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A Minimum Income Standard for London 2018

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Loughborough University

Centre for Research in Social Policy

Trust for London

Tackling poverty and inequality

Minimum Income Standard for London 2018

March 2019

A Minimum Income Standard for London 2018

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Executive summary

Key findings

This new research in London explored, with groups of pensioners and working-age adults without children, what these households need to have a minimum acceptable standard of living in 2018. The study also calculated the difference in a minimum household budget between the capital and elsewhere in the UK. This is the fourth in a series of reports, updating research previously undertaken on a Minimum Income Standard for London.

This update found that:

- 4 in every 10 Londoners (41%) have an income below what is needed to reach a minimum socially acceptable standard of living. This is higher than the 29% below this level in the UK as a whole.

- Many of the costs associated with providing a minimum budget in the capital are like those in other towns and cities in the UK, but in key areas the additional cost of living in London remains substantially above that in the rest of the UK. This is most evident in relation to housing, childcare and transport. These additional costs mean that a minimum standard of living in London costs between 15% and 60% more.

- The cost of renting in the private sector in London remains significantly higher than in other urban areas in the UK. Although there have been some decreases in rents at the cheaper end of the rental market in London, private rents in Inner London increased by around 15% between 2014 and 2018, while rents in Outer London increased by nearly 20%. This compares to an increase of less than 10% in the rest of the UK.

- Childcare costs continue to grow in London, and are far higher in the capital than elsewhere in the UK.

- Safety-net benefits for people living in London continue to fall substantially short of meeting minimum needs, providing less than a quarter of a minimum budget for working-age singles and about half for households with children.

- The adequacy of safety-net benefits has deteriorated over time; in 2014 a working-age single on out-of-work benefits could cover 35% of their minimum needs, while in 2018 this support covered only 19% of a minimum budget.

- Just over half of all children living in London (51%) are in households that have incomes below what is needed for a decent minimum standard of living, compared to 43% in the UK. Around two thirds (67%) of children in lone parent households are living below the Minimum Income Standard (MIS).

- Around a third of pensioners living in London have incomes below MIS, compared to 16% for the UK.

- While single working-age adults living in urban areas outside of London and working on the National Living Wage (NLW) have benefited from above inflation increases in the minimum hourly rate, those living in London have seen any gains in earnings more than wiped out through increases in other costs. In the UK outside London, a working-age single, working full-time on the NLW has around 80% of what they need to meet minimum costs; in both Inner and Outer London the same individual has under half of what they need.

- Three-quarters of Londoners within incomes below MIS, are living in rented accommodation: 1.3 million in the private rented sector and 1.4 million in social housing.

1 Introduction

London, like many other capital cities around the world, is a city of contrasts: on the one hand, it is a global financial hub and home to the super-rich, on the other London has some of the most deprived neighbourhoods in the whole of the UK with 37% of children in the capital growing up in poverty (Tinson et al., 2017). For some, London is a city of opportunity, while for others, particularly those on low incomes, reaching and maintaining a minimum standard of living poses a substantial challenge (Clarke, 2018).

In this context, understanding what a minimum standard of living in the capital consists of, and where the pressures on living standards are, remains of ongoing importance and this report sets out new research on what is needed for such a minimum living standard in London today. Building on earlier research (Padley, 2017; Padley et al., 2015 & 2017a), this latest report updates the Minimum Income Standard (MIS) for London, ensuring that it continues to capture both changes in costs within the capital as well as any changes in expectations regarding what is needed for an acceptable living standard.

The Minimum Income Standard (MIS) is the budget required to cover the basket of goods and services that households need to achieve a minimum socially acceptable standard of living, as defined by members of the public. MIS is a major ongoing programme of research that produces annual updates of how much income a range of different types of households in the UK need to afford an acceptable standard of living. This calculation is based on detailed deliberation by groups of members of the public about what goods and services a range of different households need to reach this minimum living standard (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 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 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: 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. Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, 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 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*.'

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 composition. 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 were 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 is 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, 2017; Padley et al., 2015 & 2017a) 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 approach in France, Japan, Singapore, Thailand, Mexico, Portugal and

South Africa. 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 per cent 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.

Published in 2015, the first MIS London study gave a detailed description of what Londoners agreed was needed for a minimum socially acceptable standard of living. For the first time, this enabled an exploration of the incomes needed by a range of different households to reach this living standard in the capital. The first MIS London looked in detail at the needs of working-age adults, with and without children, and pensioners living in Inner and Outer London.

Subsequent research has updated the Minimum Income Standard in London in parallel with updates of the UK MIS research outside London. Every two years, the lists of goods and services needed for an acceptable standard of living are researched from scratch, or 'rebased', based on new consultations with members of the public. In 2016, the UK rebase (Davis et al., 2016) applied to families with children (see Davis et al., 2016), and this was followed up with a study (Padley et al., 2017a) considering the needs of London families, using these new UK budgets as a starting point. Similarly, the 2018 UK rebase, covering working-age adults without children and pensioners (Davis et al. 2018) has been followed by new London research on these groups, and that is the subject of this report. Even though this year's study does not involve new research into the requirements of London families with children, it does report the effects on their costs of price changes as part of annual reporting, and this includes important information on what is happening to rents, childcare costs and public transport fares.

The new research on London working age adults without children and pensioners explores whether changes in expectations and social norms identified in urban areas outside London apply within London for these household types, as well as affording the opportunity to examine whether or not differences in what is needed for a minimum in 2018 echo those identified in the initial research in 2014/15. Like the UK MIS research that it follows on from, this London study calculates budgets costed for April 2018.

Report Structure

Chapter Two sets out the methods used in researching a MIS for London. Chapters Three and Four present the research findings. Chapter Three reports what participants agreed to be the different and additional goods and services needed to achieve a minimum socially acceptable standard of living in Inner and Outer London, and explores the

rationales underpinning these conclusions. Chapter Four compares the London and UK MIS budgets, and reports the additional costs faced by different London households to achieve a minimum socially acceptable standard of living. Chapter Five looks at the proportion of individuals living in London with incomes below that needed for an acceptable standard of living. Chapter 6 draws out the key findings that have emerged from this latest study.

2 Methodology

This chapter sets out the methodology used in this research. The study was based on the same principles as all UK MIS research. MIS is centred 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. Rather than 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 specific different 'hypothetical' households. In the UK MIS, groups are regularly tasked with putting together household budgets from scratch; in this project, groups of members of the public in London were asked to consider and review the lists of goods and services compiled in urban locations in the UK outside of London in 2018. As noted in the introduction, in the UK MIS budgets were compiled from scratch for working-age households without children and pensioners in 2018 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 with these households in London in 2014/15.

The groups in this research 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 either be inadequate or unnecessary for people living in households of the same type 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 2014/2015 in these adjustments

This approach of 'checking' for variations from the UK MIS budgets has been used in several projects where the focus is on identifying differences in requirements that arise because of differences in particular areas of life, including aspects of disability and living in remote areas (see Hill et al. 2017 & 2016; Hirsch et al., 2013). The approach not only enables these differences to be identified, but also allows a calculation of their consequences for minimum income requirements.

Reviewing household budgets for pensioner and working-age households without children in London

Principal review groups

Principal review groups were tasked with reviewing the detailed lists of goods and services compiled in the UK MIS in 2018 for the same households. As with all MIS groups, they commented on needs of people in the same category of themselves: pensioners reviewed the budgets for pensioners, and working-age people those for

working-age households. Participants worked together to reach consensus on amending these to reflect the different and/or additional needs of these households in London. Four groups were held; two with single and partnered pensioners (one in Inner and one in Outer London) and two with single and partnered working-age people without children (one in Inner and one in Outer London).

The MIS London groups all began from the same definition of a minimum standard of living, developed by groups in the 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 included in UK MIS budgets were made with reference to this standard and what is needed to reach rather than exceed it in London. Critically, participants were asked to consider how needs would differ for the relevant households *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 more generally. Each London group was asked to consider the needs of working-age or pensioner individuals and couples across either Inner London or Outer London, rather than focusing on the area or neighbourhood in which they lived. In this way, the research produced minimum budgets for these households in Inner and in Outer London, rather than for specific areas or boroughs.

Participants reviewed the lists of items representing a minimum budget for the UK, considering whether or not these lists would meet the minimum standard of living defined above *in London*. More specifically, groups were asked to reach agreement about:

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

Follow up and final review groups

In these groups, participants reviewed the lists of goods and services needed by the relevant household type to reach the minimum and any changes or adjustments that had been made to these by the first set of groups. The follow up and final review groups were held in Inner and Outer London with pensioners, and equivalent groups with working-age adults without children. Groups in each of these stages comprised different participants from earlier groups, which 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 and supported by rationales relating to life in the capital.

Reviewing the needs of working-age 'sharers' in London

Following on from the groups reviewing the budgets for working-age adults living alone or as part of a couple in London, three groups were held to examine whether or not minimum needs within the capital were met in different ways by working-age adults living in shared accommodation. Groups were asked to review the lists of goods and services agreed by non-sharer working-age adults living in Inner and Outer London, and discussed any different or additional goods and services needed by sharers for a minimum standard of living in the capital.

Recruitment

Participants were principally recruited face-to-face for groups, by recruiters in public locations, and in general were living in areas close to where 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

[Insert map of London boroughs as in previous reports]

In total, 125 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, recruiters sought to ensure that no individual group included only one ethnic group. Participants were recruited on the basis of where they lived (Inner or Outer London) and household composition (single and partnered pensioners, single and partnered working-age adults without dependent children, working-age sharers). As in all MIS research, groups were recruited to include participants across a range of ages and socio-economic backgrounds, in order that the budgets produced by groups represent the needs of the population in general rather than being rooted in any one experience of the world.

Updating minimum budgets for households with children

For households with children, there has been no new research this year examining 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 2017 and April 2018, which are estimated by applying changes in the relevant components of the Consumer Price Inflation index (CPI) to the categories of goods and services included in MIS budgets, as in the UK MIS research. The exceptions to this 'uprating' based on the national index are costs associated with childcare, public transport and housing, for which changes are calculated based on increases in childcare costs in London, the cost of

London travelcards and London rents respectively. Given that these three areas were identified in previous MIS London research (Padley et al., 2015 & 2017a) as a key source of difference between life in London and elsewhere in the UK, it is important to use this more specific London data, rather than to rely on a general inflation index.

Calculating the costs of a Minimum Income Standard for London

Where goods and services are identified by groups as different for working-age and pensioner households without children in London, these differences have been discussed in detail and changes made to existing UK MIS budgets. 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.

The UK MIS budget totals are generally reported excluding both housing and childcare costs. This is because there is significant variation in these costs across the UK. However, in order to capture fully the importance of both higher housing and childcare costs in London, minimum budgets are shown here 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 (Harding and Cottell, 2018). Private rents, for working-age households without children, have been calculated using lower quartile rents from Inner and Outer London boroughs (Valuation Office Agency, 2018). Social Rents are calculated as in the UK MIS, based on a weighted average of Local Authority and Housing Association rents in London. As the available data do not distinguish between Inner and Outer London, 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 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 for pensioners, and private rental sector accommodation for working-age adults without children. Fuel budgets are based on the lowest available online tariff at the time of costing in both UK MIS and MIS London.

3 What do households in London need as a minimum?

This chapter details the decisions reached by working-age adults without children and pensioners in 2018, living in Inner and Outer London, about what is needed for an acceptable standard of living and why. It describes the rationales for these decisions, which in each case were the product of consensus built over a sequence of groups. Only where there was agreement across groups were the UK MIS budgets adjusted for London.

Housing Costs

As with other elements of MIS budgets, groups are asked to agree on the minimum housing provision required by different household types, taking into account the availability of different types of accommodation. Groups agreed, as in UK MIS, that working-age households without children would not be able to access housing in the social rented sector unless they had additional and/or complex needs. As a result, single and couple working-age households without children, and working-age sharers, in both Inner and Outer London are assumed to meet their housing needs through renting properties in the private rental sector (PRS) with rents in the lower quartile. For pensioners in the capital, groups agreed that minimum housing needs in 2018 would continue to be met within the social rented sector.

Groups in London agreed that the housing required to meet a minimum living standard had not changed since the original study in 2014/15, either in terms of size or sector, reiterating that space is at a premium, especially in inner London. The minimum housing needs of a single person living alone would be met through a studio flat in London, which is likely to have an open plan kitchen living and sleeping area, with a separate bathroom, and be smaller than the one bedroom flat included for the same household type in UK MIS. This reflects the prevalence of studio flats available in the capital, but also expectations about the size of accommodation appropriate as a minimum. Groups agreed that working-age couples without children would need a larger living space, so would require a one bedroom rather than a studio flat (i.e. with a bedroom separate from the living area).

Working-age adults living in shared accommodation in both Inner and Outer London would as a minimum have a bedroom in a three bedroom flat in the private rental sector, with access to a shared bathroom, kitchen and living area. As with the studio flat, this is a smaller version of the provision within UK MIS budgets: groups outside London said that sharers would be more likely to be living in a shared house.

Pensioners in the capital did not change either the housing type or tenure from that in UK MIS (which was also the same as in the London research in 2014/15) and said that a single pensioner would need a one bedroom flat and partnered pensioners a two bedroom flat, both in social housing, as in UK MIS. However, one of the pensioner groups discussed the shortage of social housing stock, the high cost of private sector

rents, and the fact that although some older social housing tenants would like to move to smaller properties, they are constrained by a lack of availability of suitable housing stock.

Man 1: *I think with our increasing population the government need to prioritise the housing situation and start building the needs, you know like for the older person, and then people would be willing to downsize… If there was somewhere to go and it was pretty decent and purpose built and gradually do it that way. They need to do something like that because all they're doing at the moment is pushing it to one side. You've got dodgy landlords who are exploiting the situation and it's a big problem and I think it's priority. […] Thirty years ago it was a government policy that everyone bought their own house… But where is the building? Like on the front they've gone up and up and up.*

Woman 1: *Well there's 300 being built along the road here, almost 300 properties. You've got the doctors, schools, they're all going to be under pressure.*

Man 2: *And what with this Grenfell people are very reluctant to live in tower blocks.*

Researcher: *Yes.*

Man 3: *When I lived at home, we lived in Southwark and my parents had five children and two of my brothers got married we were compulsory moved down from a four bedroom place to a three bedroom and then to a two bedroom place and that was the council policy.*

Man 1: *But that doesn't happen now.*

Woman 2: *No.*

Researcher: *If they've not got the properties available.*

Man 3: *At the time we were in Southwark, which was one borough, we wasn't moved miles away… And they're splitting up families. Like your son or your daughter could be moved up to Manchester and they've got no support network.*

Researcher: *Because that's where the social housing is?*

Man 3: *And that's a terrible thing.*

Pensioners, Outer London

The housing models used to calculate the UK and London MIS budgets are set out in Table 1. These housing assumptions have been used to calculate the cost of fuel, contents insurance and water rates as well as rent and council tax rates.

In 2018 UK MIS pensioner groups included £100 a year for minor decorating costs (for example, repainting one room in a small flat), and £50 to pay someone for up to three hours to do small DIY tasks around the home, such as putting up a shelf, assembling flat pack furniture or making minor repairs that would not be considered the responsibility of the agency or organisation they were renting from. Pensioner groups in London agreed with the cost for decorating costs, as the materials would be bought from shops

with national pricing policies, but said that paying for someone to do small DIY tasks would be far more expensive in the capital. They said that some businesses might refuse to take on work if tasks were considered too minor, and each visit would incur a call out fee, so they would 'save up' jobs that needed doing so that they could be tackled in one visit. informed by prices obtained from a range of websites offering this type of service, the budget for this was increased from £50 to £169 a year, which would cover the first half hour (charged at a higher rate) and a further two and a half hours. Including the £100 decorating budget this brings the total budget for decorating and maintenance to £269 a year for Inner and Outer London pensioners, compared to £150 for pensioners outside London.

Table 1: Housing assumptions in UK and London MIS

Household Type	Accommodation in UK MIS	Accommodation agreed for MIS London
Single working-age person without children (living alone)	One bedroom flat (PRS)	Studio flat (PRS)
Single working-age person without children (living in shared accommodation)	Three bedroom house (PRS)	Three bedroom flat (PRS)
Working-age couple without children	One bedroom flat (PRS)	One bedroom flat (PRS)
Single pensioner without children	One bedroom flat (social housing)	One bedroom flat (social housing)
Pensioner couple without children	Two bedroom flat (social housing)	Two bedroom flat (social housing)

Transport

Within MIS research, groups are asked to discuss and agree the transport that people need to have a minimum acceptable standard of living, and often make reference to the importance of being able to access opportunities for employment and social and cultural participation.

In the UK MIS, groups said that pensioners and working-age adults without children can meet their needs using public transport, supplemented by some money for taxis and coach or rail trips. The groups in London agreed with this in principle. However, the costs, particularly for working-age adults, are significantly higher in London. As in the previous research undertaken in 2014/15, Inner London working-age groups said that a pre-paid monthly Oyster covering Zones 1-4 would be needed in order to be able to access both employment and social participation opportunities (including being able to

access work outside Inner London). In Outer London, a monthly travel card covering Zones 1-6 would be needed for the same reasons.

Pensioners in London are entitled to the Transport for London Freedom Pass, enabling them to travel on almost all forms of London transport at most times for free. One participant called it 'the best thing since sliced bread'.

Man 1: *Within London we've got our Freedom Passes.*
Woman 1: *We've got our passes.*
Researcher: *So the Freedom [pass] is a big deal we've heard.*
Man 2: *Oh yes brilliant.*
Researcher: *It makes a huge difference to people from what I can gather. Can you only use it off-peak or can you use it any time?*
Man 1: *[You can only get on] The train at 9.30.*
Researcher: *Right, so on the train it's 9.30 but everything else.*
Man 1: *Tube and buses I think is alright.*
Researcher: *… So that is what people have said as a minimum would meet their needs.*
Woman 2: *It's an absolute godsend to be honest.*
Man 3: *It's pure luxury. When we go out, you can go out and not spend any money.*
Woman 2: *You go out without thinking yes.*
[…]
Man 4: *It's very helpful. There is talk about they want to do away with it.*
Man 3: *You can do what you want.*
Man 1: *But if they did it would put a lot of people in trouble and it would change our lifestyle a lot of people wouldn't get out as much.*

Pensioners, Outer London

In contrast, as in 2014, working-age people were very conscious of high transport costs and rising fares. However, they also appreciated that some underground services had been extended, particularly at weekends, and some mentioned night buses as a convenient option:

Woman 1: *Now you've got the Jubilee Line is 24 hours and you can get the 132 [night bus] all the way back.*
[…]
Man 1: *I don't know if it's true or not but they say anywhere in London within 15 minutes' walk you can get a night bus…the night bus from Charing Cross is brilliant, absolutely brilliant it's saved my life probably about 10 times.*
Man 2: *If you're late from Trafalgar Square.*
Man 3: *It goes right outside my house it's unbelievable.*

Working-age adults, Outer London

All groups agreed that a budget for occasional taxi use was still required in London. In Outer London working-age people said that because of the extended services mentioned above and the competitive fares offered by Uber and other firms, this would be a lower budget of £5 a week rather than the £10 a week in UK MIS. Outer London pensioners said that because of the travel options available to them through the Freedom Pass, taxi fares were more likely to be needed in case of emergency rather than routinely, and included a budget of £10 a month, which is significantly lower than the £10 a week in the MIS budgets for pensioners outside London. Inner London groups said that fares in London were higher than those in urban areas outside London and in Outer London, although distances travelled by taxi tended to be shorter because the public transport network was more extensive. Despite this, both working-age and pensioner groups agreed that higher taxi fares in Inner London meant that a higher taxi budget was needed in Inner London compared to Outer London, but that for both household types this was covered by the same budget as in UK MIS: £10 per week per person for working-age adults and £10 per week per household for pensioners (based on the assumption that pensioner couples would travel together and therefore would not require a separate amount per person).

In UK MIS, all households have a budget for trips to visit friends and family, to be taken by coach or rail for adults without children, and by car for families with children. In the groups held in London in 2018, most agreed that the provision in UK MIS for this was sufficient (see Table 2). The exception to this was Inner London pensioners, who felt it was important to be able to get out of London more frequently, and increased the budget from £170 a year per person (plus a £30 senior citizen railcard each) to £200 plus a railcard per person.

Table 2: Transport provision in UK and London MIS, households without children

Household Type	Transport agreed in UK MIS	Transport agreed in MIS London – Inner London	Transport agreed in MIS London – Outer London
Working-age person without children (living alone, in shared accommodation, or as part of a couple)	4 weekly local bus pass (each) £10 per week for taxis (per person) £120 per year per person for trips by coach/rail (plus £30 'Two Together discount card for couples)	Monthly zone 1-4 Oyster card (each) £10 per week for taxis (per person) £120 per year per person for trips by coach/rail (plus £30 'Two Together discount card for couples)	Monthly zone 1-6 Oyster card (each) £5 per week for taxis (per person) £120 per year per person for trips by coach/rail (plus £30 'Two Together discount card for couples)
Pensioner without children (living alone or as part of a couple)	Free bus pass (each) £10 per week for taxis (per household) £100 per year per person for trips by coach/rail (plus £30 Senior Citizen railcard each)	Freedom pass (each) £10 per week for taxis (per household) £200 per year per person for trips by coach/rail (plus £30 Senior Citizen railcard each)	Freedom pass (each) £10 per month for taxis (per household) £100 per year per person for trips by coach/rail (plus £30 Senior Citizen railcard each)

Food Shopping

The food included in the UK MIS is based on weekly menus constructed from groups' suggestions of typical meals. In general, these menus follow a pattern of three meals a day (breakfast, lunch and an evening meal) which includes one lighter meal. A nutritionist ensures that the food and drink included in a weekly menu at this minimum living standard meets nutritional guidelines for a balanced diet and is one that would not cause any individual any harm.

The food and drink required by different household types is itemised and compiled into shopping 'baskets'. To reflect real life in terms of people's time and ability to cook, some meals are assumed to be cooked from scratch while others incorporate a ready- made element, such as a jar of pasta sauce or a frozen pizza. The 'baskets' are then priced at a major supermarket: in 2018 in UK MIS, this was Tesco, the most prevalent retailer of this kind in the UK. London groups noted that the main chain supermarkets offer largely similar prices, and that pricing goods at Tesco allows for some flexibility in terms of where people can shop. Although shops such as Lidl and Aldi were often cited as offering particularly good value for money, groups felt that people might not be able to find everything that they need in these supermarkets, and as elsewhere in the UK, groups felt that people should be able to buy all their food shopping for the week in one place.

MIS London groups were asked to consider if people have different food requirements because they live in London, and whether they would need to purchase this food in the same or different ways. Groups decided that, for all household types, there was no reason why London households require a different diet from the same households outside the capital, and therefore agreed that the shopping lists should remain the same. They also agreed that, although there are many smaller supermarket branches (Tesco Express, Sainsbury's Local and similar) in London, and while these stores are easy and convenient to use, they offer less choice and charge higher prices than the large supermarkets. It was therefore decided that shopping at these smaller stores was a luxury and that, in order to access the best value for money, households could shop at the larger supermarkets with national pricing plans.

The exception to this was for working-age adults living in shared accommodation in London. Working-age sharers agreed with other groups in London that people did not eat differently because they live in the capital, but there were some key differences about life in shared accommodation. Groups of sharers noted that as they were likely to be sharing the use of a fridge-freezer with others in a shared property, it was unlikely that they would be able to store all the food needed for a week, and because of time and space constraints they might be less likely to cook meals from scratch.

Woman 1: *There's also the thing about fridge space as well. Sometimes in our house where the fridge isn't enough you have to minimise your shopping.*
Man 1: *Exactly.*
Researcher: *So does that mean that you just buy little and often?*
Man 2: *Yes.*

Man 1: *When you share you spend more.*

Researcher: *Why?*

Man 1: *Well you buy less fresh food so you have to buy more ready meals and it tends to be like bad food.*

Man 2: *Or smaller portions which takes up less space in the fridge.*

Woman 2: *You have to finish it quickly as well. You can't buy too many frozen meals because you can't just stock up, so you have to buy something fresh and that's more expensive.*

Man 2: *Storage space, yes.*

Man 1: *And smaller portions which cost more.*

Researcher: *So there's limited freezer space so you can't bulk buy because there's not anywhere to keep it?*

Man 1: *Yes.*

Man 2: *That goes on so many levels because shared space is at a premium, so anything that you share and we talked about it before with tea towels and washing up liquid or the liquid for the clothes. Let's say you keep it in the kitchen or in the bathroom but the bathroom might be small so you cannot keep it in there and you'd have to buy a small one because it's going to go in your room so you spend more.*

Man 3: *That lack of space means that you spend more on shopping on less if that makes sense.*

Man 1: *Yes, absolutely right.*

Researcher: *So what about fresh things like fresh fruit and stuff like that, is that [buying them] little and often or?*

Man 2: *What you've got in a normal stand up fridge is a freezer underneath and you've got one drawer and you've got fruit in the other drawer and some veg.*

Researcher: *And if there's three of you [sharing the fridge].*

Man 2: *You've got to try and get on with it and if not you're going to be leaving it in fruit dishes and it will go off within a week.*

Man 1: *So you can't buy a lot of bananas, you've got to buy three bananas.*

Man 2: *Yes.*

Researcher: *So it's about storing as little as possible and buying smaller quantities that you try and get through because you haven't got the space.*

Man 2: *Yes so we can't buy multi-buy savings.*

[…]

Man 3: *Oh yes.*

Man 1: *Yes.*

Woman 3: *Yes.*

Woman 2: *You don't cook sometimes, because you don't want to spend time in the kitchen.*

Man 3: *Not just that, you get home from work and you've got no space, [you eat] more ready meals or in fact you might actually then eat out more and none of that is actually really healthy. Even the stuff where you just chuck*

it all in [the microwave] it's very rarely going to be a healthy meal because you want to be quick.

Man 4: *You use the microwave a lot.*

[…]

Woman 3: *I was going to say not just about getting on with housemates, but there may be other reasons [to eat out], like say the kitchen is never really clean so you are less likely to want to cook in the kitchen, so you're more likely to buy food outside. Or say your food goes off quickly. For example with fruit if there's not enough fridge space so you'll leave the food outside but then it goes mouldy, so you have to throw that away which means you don't have any food so you have to eat out.*

Man 1: *It just goes on.*

Working-age sharers, Inner and Outer London

While there were some sharers who said that it was not unusual to have a fridge in each bedroom, which might provide enough room to store a week's worth of shopping, the consensus across groups was that working-age sharers would shop more frequently – 3 or 4 times a week – at smaller supermarket branches such as Tesco Metro or Sainsbury's Local, buying enough for one or two days at a time, and keeping it in the shared fridge.

The cost of the weekly food shop for sharers in the capital reflects this different pattern of shopping and the premium that is associated with shopping in smaller supermarket branches: the sharers weekly food shop costs 12.5% more than the single working-age adult living alone. However, although some participants suggested that people living in shared accommodation might eat out more often because of the difficulties of using shared facilities, when the eating out budget was discussed in more detail they did not think sharers needed more than working age Londoners living on their own (see below).

Pensioners in urban areas outside of London and in London agreed that they would usually shop every two or three days, so would be able to carry their shopping on public transport, and if they were buying bulky or heavy items would use some of their taxi budget in order to bring these home.

In the UK MIS, single working-age adults without children said that as they are only shopping for one person they could carry a weekly shop home on public transport. For these households in Outer London, the shopping model remained the same. Partnered adults living outside London said that they should be able to order their shopping online and have it delivered as a minimum, as supermarket delivery costs had become ever more competitive over time and carrying a bigger shop home on the bus was not practical. Both single and partnered working-age adults in Inner London also included supermarket delivery costs. Groups said that shopping at larger superstores, where prices are lower than in local convenience stores, was more difficult for people living in Inner London because these branches tend to be further away and as many working-age people have longer working days and commuting times, they should not have to

undertake an additional possibly lengthy supermarket trip. This 'time factor' affected singles and couples equally so they included the same delivery cost as included in the UK MIS working-age couples budget (£3.49 a month based on a 6 month contract for midweek deliveries with a minimum spend of £40).

Household Goods and Toiletries

This section includes most items found in home:

- furniture (sofa, table and chairs, beds, wardrobes);
- flooring (carpets, vinyl, laminate);
- soft furnishings (curtains, cushions, light shades);
- small electrical goods (lamps, hairdryer, straighteners, kettle, toaster, iron);
- bedding;
- first aid items (e.g. plasters, paracetamol, indigestion tablets);
- toiletries, including toilet paper, perfume/aftershave and cosmetics.

Groups in Inner and Outer London were presented with lists of these household goods and toiletries produced by groups in urban areas outside of London, and asked whether households in London need anything different or additional, or to access items in different ways. Groups agreed that households in London do not need different household goods and toiletries as a result of living in the capital. However, groups did state that some items would need to be bought from different retailers in London. Many of the smaller items in these categories in the UK MIS budgets are costed at Wilkinson's. However, groups in Inner London said that Wilkinson's was not easily accessible, and consequently these items needed to be priced elsewhere. Outer London participants were familiar with this store and said that it would be a reasonable option.

Groups in both Inner and Outer London were also not familiar with a chain of homeware shops called The Range, which groups outside London identified as a retailer for some items needed in the kitchen. Where substitute retailers were needed, groups agreed that small items (for example a wooden spoon or toothbrush) could be picked up along with the weekly shop and should be priced at a supermarket. For larger items (e.g. lamps and curtains) groups agreed Argos as an appropriate supplier. Although there were discussions about being able to access lower prices at local markets or in pound shops, groups agreed that buying these items at supermarkets and/or Argos would enable people to access items that were of a similar quality to those purchased at Wilkinson's, and so would last a similar length of time. As with the discussions about food shopping, groups felt that major supermarkets had sufficiently similar prices that a budget using Tesco prices would also allow enough for people to buy these household goods at Asda, Sainsbury's or similar, if this was their local supermarket. These outlets were all identified as being easily accessible to households in Inner and Outer London.

Clothing

Groups in both Inner and Outer London, when presented with the lists of clothing and footwear that are included in UK MIS budgets, agreed that it was not necessary to make any changes to these lists: they saw no reason why Londoners need different clothes to someone living in an urban area in the UK outside of London. Further, groups agreed that clothing could be bought at the same retailers as elsewhere in the UK.

Personal Care

Personal care services identified in MIS include medical services, dental and optical care and hairdressing, and the lists reviewed by groups in London included services such as health care (including prescriptions and eye tests), dentistry and podiatry for older people.

In general, London groups agreed that people's needs for health care are no different because they live in London. They said that people in London would be able to access NHS dental care, and would use the same high street opticians as used elsewhere in the UK. Given that NHS and chain opticians' prices are the same across the UK, the cost of these personal services remains the same in Inner and Outer London as in UK MIS.

The exception in London was the cost of podiatry. Pensioner groups in the capital agreed that podiatry was a need for many older people, regardless of where they lived, but all London groups said that this would be more expensive in both Inner and Outer London. Prices for this service tend to reflect local labour, premises rental and other overhead costs, which are generally higher in London. They therefore increased the budget for this service from £30 every two months (in the UK MIS pensioner budgets) to £40 in Outer London and £60 in Inner London.

The amounts allocated for hairdressing are also higher in most of the London budgets, particularly for Inner London, based on prices being higher for some of the same reasons mentioned above. Working-age groups in Outer London increased hairdressing costs for women from £15 to £20 every 8 weeks (for a dry cut) and from £10 to £15 a month for working-age men. However male and female pensioners in Outer London thought that the provision in UK MIS for older people (£15 every 6 weeks for women and £8 a month for men) would be sufficient to meet their needs, because many salons and barbers offered pensioner discounts. In Inner London the corresponding amounts for working-age adults were £50 for women and £20 for men, and £40 for female pensioners and £15 for male pensioners.

Many of the London groups also suggested that if the budgets were to reflect the ethnic diversity of the city's population, hairdressing costs would need to be significantly increased. Groups emphasised the reality that many people from Black African and Black Caribbean communities need to spend significantly more to keep their hair neat and presentable, either visiting hairdressers more frequently and/or spending more money on hairdressing and products. Groups also said that, given the large Black and Minority

Ethnic population in the capital, these additional needs perhaps needed to be better represented in the MIS London budgets.

However, groups also recognised that hairdressing was a highly variable need and that MIS represents the minimum that nobody should fall below, so cannot reflect all of these variations; some people outside London also have needs that are not accounted for in the UK MIS budgets. The final consensus was that the frequency of haircuts does not need adjusting when calculating minimum costs in London compared to elsewhere, but for many, hair care will be more expensive in London unless they are able to access concessions, and costs will be higher still for some households due to particular needs relating to hair type.

Social and Cultural Participation

This element of the budgets includes various aspects of social and cultural participation, including:

- Home entertainment, for example: television, radio, computer and broadband;
- Incidental expenditure such as stationery, newspapers, donations to charity and printing documents and photographs;
- Birthday and Christmas presents (or gifts for an equivalent celebration);
- Leisure activities (including eating out although these costs are attributed to 'food' budgets);
- Holidays.

As with other budget areas, such as household goods, groups in London generally agreed that what people need for home entertainment (e.g. a television, a laptop with access to the internet, stationery) is not any different because they live in London. Similarly, they did not feel that the budgets for gifts or birthday celebrations needed to be any different for London households.

Adults' 'leisure' budgets included here are based on a weekly sum agreed by groups. This is rooted in discussions about the kinds of things that adults need to be able to do, such as going to the gym or the cinema, but allows for flexibility and choice in how people access opportunities for social and cultural participation. London groups were presented with weekly totals agreed by UK MIS groups for leisure activities, and examples of how this budget might be used rather than prescribed lists of activities. Working-age adults and pensioners agreed that these budgets would be sufficient to meet a minimum standard of social participation for people living in Outer London, and would cover similar activities as they do in towns and cities elsewhere in the UK.

In Inner London, both working-age adults and pensioners increased the weekly budgets for activities, saying that the cost of items such as cinema tickets and exercise classes was higher in the capital, so more would be needed in order to have a similar level of choice. Inner London budgets for activities for both working-age adults and pensioners were consequently increased from £20 to £30 per person per week.

London groups agreed with UK MIS participants that people should be able to eat outside the home – whether this is going out for a meal with friends, family or colleagues, or being able to afford an occasional takeaway to have a break from cooking. Both Inner and Outer London groups amended the budget for food eaten outside the home, partly on the basis that eating out costs more in London than elsewhere, and partly because the way that groups described how people socialise in Inner London differed from elsewhere in the UK.

Woman 1: *It is very sociable.*
Researcher: So, that might be why you need to get out more?
Woman 2: I think people are very sociable in the capital, I'm not suggestion people aren't sociable outside of the capital, but I think we're exceptionally.
Woman 3: There is lots of places to go.
Woman 1: I would say both, I would like to think they want to go out as well and you know…It costs more.
Woman 4: Sometimes you're forced to because let's say you're out with friends and then going all the way home to eat in your kitchen, getting on the tube and everything else is more erm… what would you call it? Proximity to loads of different places. And the hassle of going all the way back to make your meal you know is[n't practical]…

Working-age adults, Inner London

Man: Social exclusion is bad for your mental health and general wellbeing. You need to be able to socialise and that does facilitate, because an average meal like Nando's is probably what £15, a takeaway you're going to spend about £10 and you might spend a bit more elsewhere, but it's as important as work… So I think it's a fundamental.

Working-age sharers, Inner and Outer London

Within Inner London, working-age adults noted that socialising was more likely to be done centrally, meeting up with friends who might live or work in different parts of the capital. In this context eating out could mean a meal out at a restaurant, but might be just as likely to constitute getting something on the go between work and another activity, such as going to the cinema, and this was likely to take place on a weekly basis. Inner London working-age groups therefore increased the budget from £15 per person per fortnight to £20 per person per week to cover a choice of either a takeaway or an inexpensive meal out. This was based on the understanding that some weeks might cost more and other weeks it might be cheaper fast food bought on the go.

In Outer London, working-age groups said that going out for a meal was more likely to be the main activity in an evening, where they might meet up with friends in Inner London, or travel home to socialise with friends locally. These groups said that the frequency of eating out and takeaways did not need to change (doing each of these once a month), and the amount included in UK MIS for takeaway would be sufficient (£15 per head), but that the budget for eating out would need to be higher (£25 rather than £15).

Woman 1: *Eating out, I don't think £15 to eat out is enough. Say you want to eat out and you fancy a steak, for steak alone it's £12 upwards and that's just one night out.*
Woman 2: *You use your vouchers.*
Woman 3: *JD Wetherspoons and a lot of their meals are £11 upwards.*
Woman 1: *This is per person but as a set meal you could get that. Two of you, you couldn't get that in a set meal per person.*
Woman 2: *On a weekend or if they've done a deal that day it depends what time.*
Researcher: *What would you think it would need to be per person?*
[…]
Woman 1: *£25 would get you a wider range of choice.*
Researcher: *Or it might get you two courses?*
Woman 1: *A steak.*
Researcher: *So it might get you a main and two drinks or it might get you a starter and a main and a drink?*
Woman 1: *Yes.*
Researcher: *Is that OK?*
Woman 3: *Yes.*
Man: *£25 sounds good.*

Working-age adults, Outer London

Pensioner groups followed a similar pattern to working-age groups. Older people in Inner London said that both single and partnered pensioners should be able to eat out once a fortnight and get a takeaway once a week. This represents an increase in frequency for eating out for couples (compared to once a month in UK MIS), but not single pensioners, who already had a fortnightly budget for this in UK MIS. The amounts they assigned were £20 per person for eating out (greater than the £15 in UK MIS) and £10 per person for takeaway (the same as UK MIS).

Pensioner groups in Outer London increased the amount required for a meal out to £25 a head (the same as that identified by the corresponding working-age groups), and said that the £10 for takeaways for singles was sufficient but that this should be per person (i.e. £20 for couples) rather than the £15 included in UK MIS. Similarly to the working-age groups in Outer London, pensioners did not think the frequency needed to change so single pensioners would eat out fortnightly and couples would eat out once a month, and both singles and couples would buy or order takeaway food once a month.

All of the London groups held in 2017/18 agreed that households' need for a holiday did not change because they lived in the capital. The holiday provision for working-age adults without children allows for a one week, off-peak self-catering holiday in a rented cottage, sharing with a friend or partner. For pensioners, the provision is the same as in the UK MIS budgets: a one week coach tour package, plus a long weekend city break staying in Bed and Breakfast accommodation, both during off-peak periods. These holidays have all been costed as starting from London and return rail fares to suitable destinations priced in addition to the rail fare budget described above for visiting friends and relatives.

4 The additional costs of living in London

This chapter sets out the minimum budgets required by selected households in Inner and Outer London, comparing these to the budgets for the same households in UK MIS, as well as looking at how budgets have changed since the first MIS London research was undertaken in 2014/2015. The budgets for working-age adults without children and pensioners presented here are those that have been reviewed and revised in the latest research (set out in Chapters 2 and 3). The minimum budgets for households with children were reviewed and amended in the previous research, and the results presented and discussed here have been updated based on differences in prices, as estimated by the Consumer Prices Index (CPI). The exceptions to this for households with children are housing, transport and childcare costs where the updated minimum budgets reflects changes in London costs. As this chapter shows, it is the additional costs of housing in the private rented sector for working-age adults without children and nursery-based childcare for families with children – and the rate at which these costs are increasing – that is responsible for an increasing gap, in most cases, between the income needed for a minimum standard of living in London and in urban areas of the UK outside London.

The chapter also looks at the composition of additional costs for households in Inner and Outer London and at the implications of the additional costs of a minimum standard of living in London for income requirements in the capital. The discussion focuses predominantly on the four core household types focused on in the UK MIS (see Davis et al., 2018); distinguishing between these different household types means that a range of different lived experience across demographic groups in London can be reflected. In exploring the consequences of the additional cost of living in London for income requirements within the capital, this chapter looks at some living situations not addressed in UK MIS – most significantly in a London context, single working-age adults living in shared accommodation and households with children unable to access social housing. A fuller range of results for Inner and Outer London are available online at the Minimum Income Calculator (CRSP, 2018): the calculator allows items such as housing costs and childcare to be adjusted to reflect individual circumstances, which is of particular importance given the substantial variation in these costs within London.

Overall differences in minimum household budgets

Previous MIS London research (Padley 2017; Padley et al., 2015 & 2017a) has shown that the budgets needed by many Inner and Outer London households to reach a minimum socially acceptable standard of living are greater than those required in other urban locations within the UK, although there is substantial variation in the extent of these additional costs. The minimum budgets for households in London in 2018 confirm this finding.

Differences in 'headline' minimum household budgets

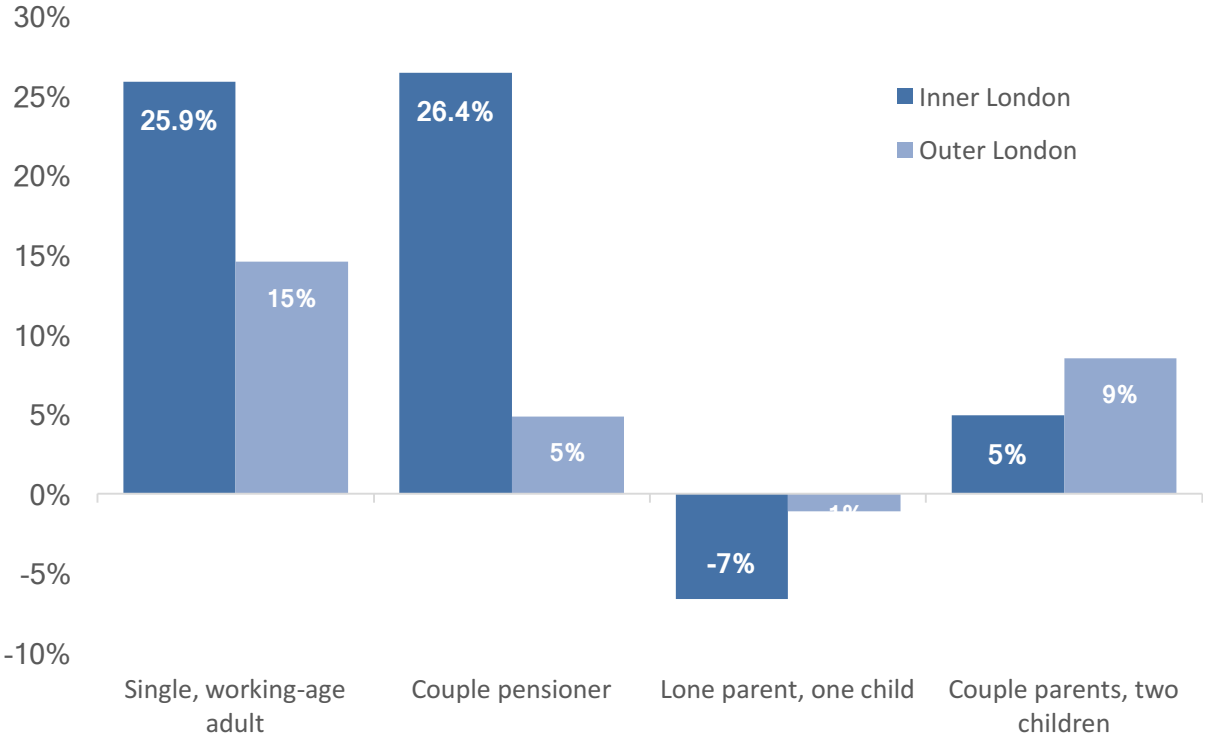
Table 3 shows what has happened to the total 'headline' budgets (excluding rent and childcare) in UK MIS, Inner and Outer London in 2016 and 2018. As noted in Chapter 3, minimum budgets for working-age adults without children and pensioners were 'rebased' in 2018, which accounts for some of the increase in budgets for these households in UK MIS, Inner and Outer London; increases in prices have also played a role in increasing these budgets between 2016 and 2018 (Davis et al., 2018, p41). The most significant change in budgets over this period has been in the headline budget for single working-age adults in Inner London, a substantially greater change than in UK MIS or in Outer London. For pensioners, there has been little difference in the percentage change in budgets across UK MIS, Inner and Outer London, while households with children have seen the smallest change in their headline budgets.

Table 3: Changes in weekly UK and London 'headline' budgets (excluding rent and childcare)

Household type	Weekly 'headline' budgets								
	UK MIS			Inner London			Outer London		
	2016	2018	% change	2016	2018	% change	2016	2018	% change
Single, working-age adult	£198.85	£213.59	7%	£222.69	£268.86	21%	£236.54	£244.69	3%
Couple, pensioner	£267.39	£301.92	13%	£328.32	£381.66	16%	£282.77	£316.55	12%
Lone parent, one child (aged 0-1)	£297.02	£311.56	5%	£285.62	£291.03	2%	£296.35	£308.12	4%
Couple parents, two children (one aged 2-4; one primary age)	£455.90	£479.59	5%	£485.09	£503.15	4%	£504.95	£520.46	3%

Figure 2 and Table 4 set out the differences in weekly budgets in the UK MIS and Inner and Outer London needed for a minimum living standard, excluding the cost of rent and childcare. These figures show that single working-age adults and pensioners in Inner London have the greatest additional weekly costs, with both needing just over a quarter (26%) more than in UK MIS. In contrast to previous MIS London research, where pensioners in Inner London had the most substantial additional weekly costs, in 2018 working-age adults and pensioners need proportionately the same additional amount when compared to their counterparts in urban areas elsewhere in the UK. In 2017, before the cost of rent and childcare is taken into account, single working-age adults in Inner London needed 10% more for a minimum standard of living; in 2018 they need 26% more.

Figure 2: Additional weekly budgets compared to urban UK households (April 2018 prices, excluding rent and childcare)



While Figure 2 and Table 4 look only at four core households, the patterns revealed here are echoed across the wider range of household types for whom MIS budgets can be calculated. In Inner London, excluding rent and childcare, the additional costs of a reaching a minimum standard of living are greatest for those households without children, both working-age and pensioners; in Outer London, the additional costs are greatest for working age adults and households with children – more specifically, couple parent households. Higher costs associated with social participation – including eating out – specified by both working-age and pensioner households in Inner London account for the substantial difference between Inner London and UK MIS, and for the substantial increase in Inner London costs for working-age adults since 2016. The significantly greater cost of travel for adults of working-age in both Inner and Outer London also contributes to this differences. For couple parents living in Outer London, higher travel costs account for the majority of the difference with UK MIS budgets – around 90% for a couple with pre-school and primary school aged children. For lone parents living in Inner London, the cost of reaching a minimum is lower than in the rest of the UK; this is because the weekly cost of a travelcard, covering Zones 1 to 4, is lower than the cost of owning and running a car in urban UK outside of London.

Table 4: Comparison of weekly MIS budgets for urban UK households and London households (April 2018 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 adult	£213.59	£268.86 (26%)	£244.69 (15%)
Couple, pensioner	£301.92	£381.66 (26%)	£316.55 (5%)
Lone parent, one child (aged 0-1)	£311.56	£291.03 (-7%)	£308.12 (-1%)
Couple parents, two children (one aged 2-4; one primary age)	£479.59	£503.15 (5%)	£520.46 (9%)

Composition of additional costs

Tables 5a and 5b provide more detail of where, other than for childcare and rent, the differences in the cost of minimum budget between London and other urban areas of the UK originate. For single working-age adults in both Inner and Outer London, the high cost of public transport in the capital, compared to elsewhere in the UK, accounts for a significant proportion of the additional cost of a minimum budget: in Outer London, the higher transport cost alone is about the same as the overall budget difference. In Inner London, an increased budget for eating out and for social and cultural participation combine with the high cost of transport to account for the difference in a minimum budget for single working-age adults compared to elsewhere in the UK. The higher cost of eating out and social and cultural participation specified by pensioners in Inner London accounts for around 60% of the additional cost. For families with children, the budget outside London involves owning and running a second hand car, whereas in London transport needs are met with public transport and occasional taxis. This results in a saving for lone parents, but for couple parents, who need two monthly Oyster cards in both Inner and Outer London, the cost of transport is greater in the capital.

Table 5a: 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	55.27	19.31	11.33	6.07	-0.13	20.00	-1.31
Couple, pensioner	79.74	8.84	26.99	12.71	4.2	20.07	6.94
Lone parent, one child (aged 0-1)	-20.53	-15.64	-1.11	0.62	-0.4	-0.23	-3.77
Couple parents, two children (one aged 2-4; one primary age)	23.56	15.95	-0.46	1.71	3.96	5.20	-2.8

Table 5b: Components of additional costs for Outer 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	31.10	30.83	1.39	0.86	-0.13	0.00	-1.86
Couple, pensioner	14.63	0.00	5.74	3.10	4.20	0.00	1.59
Lone parent, one child (aged 0-1)	-3.44	-0.04	-0.46	0.62	-0.40	0.00	-3.16
Couple parents, two children (one aged 2-4; one primary age)	40.87	36.19	-0.46	-0.33	3.96	5.20	-3.69

Differences in 'total' minimum household budgets

Including housing and childcare in the budgets needed to reach a minimum socially acceptable standard of living has a dramatic effect on the differences between UK MIS and Inner and Outer London. Housing and childcare remain the primary source of difference between urban UK outside London and the capital (Figures 3a and 3b and Table 6). Single working-age adults living on their own face by far the greatest additional costs and the 'gap' between what is needed for a minimum standard of living in Inner London and in other urban UK areas outside the capital continues to grow. In 2014, single working-age adults living alone in Inner London needed just under 50% more than the same households in urban UK outside London; by 2016, this had increased to 56% more and in 2018, these individuals need 60% more for a minimum acceptable standard of living. In Outer London in 2018, single-working age adults living alone need 36% more

for an acceptable standard of living compared to the same households in urban UK outside London.

Figure 3a: Additional weekly budgets in Inner London compared to urban UK households (including rent and childcare)

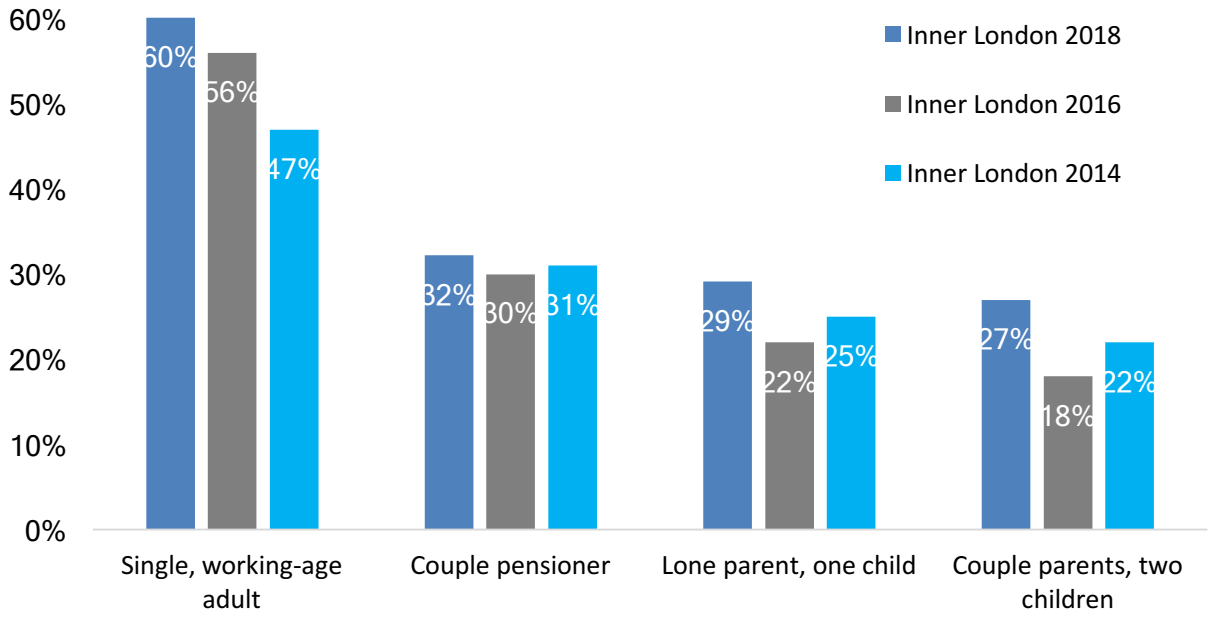
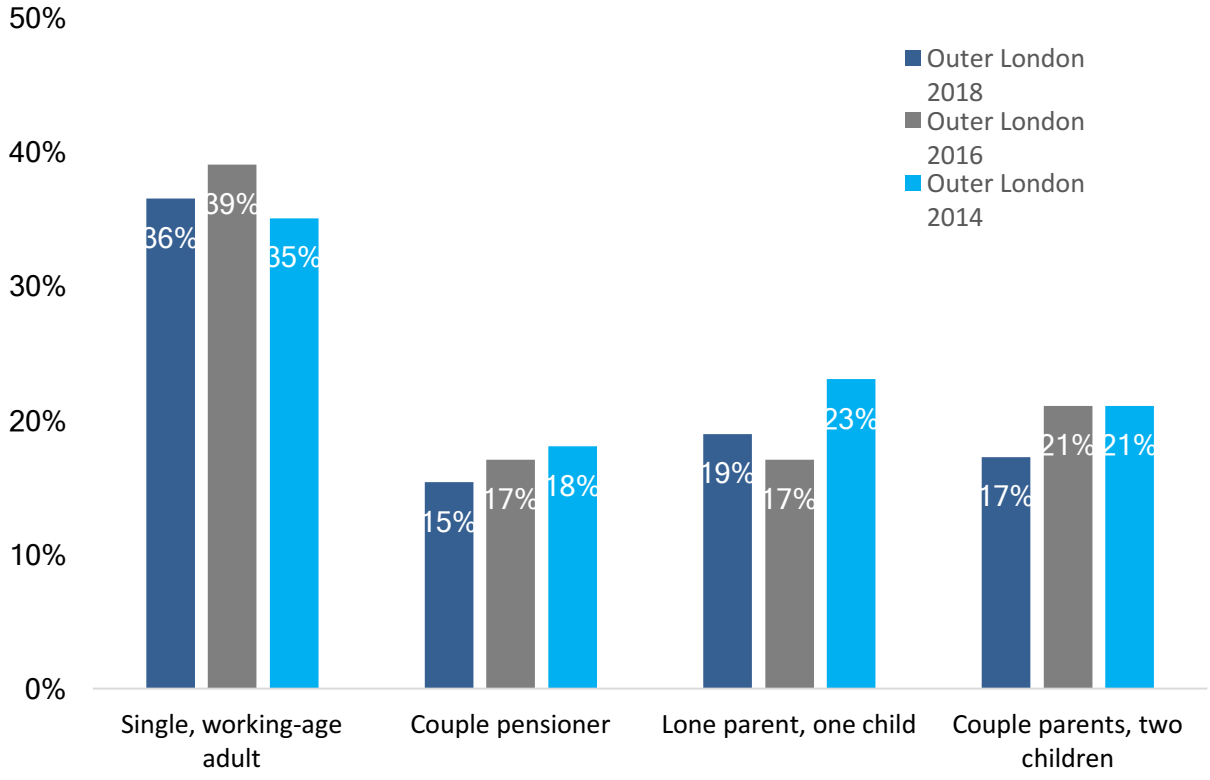


Figure 3b: Additional weekly budgets in Outer London compared to urban UK households (including rent and childcare)



Much of this increase in additional costs for working-age adults without children can be explained through the significant differences in the cost of renting privately in London. In 2018, a lower quartile rent for a studio flat was £219.04 a week in Inner London and £171.14 in Outer London, compared to £91.12 for a single person renting outside London. This means that single working-age adults living alone are having to cover a rent in Inner London that is nearly 2.5 times that in urban areas of the UK outside London, while in Outer London rents are nearly double those facing a single person renting outside London. In Inner London, rent accounts for 45% of the total household budget needed for an acceptable standard of living; in Outer London rent takes up 41% of the budget, while in urban UK outside London, rent takes up 30%. Table 7 shows clearly that, since MIS London research began in 2014, rents in both Inner and Outer London have risen at a far higher rate compared to the rest of the UK.

Table 6: Comparison of weekly MIS budgets for urban UK households and London households, including rent and childcare: £ April 2018 prices; % difference 2018, 2016 and 2014 for comparison

Household type	Weekly budget outside London (UK MIS)	London weekly budget (£ and % difference)							
		Inner London				Outer London			
		£	% 2018	% 2016	% 2014	£	% 2018	% 2016	% 2014
Single, working-age	£304.71	£487.90	60%	56%	47%	£415.83	36%	39%	35%
Couple, pensioner	£386.04	£510.33	32%	30%	31%	£445.22	15%	17%	18%
Lone parent, one child (aged 0-1)	£628.47	£811.59	29%	22%	25%	£747.39	19%	17%	23%
Couple parents, two children (one aged 2-4; one	£772.61	£981.14	27%	18%	22%	£905.71	17%	21%	21%

Some other features of Figure 3 can be also be explained in relation to specific trends in the cost of housing and childcare. The slight decline in the gap between pensioner costs in Outer London and elsewhere in the UK is influenced by the fact that pensioners are assumed to be in social housing, and social rents have been slowly falling, and are higher in London. A rapid rise in childcare costs in Inner London (discussed further in relation to working incomes below) has increased the gap for families with children in Inner London compared to the UK. On the other hand, housing costs in London for families with children are based on social rents, with social housing still seen as meeting housing needs as a minimum, and as for pensioners, falling social rents slightly narrows the gap with the UK for London families' rents.

Table 7: Increases in rents 2014 to 2018 (£ per week, based on lower quartile private rents)

Household type	2014	2015	2016	2017	2018	Percentage increase 2014 to 2018
Single working-age adults (living alone)						
UK MIS	£84.06	£86.13	£87.68	£89.70	£91.12	8.4%
Inner London	£190.77	£205.25	£224.53	£223.13	£219.04	14.8%
Outer London	£143.38	£147.29	£162.79	£168.08	£171.14	19.4%
Couple working-age adults						
UK MIS	£92.78	£94.28	£96.63	£98.86	£101.83	9.8%
Inner London	£257.70	£280.31	£295.23	£301.81	£295.53	14.7%
Outer London	£182.28	£193.94	£208.20	£215.52	£217.39	19.3%

In reality, however, there are many families with children who are unable to access to social housing and therefore will be faced with the significant additional cost that comes from renting in the private sector. Using the current basis for housing costs in MIS London for working-age adults without children – lower quartile rents in the PRS – a family with one child in Inner London would need around 60% more than the equivalent family living in private rented accommodation in the UK outside London. In Outer London a family with one child would need around 35% more than a similar family living in an urban area outside London. Living in the PRS rather than in social housing would not only substantially increase the weekly budget families need for a minimum standard of living in both Inner and Outer London, but also the earnings needed to provide this budget. While living in the PRS would undoubtedly exert additional financial pressure on families with children in the capital, the quality of housing in the private rented sector is also a continuing concern (Tinson *et al*., 2017, p62).

Income comparisons and earnings requirements

The Minimum Income Standard makes it possible to examine how the minimum budgets required by different households compare to income from benefits and working on the National Living Wage, as well as allowing comparisons with the official poverty line (60% of median equivalised income). Crucially, it is also possible to calculate how much working households would need to earn to have the disposable income required for an acceptable standard of living in the capital.

Table 8: Londoners' income compared to MIS: safety-net benefits 2014-2018

		Safety-net benefits as % of MIS budget		
Household type		2014	2016	2108
Single, working-age adult	UK outside London	40%	39%	33%
	Inner London	35%	25%	19%
	Outer London	33%	26%	23%
Couple, pensioner	UK outside London	95%	98%	90%
	Inner London	77%	79%	71%
	Outer London	89%	93%	87%
Lone parent, one child (aged 0-1)	UK outside London	57%	54%	62%
	Inner London	57%	56%	51%
	Outer London	56%	54%	52%
Couple parents, two children (one aged 2-4; one primary age)	UK outside London	57%	61%	58%
	Inner London	54%	57%	53%
	Outer London	52%	55%	48%

Table 8 sets out the extent to which current safety-net benefits are inadequate in meeting the minimum needs of Londoners. Working-age single adults in urban areas of the UK outside London, on out-of-work benefits, have a third of their minimum needs met. In Inner London, the same benefit provides for just under one fifth of the minimum income (net of rent and council tax) needed by working-age singles, while in Outer London safety-net benefits provide under a quarter of minimum needs. Although out of work households do receive help with the costs of housing through housing benefit, as noted in the previous report (Padley, 2017), there is a growing gap between rents and the amount of housing benefit received.

Housing benefit for those renting in the private rental sector is capped at the maximum local housing allowance (LHA) rate for each broad market area. LHA rates were initially set at the '30th percentile rent' (meaning that they covered the cheapest 30% of homes in a given area) uprated at first by CPI in 2013, 1% in 2014 and 2015, and then frozen for four years in April 2016. As a result of this freeze '90 per cent of LHA rates now have a gap with the 30th percentile rent' (CIH, 2018, p2), or to put this another way, LHA rates have become ever more out of step with local rent levels, with tenants expected to make up any shortfall in support from other safety-net benefits.

The calculations in Table 8 make the simplified assumption that before the link between LHA rates and actual rent levels, rents were at the maximum LHA rate available, so that since that time, rent increases have created a shortfall that has to be paid by individuals and subtracted from their disposable income. In urban areas in the UK outside of London, single working-age adults face a weekly shortfall of £4.56; in Inner London this shortfall between rent and housing benefit is substantially higher at £21.90 each week,

while in Outer London the weekly shortfall is £17.11. This helps explain why, as shown in Table 8, the net income of single working age Londoners on safety-net benefits has fallen so much further short of an adequate income level since the initial MIS London research in 2014/15.

While pensioner couples, in receipt of pension credit, have 90% of a minimum budget covered in the UK outside London, with a similar proportion covered in Outer London, in Inner London pensioners fall 29% short of meeting these minimum needs. This is chiefly because of the additional costs of eating out and social and cultural participation included by pensioners living in Inner London.

Households with children in both Inner and Outer London have seen a reduction in the adequacy of safety-net benefits compared to MIS between 2014 and 2018. High transport costs for couple parents, in Outer London in particular, mean that safety-net benefits provide less than half of MIS for these households in 2018. The most significant difference in cost facing households with children in and outside of London – the cost of childcare – is not a factor in explaining the adequacy of benefits as out of work parents are assumed to have no childcare costs.

Table 9 compares the income needed for a minimum socially acceptable standard of living to median UK household income, and shows the proportion of median income represented by MIS budgets. This allows for a comparison with the poverty line of 60% of median household income. Table 9 makes use of the most recent available data, for 2016/17, from the Households Below Average Income (HBAI) Series (Department for Work and Pensions, 2018), comparing this to an average of minimum budgets in London, and in urban UK, for 2016 and 2017. This shows that in London, all minimum households budgets are above the poverty line, with those for working-age adults with and without children substantially above this level.

Table 9: MIS compared to median income (2016/17)

MIS as % of median income, after housing costs (poverty line is 60%)			
Household type	UK outside London	Inner London	Outer London
Single, working-age adult	74%	83%	94%
Couple, pensioner	57%	71%	64%
Lone parent, one child (aged 0-1)	83%	80%	88%
Couple parents, two children (one aged 2-4; one primary age)	73%	77%	85%

Previous MIS London reports have shown that few households are able to reach the income needed for a minimum standard of living, working full time on the National Living Wage (NLW) in the capital. Table 10 shows that this remains the case in London in 2018 and that each of the household types explored here are further from meeting minimum needs through full-time work on the NLW than in 2016. This pattern runs counter to that seen in the UK outside of London, where in general households have seen increases in their income on the NLW relative to MIS.

Table 10 shows that single adults working full-time on the National Living wage and living on their own in both Inner and Outer London have less than half of what they need for a minimum standard of living. In the UK outside of London incomes relative to MIS have continued to rise: in 2014 single working-age adults outside London had a shortfall of around 30%; by 2018 this shortfall has fallen to 20%, as single adults have gained from significant increases in the NLW. In London, the reverse has happened, with single adults seeing an increase in the shortfall: in 2014 working full-time on the NLW provided around 60% of a minimum budget in Inner London, but by 2018 sharp increases in rent as well as increases in the cost of a minimum budget mean that full-time work on the NLW covers just 49% of a minimum budget.

Table 10: Londoner's income compared to MIS: National Living Wage (2018)

Disposable income working full time on National Living Wage, as % of MIS budget*			
Household type	UK outside London (*2016 in italics*)	Inner London (*2016 in italics*)	Outer London (*2016 in italics*)
Single working-age	80% (*77%*)	49% (*55%*)	46% (*54%*)
Lone parent one child, pre-school, supported by tax credits**	87% (*82%*)	50% (64%)	65% (72%)
Lone parent one child supported by Universal Credit	90% (*82%*)	56% (67%)	71% (74%)
Couple two children, primary and preschool age, supported by tax credits	89% (*88%*)	61% (*76%*)	69% (*73%*)
Couple two children supported by Universal Credit	96% (*96%*)	70% (*88%*)	76% (*84%*)

* After rent, council tax and childcare costs

** The lone parent example used here is of a child of pre-school age (aged 3 or 4) rather than the example used elsewhere in this report of a child aged 0-1. The latter has become an outlier when looking at the adequacy of the National Living Wage relative to MIS, because of the high cost of childcare and lack of 'free' provision for children aged 0-1.

Working full-time on the NLW, households with children also fall well short of MIS, and the gap between income and what is needed for a minimum budget has grown over time. The significant reduction in the proportion of MIS covered by working full-time on the NLW shown in Table 10 can be explained by the significant increase in the cost of

childcare between 2016 and 2018 (Harding and Cottell, 2018). In Inner London, between 2016 and 2018 the cost of childcare for children under school age increased by around a quarter, well ahead of inflation over this period. The increase in cost of nursery childcare in Outer London has not been as substantial, although the cost of childcare for children under 2 increased by around 15% between 2016 and 2018. After-school care for primary school aged children in Inner London has seen the greatest increase over this time, nearly doubling in cost to around £120 a week on average. These substantial increases in childcare costs mean that gains in earnings through an increase in the NLW do not translate into improvements in the ability of households with children to meet their minimum needs.

This chapter has shown that households in London on out-of-work benefits and the NLW continue to fall further short of reaching MIS than the same sorts of households living in urban areas of the UK outside the capital. High housing costs, high and rising childcare costs, as well as additional costs associated with living at a minimum acceptable standard in London, combine to mean that the wages needed by households in the capital to cover a minimum budget are considerably above those needed for an equivalent living standard elsewhere in the UK. It is also clear that as minimum budgets have increased over time, so too have the earnings needed to afford these.

A couple with two children – one pre-school and one primary age – both working full-time and paying for full-time childcare, need to earn £19,996 each outside London (under the tax credit system), £31,300 in Inner London and £28,400 in Outer London. If this household were unable to access social housing and instead were renting in the PRS – a three bedroom property, with an average lower quartile rent – each adult would need to earn £42,000 in Inner London and £35,610 in Outer London. A lone parent with a toddler, requiring full-time childcare would need to earn £41,378 outside London; within both Inner and Outer London, a lone parent would need to earn more than £51,000 a year, significantly above what most workers in low-paid jobs could hope to earn. This again highlights the challenges facing households with children in meeting their minimum needs through full-time work in the capital. For a lone parent with a pre-school child, also needing full-time childcare but benefiting from 'free hours' of nursery provision for 3 and 4 year olds would need to earn £28,474 outside London, £42,600 in Inner London and £38,100 in Outer London.

A single working-age adult living on their own in urban areas of the UK outside London needs to earn £18,390 a year to have a minimum acceptable standard of living. In Outer London, this increases to £26,900 and in Inner London to £32,400. These calculations are based on a working-age adult living on their own in a studio flat, but a substantial proportion of single working-age adults in London live in shared accommodation. Because there are some savings overall that come from sharing – as well as additional costs in some specific budget areas - someone renting a room in a shared flat would need to earn around £21,500 a year in Outer London and £23,800 a year in Inner London to reach MIS.

Table 11: Earnings needed to reach MIS

Household type		UK outside London	Inner London earnings needed	Outer London earnings needed
Single, working-age	2018	£18,400	£32,400	£26,900
	2016	£17,300	£29,600	£25,700
	2014	£17,100	£27,100	£24,500
Couple, two children, primary and preschool age (each parent)	2018	£20,000	£31,300	£28,400
	2016	£18,900	£28,400	£29,900
	2014	£20,400	£28,800	£28,500

5 Households below the Minimum Income Standard in London

The Minimum Income Standard for London provides the basis for analysis of the proportion of individuals living in the capital whose incomes mean that they are not able to reach the publicly determined and described minimum standard of living set out in this report. Adopting the same approach used to calculate the number of people living below MIS for the whole of the UK (Padley et al., 2017b; Stone et al., 2018), it is possible to estimate the proportion of individuals in London in households with incomes below MIS and to look at how this has changed over time. The data presented here give single-year 'snapshots' of the adequacy of incomes within the capital, relative to MIS, for three key demographic groups: children, working-age adults and pensioners. What is presented here uses MIS London budgets for 2010/11[1] and 2016/17, and compare these to income data for London, from the latest Family Resources Survey, for corresponding years.

Table 12 shows that in 2016/17, 41% of all individuals living in London were below MIS, substantially greater than the 29% of individuals below MIS in the UK as a whole, and an increase from 38% in 2010/11. The total number of individuals living in households with incomes below MIS in London increased from around 3.1 million in 2010/11 to 3.6 million in 2016/17. This means that there are around half a million more people living without the income needed for a minimum socially acceptable standard of living in London now compared to 2010/11.

The likelihood of having an income that falls below that needed to reach MIS varies across demographic groups. Children are the most likely to be living in households with incomes below the MIS threshold, with over half of children living in London growing up in households with inadequate incomes. While over the six year period shown in Table 12, the proportion of children below MIS has not changed, it remains above the 43% of children below MIS in the UK as a whole, and means that in 2016/17 there were around 1 million children living below this level. The likelihood of children growing up in a household below MIS also varies according to household composition. Children living in lone parent households are far more likely to be below MIS than those living in couple parent households: 67% of children living with a lone parent were below MIS in 2016/17 compared to 46% of children living with couple parents. However, of the million children living below MIS in the capital, the majority, around 70%, live in couple parent households.

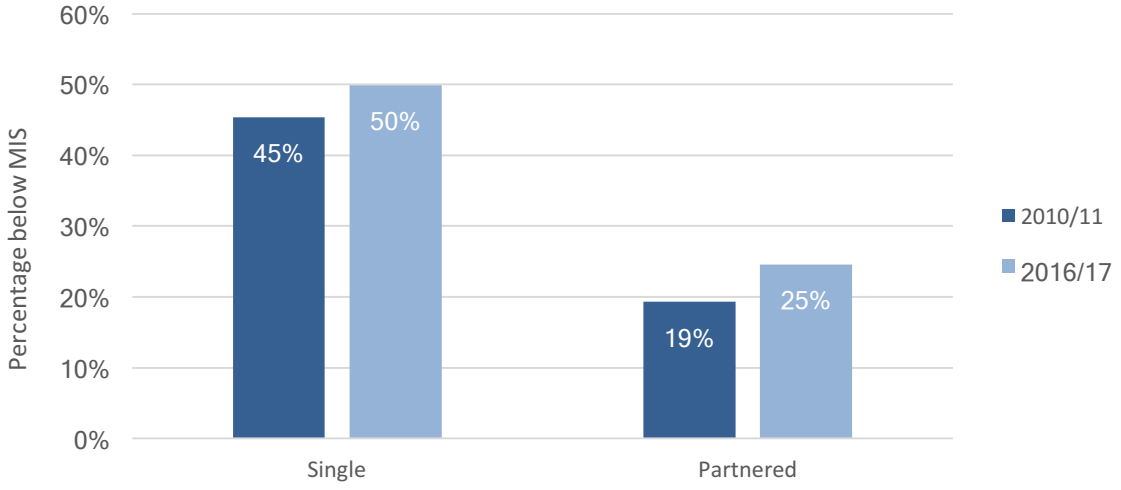
[1] The analysis of households below MIS in London uses an average of Inner and Outer London MIS budgets in order to produce estimates for London as a whole. MIS London budgets for 2010/11 have been estimated by 'deflating' the 2014 budgets, produced in the initial MIS London research.

Table 12: Proportion of individuals below MIS in 2010/11 and 2016/17, by demographic group

Demographic group	Proportion below MIS		Number below MIS (millions)	
	2010/11	2016/17	2010/11	2016/17
Working-age adults	38%	40%	2.0	2.2
Pensioners	24%	32%	0.2	0.4
Children	51%	51%	0.9	1.0
London total	**39%**	**41%**	**3.1**	**3.6**

Working-age adults are more likely to be living in a household with an income below MIS than working-age adults in the UK as whole, and the likelihood of having inadequate income has increased slightly (by 2 percentage points) between 2010/11 and 2016/17. In the UK as a whole, 29% of working-age adults are below MIS in 2016/17, while in London 40% are living below this level. This means that just over 2 million working-age adults living in the capital do not have the income they need for a minimum socially acceptable standard of living. Figure 4 shows that there are substantial differences between the likelihood of having an income below MIS for working-age singles and couples. Half of all single working-age adults, living on their own in London, have an income below that needed for an acceptable standard of living, compared to a quarter of working-age adults living with a partner. These proportions are well above those for the UK as a whole, where 34% of single working-age adults and 16% of partnered working-age adults are below MIS. The substantial additional cost of housing in London is undoubtedly a key factor in accounting for the differences between singles and couples, and between London and the UK as a whole, reinforcing the importance of housing costs in constraining living standards in the capital.

Figure 4: Proportion of single and partnered working-age adults below MIS in 2010/11 and 2016/17



Pensioners in London have a lower likelihood of having incomes below MIS compared to working-age adults and children, but while the likelihood of inadequate income has been relatively stable for these two groups over the six years between 2010/11 and 2016/17, the likelihood of pensioners being below MIS has increased by around a third. In 2016/17, nearly a third of pensioners living in London had inadequate incomes, compared to just under a quarter in 2010/11. Further, in 2016/17 the proportion of pensioners below MIS in London (32%) is double that in the UK as a whole (16%). As outlined earlier in this report, different expectations about what is needed for a minimum standard of living in the capital amongst pensioners, resulting in substantially higher minimum budgets, particularly in Inner London, goes some way to explaining both the increase in the proportion of pensioners below MIS *and* the difference between London and the UK as a whole. It is also the case that while pensioners have benefited from increases in pensions and pension credit being linked to the higher of either earnings or price increases, pensioner incomes have not necessarily kept up with the cost of a minimum budget over time.

As for working-age adults, there is a difference between the likelihood of being below MIS according to household composition. Figure 5 shows that single pensioners living in London are twice as likely to have inadequate incomes as partnered pensioners, and that the likelihood of being below MIS for single pensioners has increased dramatically over the six year period shown here, increasing by more than half in this time. Single pensioners in London are also far more likely to have an income below MIS than those in the UK as a whole: 44% of single pensioners were below MIS in 2016/17 in London, compared to 27% in the UK as a whole.

Figure 5: Proportion of single and partnered pensioners below MIS in 2010/11 and 2016/17

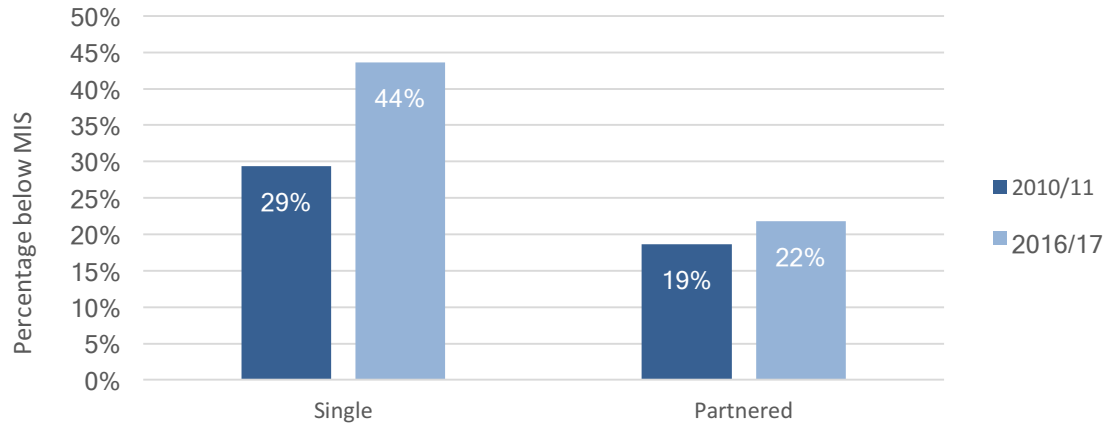
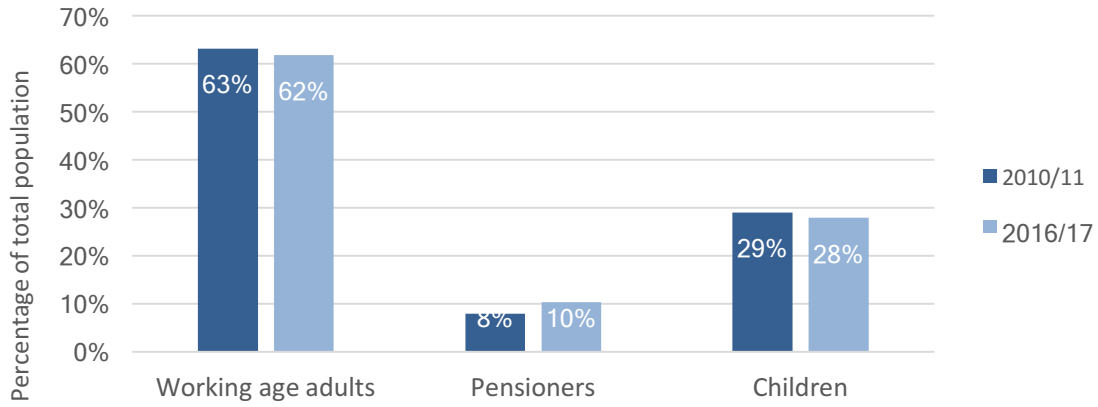


Figure 6 shows that while there have been changes in the likelihood of being below MIS across demographic groups within the capital, the composition of individuals with incomes below MIS has changed very little between 2010/11 and 2016/17. Working-age adults account for around 60% of all individuals below MIS, while pensioners now make up 10% of those below MIS.

Figure 6: Composition of individuals below MIS 2010/11 and 2016/17



As well as looking at the differences between these three key demographic groups in the capital, it is also possible to look at how the likelihood of being below MIS differs according to housing tenure. Table 13 shows that those living in the social rented sector are the most likely to have an income below that needed for a minimum socially acceptable standard of living, and that this has not changed between 2010/11 and 2016/17. The likelihood of having inadequate income in the PRS has decreased slightly in this six year period, although still more than half of those living in private rented accommodation had an income below MIS in 2016/17. Those living in rented housing, in either the social or private sectors account for around three quarters of all of those below MIS in 2016/17. This means that of the 3.6 million people living below MIS in London in 2016/17, 2.7 were living in rented housing – 1.3 million renting privately and 1.4 in social housing.

Table 13: 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		2016/17	
	Risk of being below MIS	Composition	Risk of being below MIS	Composition
Social rented sector	72%	35%	72%	38%
Private rented sector	57%	38%	51%	36%
Owned outright	20%	11%	24%	11%
Owned with mortgage	20%	17%	21%	15%

6 Conclusion

As we approach the end of 2018, the UK finds itself in an almost unprecedented period of political uncertainty and instability resulting from Brexit. From the governing principles of any 'final deal' to the details of what life might look like post-Brexit – if indeed Brexit ever happens – leaving the EU has come to dominate the domestic political and media agendas, often at the expense of discussions about the ongoing consequences of welfare 'reform' and the continuing challenges to living standards faced by many within the UK. Although the consequences of Brexit for living standards – of Londoners and of those in the rest of the UK – are as yet unknown, what is clear is that projections about what the UK might look like post-Brexit suggest at the very least a period of 'adjustment' and at worst an economic slow-down affecting in particular those already hit by a decade of poor wage growth and a rising cost of living.

Despite recent claims about the end of austerity, the reality is that many living on low incomes continue to face the effects of welfare cuts, the benefit cap, and the freezes in the Local Housing Allowance and support for childcare within the tax credit system. In London, the impact of these cuts can be felt particularly acutely, as support for housing and childcare covers a smaller proportion of these costs in the capital compared to elsewhere in the UK. And while household incomes are being pressurised in these ways, costs in the key areas of housing – in the private rented sector – and childcare continue to increase at a faster rate in London than elsewhere and well above increases in the National Living Wage and pay more generally.

Within this context, this latest research has shown, as in previous reports, that a minimum living standard in the capital costs substantially more in urban areas outside of London. Many costs in the capital are the same as those in the UK outside of London, but significant differences persist. Some of this additional cost of a minimum budget relates to different expectations and different ways of living in London, especially for working-age households without children and pensioners living in Inner London. However, much of the difference in minimum budgets is a product of the substantially higher cost of housing and childcare in London compared to other parts of the UK. A working-age couple, without children, paying a lower quartile rent in the private sector face housing costs in Inner London nearly three times as much per week compared to a similar couple in urban areas outside London; in Outer London, the housing costs facing a working-age couple are more than double those elsewhere in the UK. The cost of childcare for households with children in the capital, means that even where both adults in a couple are working full-time on the NLW, these families are falling well short of meeting their minimum needs, and further short than similar families in the UK outside London.

Ensuring that households in London are able to access genuinely affordable housing remains critically important; so too does reducing the cost of good quality childcare and increasing financial support to cover the cost of this through the benefit system. The alternative is that rising rents will continue to make it more and more likely that growing

numbers of households will be unable to meet their minimum needs. And while support for childcare costs is higher under Universal Credit, many households in London will still face a substantial shortfall, which will have to be met from elsewhere in a household budget.

Annex

Table A Minimum weekly household budgets in London and the UK

£ per week (2018 prices)	Single, working-age		
	UK MIS	Inner London	Outer London
Food	49.29	57.73	51.40
Alcohol	5.85	8.73	5.13
Tobacco	0.00	0.00	0.00
Clothing	8.41	8.41	8.41
Water rates	6.00	4.55	4.55
Council tax	16.51	16.41	16.41
Household insurances	1.62	1.56	1.28
Fuel	12.81	12.68	12.68
Other housing costs	1.44	1.44	1.44
Household goods	9.71	10.01	9.74
Household services	6.84	6.84	6.84
Childcare	0.00	0.00	0.00
Personal goods and services	16.21	22.28	17.07
Motoring	0.00	0.00	0.00
Other travel costs	37.08	56.39	67.90
Social and cultural participation	41.83	61.83	41.83
Rent	91.12	219.04	171.14
Total - excluding rent and childcare	**213.59**	**268.86**	**244.69**
Total - including rent and childcare	**304.71**	**487.90**	**415.83**

£ per week (2018 prices)	Couple, working-age		
	UK MIS	Inner London	Outer London
Food	81.59	87.64	86.67
Alcohol	11.72	18.77	10.19
Tobacco	0.00	0.00	0.00
Clothing	16.83	16.83	16.83
Water rates	6.00	5.62	5.62
Council tax	22.03	21.89	21.89
Household insurances	1.81	1.25	1.41
Fuel	15.88	17.09	17.09
Other housing costs	1.44	1.44	1.44
Household goods	11.76	12.65	11.85
Household services	9.28	9.28	9.28
Childcare	0.00	0.00	0.00
Personal goods and services	28.67	40.63	30.45
Motoring	0.00	0.00	0.00
Other travel costs	74.20	112.83	135.85
Social and cultural participation	70.15	110.15	70.15
Rent	101.83	295.53	217.39
Total - excluding rent and childcare	**351.37**	**456.04**	**418.72**
Total - including rent and childcare	**453.20**	**751.57**	**636.11**

£ per week (2018 prices)	Single, pensioner		
	UK MIS	Inner London	Outer London
Food	46.22	59.07	50.92
Alcohol	7.75	8.57	8.05
Tobacco	0.00	0.00	0.00
Clothing	7.50	7.50	7.50
Water rates	6.00	4.55	4.55
Council tax	16.51	16.42	16.41
Household insurances	1.53	1.25	1.25
Fuel	10.45	14.64	14.64
Other housing costs	2.91	6.74	6.36
Household goods	14.70	15.38	14.74
Household services	7.88	7.88	7.88
Childcare	0.00	0.00	0.00
Personal goods and services	16.44	21.95	17.99
Motoring	0.00	0.00	0.00
Other travel costs	13.20	20.12	13.20
Social and cultural participation	44.81	54.87	44.81
Rent	76.55	114.82	114.82
Total - excluding rent and childcare	**195.90**	**238.95**	**208.31**
Total - including rent and childcare	**272.45**	**353.77**	**323.13**

£ per week (2018 prices)	Couple, pensioner		
	UK MIS	Inner London	Outer London
Food	73.93	97.72	79.51
Alcohol	11.94	15.14	12.10
Tobacco	0.00	0.00	0.00
Clothing	14.73	14.73	14.73
Water rates	7.08	5.98	5.98
Council tax	22.03	25.01	25.01
Household insurances	1.60	1.25	1.25
Fuel	14.31	18.50	18.50
Other housing costs	2.91	6.74	2.91
Household goods	16.74	18.33	16.81
Household services	9.61	9.61	9.61
Childcare	0.00	0.00	0.00
Personal goods and services	34.43	47.13	37.52
Motoring	0.00	0.00	0.00
Other travel costs	16.41	25.24	16.41
Social and cultural participation	76.21	96.28	76.21
Rent	84.12	128.67	128.67
Total - excluding rent and childcare	**301.92**	**381.66**	**316.55**
Total - including rent and childcare	**386.04**	**510.33**	**445.22**

£ per week (2018 prices)	Lone parent, one child (aged 0-1)		
	UK MIS	Inner London	Outer London
Food	59.71	58.60	59.25
Alcohol	4.47	4.47	4.47
Tobacco	0.00	0.00	0.00
Clothing	22.21	21.24	22.21
Water rates	9.81	6.29	6.29
Council tax	19.28	18.31	18.31
Household insurances	1.84	2.76	2.31
Fuel	15.98	15.58	15.58
Other housing costs	1.92	1.92	1.92
Household goods	21.19	20.36	20.47
Household services	17.33	18.91	18.91
Childcare	232.79	391.89	310.60
Personal goods and services	26.53	27.16	27.15
Motoring	55.57	0.00	0.00
Other travel costs	4.15	44.08	59.68
Social and cultural participation	51.57	51.34	51.57
Rent	84.12	128.67	128.67
Total - excluding rent and childcare	**544.35**	**682.92**	**618.72**
Total - including rent and childcare	**628.47**	**811.59**	**747.39**

£ per week (2018 prices)	Couple parent, two children (one aged 2-4; one primary school age)		
	UK MIS	Inner London	Outer London
Food	105.71	105.25	105.25
Alcohol	9.35	9.35	9.35
Tobacco	0.00	0.00	0.00
Clothing	43.08	43.08	43.08
Water rates	10.31	6.99	6.99
Council tax	25.70	24.41	24.41
Household insurances	2.20	3.71	2.81
Fuel	19.18	23.14	23.14
Other housing costs	1.92	1.92	1.92
Household goods	26.06	24.95	24.95
Household services	13.00	14.41	14.41
Childcare	202.88	336.50	243.76
Personal goods and services	41.75	43.45	41.41
Motoring	59.94	0.00	0.00
Other travel costs	24.06	99.94	120.18
Social and cultural participation	97.35	102.55	102.55
Rent	90.14	141.50	141.50
Total - excluding rent and childcare	**682.47**	**839.64**	**764.22**
Total - including rent and childcare	**772.61**	**981.14**	**905.71**

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