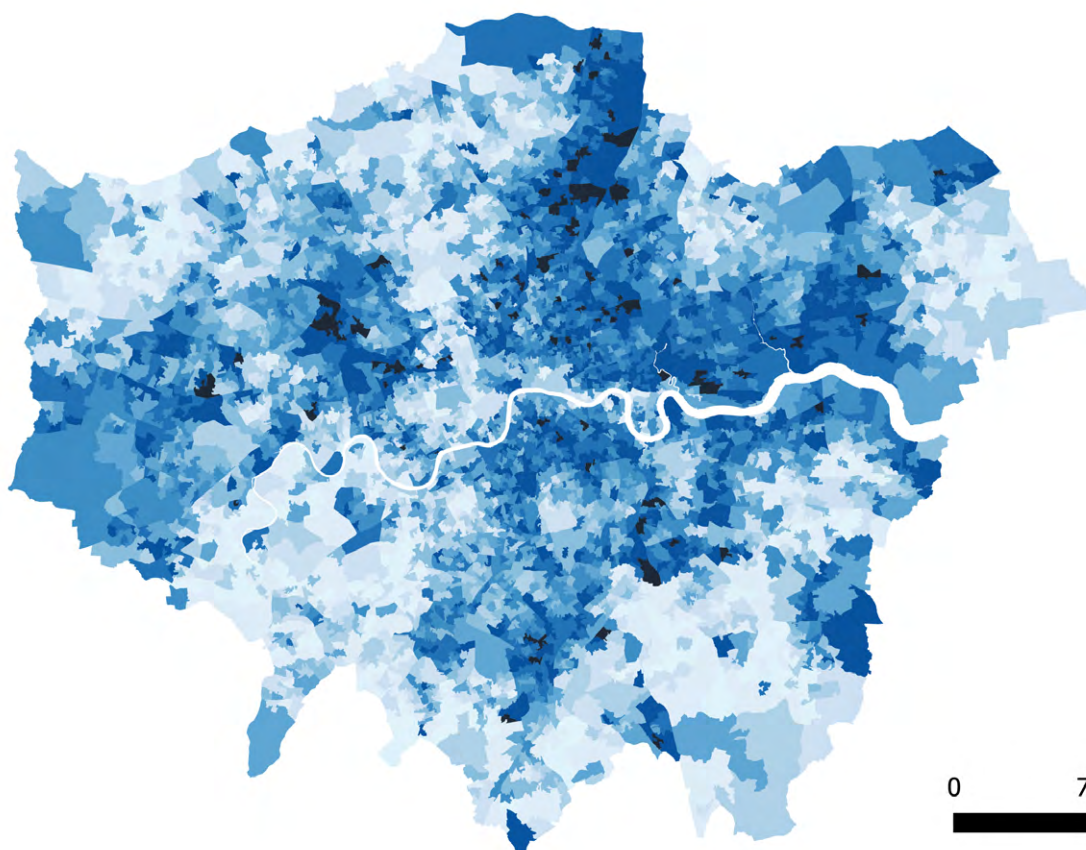
Poverty

Once we take into account the high housing costs that Londoners face, London has the highest rates of poverty of any region in England. The proportion of Londoners who live in poverty is the highest in the country (27 per cent), compared to 22 per cent for England as a whole.¹⁵ Among children, rates of poverty are even higher in London (38 per cent) and well above the average for England (30 per cent).¹⁶

Nine of the ten local authorities in England with the highest rates of child poverty are in London, with 56 per cent of children in Tower Hamlets living in poverty – the highest rate in the country.¹⁷

Map 2: IMD at LSOA level across London

Index of Multiple Deprivation deciles, where 1 represents neighbourhoods among the 10 per cent most deprived in England.



Source: MHCLG, MySociety, University of Sheffield. (2019)¹⁸

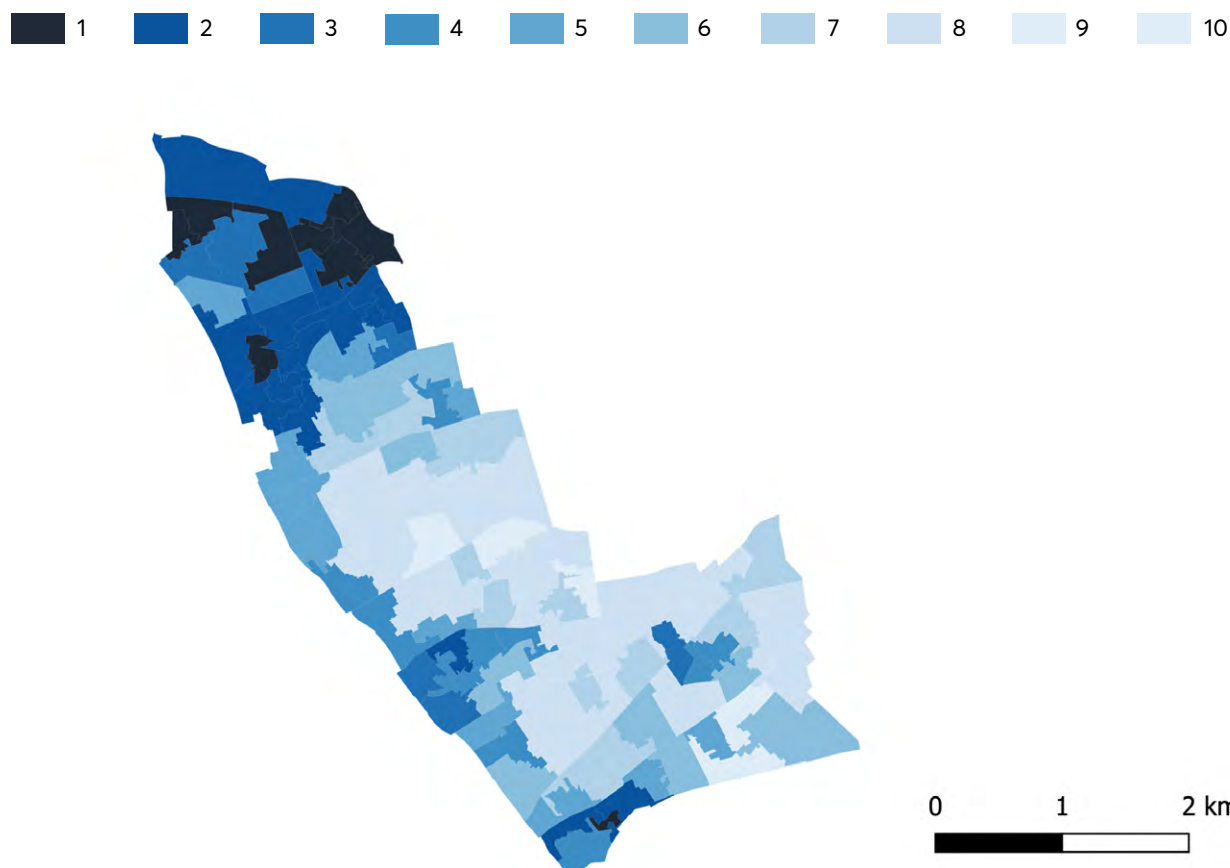
A tale of many cities

The figures above illustrate that poverty is high across London compared to other regions. However, they disguise the variety of experiences across London, with income and access to opportunities spread unevenly across the city.¹⁹

Londoners living in some areas are much more likely to experience poverty than others – and this varies not only between local authorities, but within them. For instance, Kensington and Chelsea, a local authority in West London, has one of the highest average incomes in England – but it is also home to some of the country's most income-deprived neighbourhoods, including the area surrounding Grenfell Tower (see map below).

Map 3: IMD within Kensington and Chelsea

Index of Multiple Deprivation deciles, where 1 represents neighbourhoods among the 10 per cent most deprived in England.



Source: MHCLG, MySociety, University of Sheffield. (2019)²⁰

As with other parts of the country, inequalities in London continue to be informed by characteristics such as gender and race. For instance, women in London are more likely than men to be economically inactive, while women in full-time work are on average paid a lower hourly rate than men.²¹ Londoners from a Black or other minority ethnic background have less household wealth than those from a White ethnic background.²²

The nature of poverty also varies in different places. For instance, London is often associated with exceptional transport links. While this is true for many parts of London, many Londoners in other areas have poor access to public transport, as discussed in Chapter 4 below. (This is also a problem experienced by some people living in towns outside London.) In addition, some parts of London lack the access to jobs that is often associated with the city: the number of jobs per working-age person in outer London is lower than the UK average.²³ The areas with poorer access to transport, jobs, affordable housing and good public services do not neatly overlap – meaning that people’s experiences of poverty vary considerably across London.

Dimensions of poverty

We cannot summarise in statistics the experience of poverty, which is complex and unique to every individual. However, the following data give some indication of how poverty in London compares to elsewhere in the UK.

The labour market

- The unemployment rate was higher in London (4.7 per cent) than across England (3.9 per cent) during the most recent period of measurement (January to March 2022).²⁴
- The COVID-19 pandemic had a bigger negative impact on the unemployment rate in London than across England as a whole, with unemployment in London peaking at 7.7 per cent in late 2020 while the peak in England was 5.5 per cent.²⁵

The cost of living

- In 2019, before the recent rise in inflation, 15 per cent of households in London were facing fuel poverty, comparable to 13 per cent of households in England as a whole.²⁶
- The cost of childcare in 2021 was 10 per cent higher in outer London than the average for England, and 30 per cent higher in inner London.²⁷

Access to the benefits system

- Approximately 840,000 working-age people in London claimed benefits in the year to August 2021. This represents 14 per cent of the working-age population, similar to the rate of benefits claims in England as a whole (13 per cent).²⁸
- Due to the higher cost of living, people living in London are more likely than those living elsewhere in England to face a cap on the amount of benefits for which they are eligible. Of those households claiming benefits in London, 6.4 per cent are subject to the benefit cap – twice the rate for England as a whole (3.1 per cent).²⁹

Hunger and homelessness

- Between April and September 2021, 116 food banks distributed 135,000 food parcels to people in London, including 51,000 for children – 18 per cent of the 771,000 parcels distributed across England.³⁰
- A survey carried out by Savanta for Centre for London in February 2022 found that 9 per cent of Londoners got at least some of their groceries from a food bank in the past month.³¹ The proportion of people unable to pay for food was higher among young adults, families with children, Black Londoners and Londoners with a mixed ethnic background.
- In London, 59,000 households were in temporary accommodation in September 2021. The proportion of households in temporary accommodation is four times higher than the rate for England as a whole.³²

Health

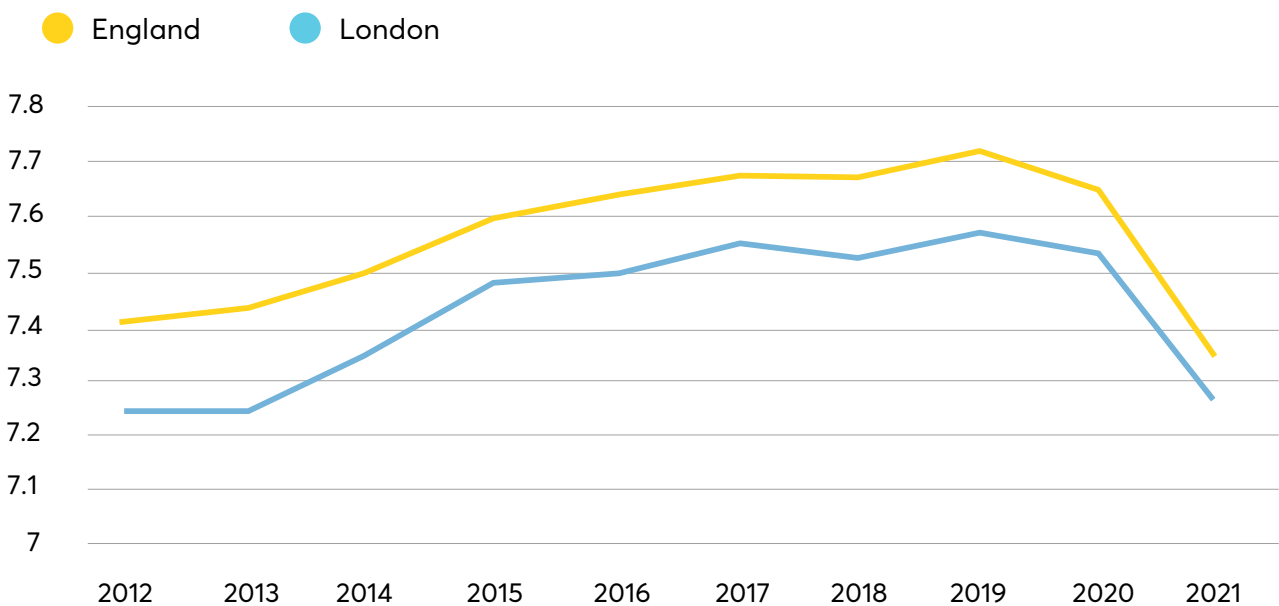
- An index of health and wellbeing put together by the Office for National Statistics and available up to 2019 suggests that health and wellbeing in London was slightly lower than in England as a whole, but fairly close to the national average.³³

- Healthy life expectancy in 2020 was above the national average in England, with male Londoners and female Londoners expected to live for 63.8 years and 65.0 years respectively in good or very good health.³⁴ In England, these figures are 63.1 and 63.9 years respectively.
- The recent COVID-19 pandemic affected the health and wellbeing of people across the country. After adjusting for differences in age, London has the highest regional COVID-19 mortality rate in the UK. In London, some 248 people per 100,000 died due to COVID-19 by April 2022, compared to 182 in England as a whole.³⁵

Wellbeing

- Londoners reported lower wellbeing than people in the rest of England in 2021 and have done so consistently for the past decade.³⁶ Londoners' self-reported life satisfaction, wellbeing, the extent to which the things they do in their life are worthwhile, and anxiety have all worsened in the past two years in London – as they have across England.
- Five boroughs in London were among the 20 local authorities with the worst subjective wellbeing outcomes in England in 2021: Islington, Camden, Southwark, Hackney, and Lewisham.³⁷
- Common mental disorders include different types of depression and anxiety, panic disorder, phobias, and obsessive-compulsive disorder. In 2014, one in six (16 per cent) people in England reported having symptoms of a common mental disorder in the last week: in London, this is higher at 18 per cent.³⁸

Figure 1: Life satisfaction in London and England, 2011-2021



Note: Responses to the question "Overall, how satisfied are you with your life nowadays?" were sought on a scale of 1 (low) to 10 (high).

Source: Office for National Statistics (2021). Annual personal well-being estimates.³⁹

3. Housing in London: cost and supply



Why housing matters to levelling up

Due to its economic success over the last few decades, London's house prices have overheated, making housing very expensive compared to median pay rates. The extent of the challenge in London is unusual within the UK. It is also likely that central government will allocate less funding to housebuilding in London, which risks making the situation worse.

London's house prices

London is the most expensive region in the UK to buy a home. The average property price in January 2022 was £510,000 compared to an average of £151,000 in the North East of England.⁴⁰ Rent is higher too: the average monthly rent in London is £1,425, compared to £755 for England as a whole. Average wages in London are higher than elsewhere in the UK but this is not enough to make up for the difference in housing costs. The median home in England costs nine times the median salary, but in London, it costs 14 times the median salary.⁴¹

The price difference between London and other regions has grown in the last few decades. In 1990, the average house in London was worth 40 per cent more than the average in England: today, it is worth 86 per cent more.⁴² Partly because of this, people living in London often have to live far from their place of work, and face long commutes. 70 per cent of the English population take half an hour or less to get to work, but in London the respective figure is just 40 per cent.⁴³

Paying for housing

As discussed above, London's high housing costs push many people into poverty, with profound effects on their lives. Some people are able to get help with housing costs from the benefits system, but for many Londoners this does not meet the full cost – either because rates are too low or because their benefits are cut or capped.

The maximum amount that people can claim to get help with their housing costs is set by local housing allowance, which varies across the country. The LHA rate is based on the 30th percentile of rents in that area, and has been frozen at 2022 levels for this year – so even if rents go up, people will not get more money.⁴⁴ In November 2021, 40 per cent of London households on Universal Credit paid more rent than their LHA amount, and had to make up the difference themselves.⁴⁵ It is likely that the figure will increase in 2022 as rents rise.

High rent prices, together with low availability of social housing, contribute to people in London being more likely than people in other parts of England to live in temporary accommodation having become homeless. Three in five of all English households in temporary accommodation are in London.⁴⁶ Centre for London is currently carrying out research on this specific issue, which will be published later in 2022.

Quality

When money is short and housing hard to find, people may be forced into low-quality homes. In London, 15 per cent of homes do not meet the Decent Homes standard,⁴⁷ rising to 18 per cent in the private rented sector. People of Asian ethnicity are more likely than people from other ethnic groups to be living in a non-decent home.⁴⁸ Poor housing quality is strongly linked to poor health – damp and mould can cause or worsen respiratory problems like asthma⁴⁹ and even lead to hypothermia in vulnerable people.⁵⁰ Poor-quality homes are often badly insulated, forcing residents to choose between paying high heating bills or being too cold for comfort – and this issue is likely to worsen as fuel prices continue to rise. This is a particular problem in London as the proportion of homes built before 1900 is above the national average, and older homes tend to have the poorest insulation.⁵¹

Overcrowding

High housing costs mean many London households are living in homes that are too small for them. Using the “bedroom standard” measure,⁵² 8.3 per cent of London households are overcrowded, compared to an average of 3.5 per cent for England as a whole. Overcrowding is more common in the private and social rented sector, and among people of Bangladeshi, Pakistani and Black African ethnicity.⁵³

Overcrowding can have severe health impacts: people living in overcrowded homes are more likely to experience psychological distress and infectious diseases (including COVID-19).⁵⁴ Overcrowded homes are also often of poor quality in other ways – like being damp or draughty – making the situation worse. Children in overcrowded homes perform worse at school because there isn’t enough space for them to do their homework and their sleep may be interrupted.⁵⁵

Young people growing up

London’s high house prices mean that young people who grew up in the city often find it difficult or impossible to afford their own home in adulthood. Many continue to live with their parents: in 2017 this was true of one in four people aged 20-34 in London (these are the most recent figures available, but the proportion is likely to have increased since then).⁵⁶ Research by housing association MTVH found that housing was a key source of stress for young people: most wanted to buy a home, but few expected that they would be able to do so.⁵⁷

Building homes

The London Plan sets a target of 522,870 new homes for London by 2028/29 to meet the needs of its growing population.⁵⁸ In recent decades, London’s actual housebuilding has fallen short of London Plan targets: it is difficult and expensive to build new homes in a densely populated city.⁵⁹ Nonetheless it is vital to do so, since if the city’s population continues to increase without new homes being built, prices will increase and more households will suffer housing poverty and overcrowding as a result.

Homes built by private developers on land that they own are a crucial part of London’s housing picture – particularly when they also include an element of affordable housing, as is required for major developments. (However, the rules on how affordable housing and community infrastructure is funded by developers look likely to change, which may complicate this picture.)⁶⁰ But affordable housing is not the same as social housing, and it is not affordable to everyone: properties can be priced at up to 80 per cent of market sale or rent value, though some may be priced lower than this.⁶¹

Grant-funded housing built by housing associations or councils is also an essential part of London’s housing supply, providing more secure tenancies at rates which are affordable to a wider group of Londoners. However, there are restrictions on councils’ ability to borrow to build new homes, and these may become tighter in the future.⁶² The GLA estimates that the grant needed for it to deliver its affordable housing requirement as set out in the London Plan is £4.9 billion pounds per year.⁶³

Levelling up and the 80/20 rule

Before 2022, government grant funding for housebuilding programmes (including the Housing Infrastructure Fund and the Home Building Fund) was allocated according to the 80/20 rule – whereby 80 per cent of funding is allocated to the places with the highest ratio of median house price to median income. This covers the whole of London and large parts of Southern England. On the eve of the launch of the Levelling Up White Paper, central government announced that this rule would be abolished, so that areas

outside this high-cost region would receive more funding.⁶⁴ It is very likely that this will reduce the amount of housing built in London. While it is too early to see the full picture, there are some indications from recent brownfield housing allocations that this is already happening.⁶⁵

If housebuilding in London does not keep up with the city's needs, it may become harder to fill some key worker roles, especially if the cost-of-living crisis continues to erode real incomes. It would make it harder for people to save for a deposit to buy their own home. And it could also mean increased pressure on housing and public services in other parts of England. Since housing development takes a long time to move from planning stages to delivery, the full effects of any change will not be visible until the later 2020s.

Why people stay

Given the high cost of housing in London, commentators sometimes ask why so many people choose to continue to live here, especially if their financial circumstances are difficult. The answer to this is of course different for every person or family. It is often related to access to jobs. For others, it may be access to social and family connections. Parents may choose to stay because they are happy with their child's school or nursery and do not want to disrupt their learning.

People should, of course, be able to live in a place that they choose and where they have a social and support network – and the government acknowledges the importance of pride in place and local employment in its Levelling Up White Paper. But forcing people to move also has economic and fiscal consequences. Many parents in London rely on informal childcare, often from grandparents, to be able to work. Forcing them to move away from these connections may make work impossible, especially for mothers.

4. Public transport in London



Why public transport matters to levelling up

The levelling up agenda comes at a very difficult time for London's transport system and carries a risk of severe cuts to services. The Chancellor's promise that more areas will have "a London-style public transport system" will ring hollow if it means that London's services get worse rather than other areas' services getting better.

Transport for London's financial situation

London's public transport system is relatively unusual in international terms in that, before the pandemic, it was funded mainly by fare revenue.⁶⁶ Most other public transport systems in major cities receive some government subsidy on top of fares. With ridership close to zero early in the pandemic, the finances of Transport for London (TfL) were hit hard. Services were cut during this period, but not removed altogether since key workers still needed to get to work. At the time of writing ridership is still below the pre-pandemic peak, largely due to a growing preference for hybrid working and, to a lesser extent, a decline in tourism.⁶⁷

Tube use has been further below peak levels than bus use for most of this period. This is a problem, because Tube fares have more recently been used to subsidise bus fares: if financial problems persist then there is a risk that bus services could be cut, even if they have plenty of passengers.⁶⁸

As a result of falling passenger numbers, TfL has been reliant on a series of short-term bailouts from national government to keep services running. The current arrangement lasts until June 2022. The process has at times been fractious, with both sides blaming each other for the difficulty in reaching a long-term settlement. TfL says that without a sustainable settlement it will be forced into a "managed decline" of services. The Department for Transport disputes this, but it is hard to see how some sort of decline can be avoided unless government either increases funding or gives the Mayor of London the power to raise funding themselves.

Making the Mayor of London responsible for TfL funding by devolving tax-raising powers could be a tempting route out of this situation: it would satisfy demands for devolution (discussed in the White Paper) and avoid national government having to pay for TfL indefinitely. Centre for London and many other organisations have often called for London's government to be given more tax-raising powers. But making Londoners pay for TfL through their taxes could be unfair, since so many of the people who use the network are commuters or tourists from outside the city – some of whom are paid well above the London average wage.

Londoners' reliance on public transport

London has higher public transport connectedness than most other places in England, and Londoners make more use of public transport.⁶⁹ As a result, car ownership in London is lower than the rest of England: in the 2011 Census (the most recent available) 56 per cent of London households had a car, compared to 80 per cent elsewhere.⁷⁰ In inner London, the proportion is even lower.

Compared to other parts of the UK, Tube fares are relatively expensive (£7.40 for all-day travel in Underground zones 1 and 2, compared to £4.40 for two zones in Newcastle).⁷¹ Bus fares however are relatively low at £1.65 for any journey for adults (including the option to pay once and change buses within an hour using the Hopper fare) compared to up to £2.90 in Leeds for one bus.⁷² Children in London also travel free, which is relatively unusual nationally. Concessionary travel from state pension age is available throughout England – in London it is available earlier (from age 60).⁷³

People from outside London often point out, entirely reasonably, that Londoners get a much better public transport service than they do. They may believe that journey costs are subsidised by taxpayers to keep the cost down – they are not, but it would be easy to think otherwise since they are cheaper. But areas outside London also tend to have lower house prices – and in many (though by no means all) getting around by car is more realistic, with fewer restrictions on parking, more homes having their own parking spaces, no boundary charges (like the ULEZ and congestion charge), and less traffic. Many Londoners have arranged their lives around public transport: increased costs, reduced frequency or some jobs being cut could make their lives much harder, and in some cases make their jobs untenable.

Public transport and equalities

The impact from any cuts to public transport is unlikely to be equal. Low-income Londoners are less likely to own a car⁷⁴ and so are more likely to rely on public transport. Since the COVID-19 pandemic a new inequality has emerged, with higher-income workers more likely to be able to work from home for at least part of the week, thereby reducing their travel time and costs.⁷⁵

Disabled people are also likely to be hit hard by public transport cuts. Cuts mean that there may be fewer staff available to help them and less work done to make stations accessible, while disabled people may also be less able to walk to take an alternative route. Capacity is already fairly low: each London bus has only one wheelchair space,⁷⁶ and if it is already taken then wheelchair users must wait for the next bus. If frequencies are reduced, some disabled people will face much longer waits for services.

The fare rises that began in March 2022⁷⁷ will affect almost all Londoners to some degree, but people on lower incomes are likely to be hit harder. Buses, which are used more by lower-income Londoners,⁷⁸ have seen the biggest fare rise (6.5 per cent, compared to 3.8 per cent for a weekly Tube pass).

Public transport capital spending

Although TfL is (in normal times) financially self-sustaining for day-to-day operations, large transport capital projects are usually funded through taxation or Treasury flexibility on borrowing. The Tube network in London is old – the oldest in the world – and this means it needs constant infrastructure spending to keep it operating safely. Standing still on investment risks going backwards, creating a growing backlog of repairs and a bigger bill in years to come.

London has had many new lines and stations built in the last few decades, especially in East London: the Docklands Light Railway (and its various extensions), the Jubilee Line Extension, the Overground and now the Elizabeth Line. Future plans – including the DLR extension to Thamesmead, the Tramlink extension, Crossrail 2 and the Bakerloo extension in Lewisham and Southwark – are now looking less likely to happen. These were intended to reach parts of London which have lower incomes, to help residents access jobs and other opportunities – so losing them would be a missed opportunity to reduce geographic inequality and level up within the city.

That said, new public transport infrastructure does not in itself address poverty and inequality – especially if people cannot afford to use it. It can make things worse for local residents by making areas more attractive to live in and driving up house prices: this has been an issue in some of the areas served by the Jubilee Line extension and Docklands Light Railway.⁷⁹

Public transport and productivity

Public transport is of course essential to London's productivity, and is a priority for businesses. Without it, millions of people in London and the wider South East would be unable to get to work. Transport connections also enable the more informal links that make London work as a social and cultural hub, both for residents and visitors: we discuss this in more detail in our Greater London report.

In the second phase of this levelling up project, we will look in more detail at London's productivity, its connection to transport, and the impact of public transport supply chains on the wider UK economy.

5. Public services in London: delivering and paying



Why public service delivery matters to levelling up

High-quality public services are key to achieving the government's levelling up missions for the whole country. We have already seen some cuts to public service funding in London and there is a risk that this may continue, with serious consequences for millions of Londoners.

Cost of living

As we have shown above, the cost of living in London is higher than in other parts of England, largely due to housing costs. This means there are more people living in poverty than in other parts of the UK. London's potential public sector workers may choose to live elsewhere, or to do other jobs, rather than try to meet London living costs on a relatively low salary. In the long term, it could mean that Londoners receive lower-quality public services because of a lack of staff.

There are two main routes to wages that meet London's higher living costs: through the market, and through specific policies which set pay for staff who work in London. Previous Centre for London research has shown that people with higher qualifications in London enjoy a significant wage premium compared to people who live elsewhere in the UK. But people with low or no qualifications have no wage premium: they are paid the same as people with no or low qualifications outside London, yet still face the higher costs of living in the city.⁸⁰ Specific London pay policies help to address this issue, and also set pay where the market does not, particularly in the public sector.

The London Living Wage

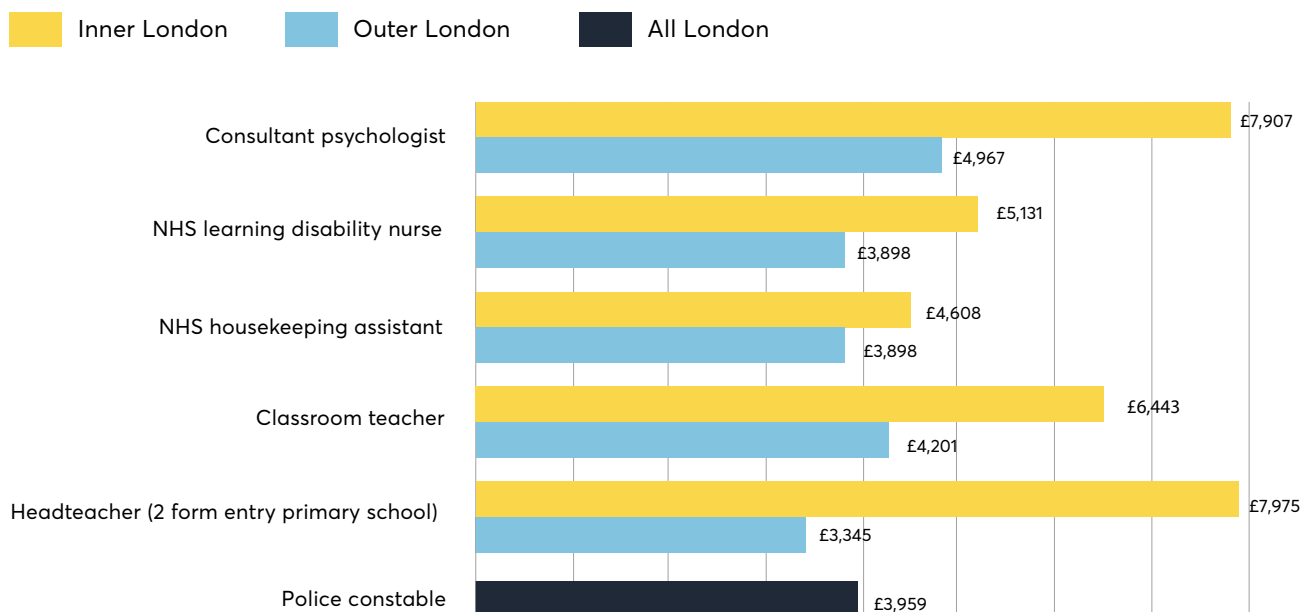
The London Living Wage is an independently set minimum hourly pay rate for London workers, based on the specific cost of living in the capital. There are over 2500 employers paying this rate in London, ranging from large corporations to small local coffee shops – but of course many organisations and companies do not pay at this level.⁸¹ At the time of writing, the London Living Wage was set at £11.05,⁸² compared to a national statutory minimum of between £4.81 and £9.50 depending on age (the lowest rate is paid to people under 18, and the highest to people 23 and over).⁸³

London weighting

Many employers, particularly in the public sector, offer London weighting to staff based in the capital. Unlike the London Living Wage, this is not a set amount: it varies by role. Some employers pay inner and outer London weighting at different levels. In general, London weighting only applies in roles which have a standard national pay policy, such as teaching and the NHS.⁸⁴ Unless it is agreed specifically in the procurement process, it usually does not apply to outsourced staff, such as cleaners – so many people working in London schools and hospitals may not be getting London weighting.⁸⁵ London weighting is sometimes a set amount per year regardless of role, and sometimes a percentage of salary. The NHS uses a hybrid system, with rates as a percentage of pay but subject to maximum and minimum values – meaning that lower-paid staff get more London weighting as a percentage of salary.⁸⁶

Recent research conducted for Trust for London and based on the Minimum Income Standard MIS for outer London and outside London, averaged across different family types.⁸⁷

Chart 2: London weighting per annum: selected public service roles



All salaries are entry-level points for that role. Police constables may also receive a rent and housing allowance. Definitions of inner and outer London are not always the same for every organisation.

Source: NHS (2021);⁸⁸ Metropolitan Police (undated);⁸⁹ Norfolk Police Federation (undated);⁹⁰ Department for Education (2021);⁹¹ NASUWT (undated)⁹²

Paying for public services

Public services that are delivered across all the regions of England, like schools and healthcare, have their funding allocated in different ways. Some allocations use regional weights which acknowledge the varying staff and land costs in different areas. Some services are funded partly according to levels of poverty or need in the area, which could change if the government used different ways of measuring poverty or need. Finally, some use a mixture of measures to allocate funding.⁹³

Delivering services in London can be more expensive than in other places: both staff pay and the cost of premises are often higher than elsewhere. In some cases, higher levels of need make services more expensive to deliver. If these additional costs are not covered with additional funding, then services will be scarcer or of lower quality than they are elsewhere.

The ways that money is allocated to pay for public services like schools and the NHS are governed by complex needs-based formulas. Some people in London are worried that the government will decide to change these formulas in ways that disadvantage London.

University teaching grant

In 2021, the government decided to remove the London weighting from the teaching grant for universities.⁹⁴ The teaching grant covers the cost of teaching students beyond what is covered by tuition fees. This represents a loss of £60-70 million per year – £150 to £958 per full-time student, depending on where in London they are studying and the type of course.

This change is more significant for universities that do not have a large research base and do not take a lot of international students, as both of these provide further sources of income. In London, this means the cut to the teaching grant has greater impact on universities that have more students on lower incomes – levelling down the parts of London which are most in need of support.⁹⁵

6. Local authority spending



Why local authority spending matters to levelling up

Local authorities are well placed to deliver on many of the government's levelling up missions. But their ability to do so – across the whole country – is constrained by cuts to their funding over the last decade and limits on their powers. As with other public services, there is a danger that London's local authorities will lose more funding than other parts of the country because of the levelling up agenda.

Local authority funding in the Levelling Up White Paper

The Levelling Up White Paper includes a commitment to:

...empower local leaders with the resources they need to level up their communities. This means a commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources.⁹⁶

This isn't a new promise – it's a restated commitment to the review of local government funding announced as the Fair Funding Review before the pandemic⁹⁷ – but the connection to the Levelling Up White Paper changes the context.

Recent changes to local authority funding

Since 2010, the total amount of money local authorities have for spending has fallen by about 16 per cent.⁹⁸ Those in more deprived areas have been hit harder than those in more affluent areas, and some local authorities in London have been hit the hardest.⁹⁹ Local authorities have very limited options in terms of how they raise and spend a lot of their money: they have a statutory responsibility to provide various services – including adult social care – and in many places the amount they need to spend is growing as their populations become older. The amount of discretionary spending they have for services or capital projects that will help people in their local area has therefore fallen sharply.¹⁰⁰

What might change

There is a broad consensus among local leaders that current funding formulas are out of date and don't reflect current levels of need. But determining what this need is and how it should be funded is much more complicated, and some London leaders are concerned that they could lose out compared to other areas.

At present, the total pot of local government funding is determined in the Spending Review and allocated between local authorities by central government. The block grant (or lump sum) amount is calculated according to a complex formula which includes population numbers, population need (particularly for social care), and the ability of the local authority to raise its own funds through business rates, council tax and other mechanisms.¹⁰¹ It is possible that changes to this formula, or changes to the way business rates and council tax work, could disadvantage London local authorities. Local authorities can also receive funding from central government by bidding for specific "pots" of money to address problems in their area. They can additionally raise some revenue through measures such as parking charges.

Competitive funding pots

Some funding for local authorities comes from competitive funding pots. To access these, local authorities prepare bids describing how they would spend the money, and central government decides which projects to fund. As the Levelling Up White Paper acknowledges, this is often very time consuming. If local authorities don't think they have a high chance of success, they may decide not to bid. This might also be the case for funding related to levelling up, which risks giving the false impression that there is no need for support in their area, thereby reducing the opportunity for further funding.

Why this matters

Local authorities and regional government (the Mayor of London, and metro mayoral areas elsewhere in England) are well placed to address many of the missions identified by the government in its Levelling Up White Paper. Perhaps the strongest connections are to skills, transport, wellbeing, pride in place and housing. Local leaders in different places and of different political beliefs have also told us that they agree with the missions, and some authorities are using them to frame their own work.

Nonetheless, the ability of local government organisations to pursue these missions is seriously restricted by limits on their funding – especially as they can do little to raise money themselves or use taxes to incentivise the change they want to see in their areas. In London, there is a risk that further cuts to local authority funding would make these missions even harder to achieve, especially in the parts of the city which are most in need of support.

What happens next?

At Centre for London, we support the objective of levelling up, and believe it should be a long-term national mission to reduce geographical inequalities across the country. However, we are concerned that the agenda could in fact lead – either by accident or intent – to London being levelled down.

In our assessment, there are particular risks to London's public transport services, to housebuilding, and to revenue funding for local authorities. Hits to these would deepen the capital's existing inequalities, and ultimately risk London's ability to contribute to the nation through tax receipts.

Our next report will look in much more detail at London's contribution to levelling up the rest of the UK – both what it is doing now, and how it could do more.

In addition to our reports, we are publishing briefings and running events on levelling up. Find out more about these on our website at <https://www.centreforlondon.org/project/levelling-up-london/>.

If you'd like to work with us, please get in touch. We are keen to collaborate with people who want to see positive change – in London and beyond.

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