

A Minimum Income Standard for London

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About Trust for London

Trust for London is the largest independent charitable foundation funding work which tackles poverty and inequality in the capital. It supports work providing greater insights into the root causes of London's social problems and how they can be overcome; activities which help people improve their lives; and work empowering Londoners to influence and change policy, practice and public attitudes.

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Minimum Income Standard for London

The full report and key findings are available at:
www.trustforlondon.org.uk/research/minimum-income-standard-for-london

The Minimum Income Calculator allows people to find out how much income they need, so that they can buy things that members of the public think that everyone in London should be able to afford. Available at:

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Executive summary

Key findings

This study explored with groups of Londoners what households in Inner and Outer London need for a minimum acceptable standard of living, and calculated the difference in minimum costs between London and the rest of the UK.

The research found that:

- While many costs are similar in London to other parts of the country, some key differences arise.
- Some differences are related to *prices*. In particular, housing, transport and childcare cost more.
- Some differences result from the different *infrastructure* of London, requiring particular housing and transport patterns.
- Londoners also have different *ways of living*, so spend their money in different patterns to those living elsewhere in order to reach an equivalent living standard. For example, they structure leisure time and activities differently, doing more things outside the home.
- The overall consequence of these differences is to make life significantly more expensive in London. Minimum costs are up to 25 per cent higher excluding housing and childcare, and around 20 to 50 per cent higher when these costs are included. These additional costs vary considerably by household type and are different in Inner and Outer London.
- Just over one third of Londoners in households covered by this study have insufficient income to afford a minimum budget. The equivalent in the UK is 27%. Families with children are the most likely to be living below a minimum income standard.

Method

The study used the same method as in the Minimum Income Standard for the United Kingdom research, building consensus among members of the public about what different types of household require for an acceptable standard of living. This involves bringing together groups of people from a range of social backgrounds to deliberate in detail over which items are needed in a household budget in order both to fulfil essential physical needs and to have the choices and opportunities that allow you to participate in society. In London, a total of 21 groups considered in what respects the things that Londoners need are the same or different from those identified by the research elsewhere in the UK. Separate groups looked at needs in Inner and in Outer London, and at pensioners and at working age households with and without children.

How London is different

In many areas of life, there are few or no differences between the things that people living in London and others in the UK need to spend their money on, or the prices that they pay for them. The minimum cost of clothes, food, household goods, and toiletries is similar across the country. However, in certain areas of life, costs differ in London caused either by differences in prices or in the content of budgets.

The price of both housing and childcare is much higher in London. The research looked not just at like-for-like comparison in costs of these items, but also at what would be considered a minimum acceptable in London. For housing, the groups agreed more modest minimum standards, accepting that it is unrealistic to expect the same amount of space as elsewhere in the UK. For example a studio rather than a one-bed flat was judged the minimum for a single person living on their own, and a flat rather than a house for a family with children. Despite these modifications, housing costs for each household type are much higher in London than they are in the rest of the UK. The model of childcare required for a working family was no different, so the overall cost of childcare reflects the much higher prices that London families pay for it.

Transport costs reflect the very different requirements of day-to-day travel in London compared to the rest of the country. In urban areas outside London, groups have said that the minimum comprises mainly bus travel for households without children, while those with children require a second-hand car. Within London, a travelcard covering bus and tube, but no car, was considered necessary for all household types. This makes transport significantly more expensive for those without children, since tubes are much more expensive than buses. For families, public transport in London can be cheaper or more expensive than running a car elsewhere, depending on family size and composition.

Most aspects of social participation are fulfilled in similar ways in London, but there are also some significant differences. Eating out costs more both because it is more expensive and because it is judged as being required more frequently – for example once a fortnight rather than once a month for working age adults without children. This is related to living patterns, including doing less socialising at home where there is less space. Pensioners in Inner London consider living there to be very pressured, and one consequence of this is that they say they require more holiday (two rather than one week a year away from home) as a minimum.

Size of additional costs

The overall cost of a household budget ranges from 18 per cent to 47 per cent more in London than outside, varying considerably by household type. Much of this extra cost comes from housing and childcare, but other items, especially transport, can add significantly to the minimum cost of living in London. Excluding housing and childcare, additional costs range from zero to 23 per cent for different household types.

For single people, housing and transport comprised most of the additional cost. For a single person in Inner London, it is almost as expensive to rent a studio flat as to pay for all other minimum costs combined. For families with children, housing and childcare dominate additional costs, with transport playing a lesser part. For pensioners who have paid off their mortgage or who get their rent covered by

Housing Benefit, additional costs are minor in Outer London, but more significant in Inner London due to the higher cost of social participation.

Safety-net benefits fall well short of providing minimum costs for Londoners, covering only around a third of a minimum budget for singles, half for families with children and for pensioners three quarters in Inner and 90 per cent of a minimum budget in Outer London. People in London working on the National Minimum Wage also fall well short: they have disposable incomes between a half and three quarters of what they need. The earnings that households need to meet MIS vary widely by household type, but in some cases are above average earnings, suggesting that households in less well-paying occupations will only be able to make ends meet if costs come down. Overall, it is estimated that around one in three Londoners fall below the Minimum Income Standard.

Conclusion

This research confirms that high costs make London a more expensive place to live, but for the first time quantifies how much extra it costs to reach a minimum living standard there. The findings show which Londoners are hardest hit and by which kind of costs, allowing policy and practice to address both how to improve incomes and how to get costs down to make living in London more affordable.

The findings show that many additional costs arise from higher prices, especially relating to housing, public transport and childcare but that this is not the only source of extra costs. Some are influenced by the way people live and the infrastructure of London.

Overall, they show the extent to which lowering costs would help various groups. For example, they show the impact of high rents, including in the social housing sector, on disposable income, as well as the significant benefit for families if buses were made more accessible to allow them to travel more cheaply. By providing a rounded picture of minimum costs in London, the research opens the way for informed debate and analysis of how to improve Londoners' living standards.

1. Introduction

This report presents the findings of a study funded by Trust for London, which has developed a Minimum Income Standard (MIS) for people living in Inner and Outer London. The MIS is the budget required to cover the basket of goods and services that households need in order to achieve a minimum socially acceptable standard of living, as defined by members of the general public.

The Minimum Income Standard for the UK is a major programme of work that produces annual updates on how much income different types of household in the UK need, in order to afford an acceptable standard of living. This is a calculation based on detailed deliberation among groups of members of the public about what goods and services households need as a minimum, informed where relevant by expert knowledge, and with the resulting baskets of goods and services priced by researchers. Full details about the MIS programme are available online at www.minimumincomestandard.org

Box 1: Minimum Income Standard – Summary

What is MIS?

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

How is it arrived at?

A sequence of groups has detailed negotiations about the things a household would need in order to achieve an acceptable living standard. They go through all aspects of the budget in terms of what goods and services would be needed, of what quality, how long they would last and where they would be bought. Experts check that these specifications meet basic criteria such as nutritional adequacy and, in some cases, feed back information to subsequent negotiation groups who check and amend the budget lists, which are then priced at various stores and suppliers by the research team. Groups typically comprise six to eight people from a mixture of socio-economic backgrounds, but all participants within each group are from the category under discussion. So parents with dependent children discuss the needs of parents and children, working age adults without children discuss the needs of single and couple adults without children and pensioner groups decide the minimum for pensioners.

A crucial aspect of MIS is its method of developing a negotiated consensus among these socially mixed groups. It uses a method of projection, whereby group members are asked not to think of their own needs and tastes but of those of hypothetical individuals (or 'case studies'). Participants are asked to imagine walking round the home of the individuals under discussion, to develop a picture of how they would live, in order to reach the living standard defined below. While participants do not always start with identical ideas about what is

needed for a minimum socially acceptable standard of living, through detailed discussion and negotiation they commonly converge on answers that the group as a whole can agree on. Where this does not appear to be possible, for example where there are two distinct arguments for and against the inclusion or exclusion of an item, or where a group does not seem able to reach a satisfactory conclusion, subsequent groups help to resolve differences.

What does it include?

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

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

Who does it apply to?

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

Where does it apply?

MIS was originally calculated as a minimum for Britain; subsequent research in Northern Ireland in 2009 showed that the required budgets there are all close to those in the rest of the UK, so the national budget standard now applies to the whole of the UK. This standard was calculated based on the needs of people in urban areas. A further project published in 2010 (Smith *et al.*, 2010) looked at how requirements differ in rural areas. This information is also contained in the online Minimum Income Calculator (CRSP, 2014) and can be obtained by clicking on the 'where you live' option on the main results page, as can a further variation, produced by this present study, covering London. Outside the UK, the team responsible for the UK MIS has applied the method in Guernsey (Smith *et al.*, 2011) and supported MIS projects employing the same method in Japan (Davis *et al.*, 2013), Portugal, France and Austria (the last three are in progress). An ongoing MIS programme in the Republic of Ireland uses methods based on the UK work (Collins *et al.*, 2012).

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.

The original research was supported by the Joseph Rowntree Foundation (JRF). It was conducted by the Centre for Research in Social Policy (CRSP) at Loughborough University in partnership with the Family Budget Unit at the University of York. Updating is being carried out by CRSP, again with JRF support. In 2011, the Family Budget Unit was wound up on the basis that the calculation of MIS takes forward its mission.

When was it produced and how is it being updated?

The original research was carried out in 2007 and the findings presented in 2008 were costed using April 2008 prices. Every July, new MIS UK figures are published, updated to April of the same year. The updates take on board inflation and changes in minimum needs.

The UK MIS is based on the needs of households in urban areas of the UK, with additional studies having explored the needs of households living in rural situations (Hirsch *et al.*, 2013; Smith *et al.*, 2010). However, the national MIS, referred to throughout this report as UK MIS, does not account for the particular needs and living patterns of households in London.

A minimum income standard for London

According to the Greater London Authority (GLA Intelligence, 2015), London has a population of 8.63 million. Around 40 per cent of this population are located in Inner London and the City of London, and the other 60 per cent live in the Outer London boroughs. London is distinct in a number of ways. First, the city has a very particular tenure structure. Inner London has half the level of owner occupation and twice as much rental in both the social and private sectors compared to the English average. Whilst the differences are less pronounced in Outer London, there are fewer owner-occupied and social rented households here than in the rest of the country, and significantly more households live in privately rented accommodation (DWP, 2014). London's population is also significantly more ethnically diverse than the rest of England: 40 per cent of the capital city's population is non-White, compared to 15 per cent of the total population of England (ONS, 2011). Households in London also face specific challenges in achieving a decent standard of living, and evidence suggests that Londoners particularly struggle to make ends meet. For example, in 2011/12, 3.9 of every 1,000 households in London were found to be homeless, compared to 2.3 nationally, meaning that 25 per cent of the 50,290 homeless households in England that year were located in London (DCLG, 2012). Research has also found one in five pensioners in Inner London to be materially and/or socially deprived, as defined as being unable to afford certain items or activities that the public think people should be able to afford, compared to less than one in ten nationally (GLA Intelligence, 2013). Turning to income poverty, 34 per cent of people in Inner London and 24 per cent in Outer London were living in households below the relative poverty line after housing costs [AHC] in 2012/13, compared to 21 per cent nationally (DWP, 2014).

The disproportionate prevalence of these indicators of deprivation in the capital raises questions about if and why it is more difficult for London households to meet their needs, and to achieve a decent standard of living. People's ability to meet their needs is shaped by the financial resources available to them. The differences in income between London and the rest of the UK are more significant at the top of the income distribution while at the bottom the gap between incomes in and out of London is smaller (Ussher, 2012). However, wages and household incomes before housing costs [BHC] are typically higher in London than elsewhere (ONS, 2014; DWP, 2014), indicating that the explanation for high levels of deprivation in the capital might not lie in people's incomes, but rather in the costs associated with meeting their needs.

Existing evidence indicates that some living costs are exceptionally high in London. Even in the social rental sector, London households pay around a third as much rent again compared to the average paid outside London, ranging from an additional £17 per week for a Local Authority bedsit (up 30 per cent on the average outside London), to an extra £34 per week for a three bedroom flat rented from a Housing Association (up 36 per cent) (Wilcox *et al.*, 2014). This difference in housing costs between London and the rest of the country is even more exaggerated in the private rental sector. In 2014, lower quartile rents in London were between 2.4 and 2.9 times as high as those in the North East, resulting in an 'additional' cost of between £93 per week for a studio flat and £196 per week for a three bedroom property (VOA, 2014). Even when compared to the South East, the most expensive region outside of the capital, these lower quartile rents in London were between £63 and £121 per week higher, and this disparity is magnified when considering rents in Inner London boroughs only (VOA, 2014). High rents in London not only increase housing costs, but also the costs of essential services. In 2014, 25 hours' childcare provision in London cost between a quarter and a third more than the national average. After school care for a primary school child, meanwhile, cost almost half as much again (FCT, 2014).

The available evidence also highlights some specific costs that are different for households living in London, then, and comparing before and after housing costs [BHC/AHC] poverty measures tells us something about the impact of rents and mortgages on disposable household incomes in the capital. However, this evidence provides an incomplete picture of the incomes that households in London need in order to have a minimum acceptable standard of living, and how this compares to incomes needed elsewhere in the United Kingdom. This is because there is no evidenced description of what it means to have a minimum acceptable living standard particular to living in London. The way in which Londoners live is distinctive. Most obviously, they travel in different ways and have different accommodation patterns from people in other parts of the UK. They may also differ in the ways in which they access essential services and opportunities for social and cultural participation. The different ways that Londoners live could have an impact on the income that they need in order to have a minimum acceptable standard of living, but so far there has not been a systematic attempt to define what Londoners need as a minimum, and to assess how living in the capital adds to the costs of achieving this standard. A background paper for this study sets out in more detail what existing evidence tells us, and what gaps remain, with regard to understanding minimum needs and costs in London (Marshall, 2015).

This study develops a MIS for Inner and Outer London, focusing on the needs and costs which differ from those specified in the most recent UK MIS (Davis *et al.*, 2014). By providing this evidence, MIS London aims to contribute to future analysis and

debate regarding low income and low standards of living in London, enabling analysis of poverty and income adequacy in the capital to be related more directly to the specific costs of living there. It will also facilitate informed discussion about the impact of different factors in making minimum living costs for London households different to those for households elsewhere in the UK, informing the debate not just about raising minimum incomes but also about lowering costs.

Report Structure

Chapter Two details the methods used in researching a Minimum Income Standard for London. Chapters Three and Four present the research findings. Chapter Three reports what participants agreed to be different and additional goods and services needed to achieve a minimum socially acceptable standard of living in Inner and Outer London, and discusses the rationales underpinning these conclusions. Chapter Four compares the London and UK MIS budgets, and reports the additional costs faced by different London households in order to achieve a minimum socially acceptable standard of living. Finally, Chapter Five draws out the key findings that have emerged from the study.

2. Methodology

This chapter sets out the methodology used in this study. The research followed the principles of all of other MIS studies. It was based around detailed discussions with groups of members of the public in which they were asked to look in detail at the goods and services that different households need in order to meet a minimum socially acceptable standard of living. These household types include single adults and couples living without dependents (measured separately for pensioners and non-pensioners), couples with up to four children and lone parents with up to three children, and therefore cover around 80 per cent of the London population.

The MIS London groups were focused on reaching agreement on what different imaginary 'case study' households would require to have this minimum rather than concentrating on what people considered to be essential for themselves. This study did not seek to compile complete household budgets from scratch, but instead asked groups of members of the public to reflect on the content of budgets already specified by groups in urban locations in the UK, outside of London. In this way, groups:

- reviewed the goods and services required in the UK MIS, set by groups to provide a minimum socially acceptable standard of living in urban locations outside of London;
- identified which of these goods and services, if any, would be inadequate or unnecessary for people living in households in Inner and Outer London; and
- agreed how the goods and services should be amended, changed or added to in order to provide the same standard of living in London.

Using this method allows the research to build on, rather than to repeat, the detailed work carried out in the UK MIS, but critically allows areas of life where requirements are different to be pinpointed and the implications of these differences to be discussed. The same approach has been used in developing budgets for rural locations and remote and rural Scotland, and to identify the different and additional needs of foster households and for individuals who are sight impaired or Deaf.

Prior to the commencement of the fieldwork, the research began with a review of existing literature and evidence which identified areas where costs and needs for households living in Inner and Outer London may be different. While the design of the research echoed that of previous MIS studies, the literature review provided a more detailed context for group discussions.

Fieldwork

Orientation group

An 'orientation' group was recruited in order to highlight needs and ways of living that might be particularly different in London, and so should be focused on in the following groups. Participants for this orientation group were recruited from both Inner and Outer London, and to represent a range of the ages and household types accounted for in the MIS households. The group was presented with the MIS budget

categories, and asked to think about which areas of the budget might be different for households living in London, and potential dissimilarities between Inner and Outer London.

This group also developed the ‘case study’ households to be used in the MIS London groups. In particular, this involved deciding the types of accommodation needed to meet different households minimum housing needs in London.

Principal review groups

Seven principal review groups were asked to review the detailed lists of goods and services included in MIS household budgets and to amend them to take into account the additional and/or different needs of households in London. These groups were divided into pensioners, working age adults without children, and parents with dependent children; one group of each household type was drawn from Inner and one from Outer London (see Table 1). In Inner London, working age adults without children were separated into those who were single (living on their own or in shared accommodation) and those who were in couples. The groups discussed the needs of people living in the same kind of household as themselves. For example, parents recruited from Inner London discussed the needs of families with dependent children living in Inner London, pensioners recruited from Outer London addressed the needs of pension-age households in Outer London, and so forth.

Table 1. Principal review group composition

Area	Household types
Inner London	<ol style="list-style-type: none"> 1. Single working age adults without children 2. Couple working age adults without children 3. Parents with dependent children 4. Pensioners
Outer London	<ol style="list-style-type: none"> 1. Working age people without children 2. Parents with dependent children 3. Pensioners

All MIS London groups worked to the same definition of a ‘minimum standard of living’, which was developed by groups in the initial stages of the UK MIS research. 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.

Any changes that the groups made to the goods, services or amounts included in the MIS budgets had to reflect this standard and not exceed it. Groups were also asked to reflect on things that need to be different *because someone lived in London* and not because they felt that something should or shouldn’t be included as a minimum need for households across the UK. As in all other MIS research, groups were asked to consider the needs of an imaginary ‘case study’ household similar to their own in terms of composition and location, rather than what they themselves needed as a minimum, in order to avoid talking about individual tastes and preferences. Importantly, groups in Inner London were asked to consider the needs of households across Inner London, and not just in the location in which they lived, and groups in Outer London were asked to do the same. This enabled groups to agree on a minimum living standard for households in Inner/Outer London, rather than one

specific to certain boroughs or areas of London. Groups were also asked to consider key household variations. For example, the pensioner groups addressed the needs of couple and single pensioners, and parent groups addressed the needs of couple parents, lone parents and the varying needs of children of different ages.

Each principal review group considered how detailed requirements in London should differ, if at all, from the UK MIS requirement by going through each room of the case study households' homes and considering whether existing lists would meet a minimum standard of living as defined above. Groups then moved onto thinking about what people need 'outside' of the home – how they need to get around, what leisure activities they need to participate in and so on. In doing so, groups were tasked with negotiating consensus among themselves about:

- What – if any – goods and services need to be added in order to make the minimum income standard appropriate for households in London.
- What – if any – goods and services included in the UK MIS budgets are not necessary in order for London households to achieve a minimum socially acceptable standard of living.
- What – if any – goods and services need to be revised or adjusted in order to make the minimum income standard appropriate for households in London.
- Why these changes are needed.

Generally, discussion was focussed on needs and how these should be met in terms of provision of goods and services, rather than looking at the costs of meeting the need. For example, the groups were not asked to discuss how much the case study household might need to spend on transport, but to specify the kinds of trips that they need to be able to make, and the forms of transport that they need to use in order to meet this need.

Follow up and final review groups

Six follow up and seven final review groups were also recruited. In each of these phases, the groups reviewed the budgets again with groups comprising working age people without children, parents and pensioners, in Inner and Outer London. In the final review phase an additional group of parents was recruited in order to address and resolve outstanding issues relating to the transport needs of families with children in Inner London.

The follow up groups reviewed decisions that had been agreed in the principal review groups, and discussed whether anything had been missed or had been inappropriately adjusted. Similarly, the final review groups assessed the budgets post-follow up and addressed any outstanding issues. As with the initial review groups, participants were recruited afresh for each of the follow up and final review groups. This is vital for a robust methodology as it subjects changes to review by more than one group and allows changes to MIS in London only to be confirmed when agreed by more than one group.

Recruitment

The participants recruited for the groups were living in Inner and Outer London and were largely recruited face-to-face, in areas close to the venues where the groups were held. 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 Boroughs



A total of 187 people participated in the MIS London fieldwork, with an average of 9 participants per group. Participants were recruited to include a reasonable balance in terms of gender and while participants were not recruited according to ethnicity, every effort was made to ensure that groups were not dominated by any one ethnic group. Participants were purposively recruited on the basis of:

- where they lived – in Inner or Outer London;
- age – of pension or working age; and
- household type – with or without dependent children, in a single or couple household.

In addition, parent groups included participants with children in a range of age groups:

- infant/toddler;
- pre-school age;
- primary school age; and
- secondary school age.

The MIS methodology recognises that individuals draw on their own experiences. For example, if groups included only those on low income, there may be a greater risk that the research would reflect the views of groups of people in poverty describing living in poverty. In order to develop budgets that represent the needs and expectations of the population as a whole, MIS groups are recruited to include people from a range of socio-economic backgrounds.

[Calculating the costs of a Minimum Income Standard for London](#)

For any goods or services identified as different for households in London, groups discussed and agreed the changes that need to be made within the existing MIS

budgets, including where and how often items would need to be bought, and how services would be accessed. For household requirements where the London groups did not identify different or additional needs, it is assumed that London households face the same costs as those agreed on in UK MIS. This is because household and personal goods in the UK MIS budgets are priced at retailers with national pricing policies, meaning that the same prices would apply if goods were bought in London rather than elsewhere, or because the amounts needed (for example for children's pocket money) were agreed to be the same. Details of the methods and costing approaches used are available on the MIS website: www.minimumincomestandard.org.

The 'headline' UK MIS budgets exclude housing and childcare costs, principally because these costs vary so widely across the country. However, when considering the costs of achieving an acceptable standard of living in London compared to elsewhere in the country, it is important to take into account these costs, which are substantially higher in London, and which – as widely reported – significantly impact upon the ability of many households in the capital to achieve a decent standard of living (Aldridge *et al.*, 2013; London Assembly, 2012). In this report, therefore, these costs are taken into consideration, by reporting budgets both including and excluding housing and childcare. Childcare costs, rents, council tax, insurance and water rates have been calculated on the same basis in London as in UK MIS, where a baseline cost is derived mainly from prices in the East Midlands. In the MIS London budgets, childcare costs have been calculated using Family and Childcare Trust figures for Inner and Outer London (FCT, 2014). Social rents have been calculated as in UK MIS by using a weighted average of Local Authority and Housing Association rents in London. The available data do not distinguish between Inner and Outer London and therefore the social rents included here are based on averages across London as a whole. Private rents have been calculated separately using lower quartile rents from Inner and Outer London boroughs (VOA, 2014), and insurance costs have been estimated using quotes for appropriate housing at a range of postcodes in Inner and Outer London. The cost of fuel within the MIS London budgets were calculated by the Energy Audit Company (EAC) based on assumptions about the age and quality of housing agreed by groups in Inner and Outer London, which are different to those used in the UK MIS, and reflecting the increased use of some household appliances as agreed by groups. The water rates and council tax estimates used are the same for Inner and Outer London. The water rates are based on Thames Water Assessed Household charges, which take into account dwelling size and number of occupants and which are the same across Greater London (Thames Water, 2015). The council tax estimates reflect the fact that although average rates by band are typically higher in Inner London than Outer, households in Inner London are likely to live in properties in a higher band.

3. What do households in London need as a minimum?

This chapter reports on what the study found should be covered in minimum household budgets for Londoners, based on what groups of Londoners said should be retained and what changed from the UK MIS budgets. It describes the rationales for these decisions, which in each case were the product of a consensus built over a sequence of groups. Only where there was agreement across groups were the UK MIS budgets altered for the London case.

Housing Costs

MIS groups are asked to decide on the minimum housing model appropriate for different household types. Since the first UK MIS, the budgets for housing costs have been based on a consensus that people's minimum need for accommodation could be reasonably met by social housing, which would have gas central heating and double glazing and be reasonably well insulated. In 2014, however, groups decided that the social housing model was no longer realistic for working age households without children, who unless they had additional, complex needs would be unlikely to be allocated social housing. The housing budgets for single and couple working age households without children are thus now based on the assumption that they live in low-cost properties in the private rental sector (PRS). This has increased the housing costs for these households both through an increase in rent, and in the increased fuel costs that result from lower levels of energy efficiency commonly found in privately rented homes. The MIS London groups agreed that these specifications should remain the same in London. Families with children and pensioners are in fact more likely to live in social housing in London than elsewhere in the country, with 29 per cent of households with dependent children and 29 per cent of retired households in the capital residing in social rented accommodation, compared to 20 per cent across England as a whole (ONS, 2011).

Parents in London agreed with UK MIS groups that, in order to have a minimum acceptable standard of living, every child needs their own bedroom. However, like groups outside London, they also recognised the tension between this need and the reality of what families would be able to access through currently available social housing stock. In order for the case studies to be realistic, it was agreed that a three bedroom property would be the largest dwelling that families living in social housing in London could reasonably expect to be able to access, and consequently that in families with more than two children, children would have to share rooms. In the UK MIS, this point is reached when there are four children in the household. Groups in London also agreed that families would be more likely to be allocated a flat than a house in social housing, in both Inner and Outer London, and so this is the housing model used in all of the budget calculations.

The fact that households with children are in smaller accommodation in MIS London than the same households in urban locations outside London reflects the smaller amount of space that families have in reality in London compared to the rest of the country (DCLG, 2007). The parents' groups in London felt that families with children would be fortunate to be able to access social housing at all, and reported that many households with children who were living in social housing in London had to make do with far fewer bedrooms than they considered to be acceptable, as specified in the London allocations for MIS, either because of a lack of appropriate stock or because of the high costs of social housing. Parents reported, for example, having to use the living room as a bedroom or sharing rooms among children and adults:

M: I'm with the housing association and I was with the council before and they can never really meet the needs so you make do. Like I said before we appreciate it. Three kids in a two bedroom flat, so that's what it is. And the other thing to think about is even if we did have another kid which we probably wouldn't we'd probably stay where we are based on the area, the place that we live there's lots of reasons why we would stay. Whereas my brother he's in Wales and he's got two kids and he's just got a four bedroom house for less than half of what I pay a week. So it's just bizarre.

Q: So the reality of living in London is very different?

M: It is.

Q: Is the need different?

W: No.

M: No.

Orientation Group

Parents also talked about families having to move out of London or from borough to borough because of the high demand for appropriate housing within the social housing sector:

W: And if you're in social housing the more likely you are to be shipped out of London.

Q: To Outer London or out of London?

W: Oh out of London to accommodate your needs for Greater London children. They will send you to Hull or somewhere.

W: Perhaps you'll get sent to Kingston or Richmond or North London. You're still in London.

W: That would be a dream. Kingston.

Orientation Group

London parents did agree that in principle all children should have their own room as a minimum. However, for pragmatic reasons relating to availability, parents accepted it would be unrealistic to insist on this principle as part of a minimum for Londoners.

The housing provision for single working age people without children was also changed by London groups. In the UK MIS, a single person living alone is considered to require a one-bedroom flat. However, given the prevalence of studio flats in London, groups agreed that a studio would suffice in London. Whereas London

families' decision to accept that children should share bedrooms was based purely on the limits in available accommodation, and considered not to be ideal, single Londoners were in general happy that a studio meets the needs of someone in their situation, although some said that it does limit socialising in the home, in ways reflected in later decisions about how one needs to socialise outside the home.

Groups also decided that working age adults living in shared accommodation in London would be more likely to be sharing a flat rather than a house. The requirements for shared living space were agreed to be the same, regardless of location, and so the MIS London provision for working age adults living with two others in shared accommodation is a three-bedroom flat, with a shared bathroom, kitchen and separate living area.

The housing models used to calculate the UK MIS and MIS London budgets are set out in Table 2. 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.

Table 2. 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)
Lone parent/couple parents plus one child	Two bedroom house (social housing)	Two bedroom flat (social housing)
Lone parent/couple parents plus two children	Three bedroom house (social housing)	Three bedroom flat (social housing)
Lone parent/couple parents plus three children	Four bedroom house (social housing)	Three bedroom flat (social housing)
Couple parents plus four children	Four bedroom house (social housing)	Three bedroom flat (social housing)

Transport

MIS groups are asked to decide what transport people need in order to have the minimum acceptable standard of living defined above, and make particular reference to being able to access opportunities for employment and social and cultural participation.

In the UK MIS, adults without children have said that working age adults and pensioners can meet their transport needs by public transport, supplemented by occasional taxis and coach or rail trips. Since 2012, parents have said that families with children require a car in order to meet their transport needs; lone parent households have a car, while couple parent households have a car and one adult bus pass. Secondary school age children also have a bus pass, primarily for journeys to

and from school. These households do not have a budget for taxis or coach/rail trips, as they are expected to make these journeys by car.

In London, groups decided that a car was not a minimum need for any household, including those with children. Instead it was agreed that, as a minimum, public transport in the capital is sufficient to meet the best part of people's transport needs, primarily because the bus, tube and train network is much more extensive in coverage and services run more frequently in London than the rest of the UK.

For working age adults with and without children, groups agreed that being able to pay for a yearly travel pass was unrealistic, but that paying monthly offered better value for money than pay-as-you go or weekly passes. They therefore agreed that the minimum requirement for working age adults is a monthly Oyster travel card, covering the London Underground, Overground, Docklands Light Railway (DLR), London buses and trams, and National Rail services where applicable. For those living in Inner London, this would cover Zones 1-4, and in Outer London, Zones 1-6. It was agreed that, regardless of where someone lived in London, they would likely need to travel through Zone 1 in order to get to work, as well as to access opportunities for socialising. The outer limits were decided on the basis of how far groups felt that people need to go to access employment opportunities, and all groups were agreed on the criteria specified above. In Outer London, people may live in Zone 6, and so need this provision. In Inner London, groups said that it was reasonable to expect that people would need to travel to outer Zones in order to find work:

W: I would say Zones 1 to 4. [...] I think if you're talking about job opportunities and things like that, there's you know it's quite developed now, it wasn't before but it's quite developed and I think they're having those areas quite built up in terms of job opportunities. So it's to be fair and the need to have to give people the opportunity to find the right employment and to get to the right employment that they've been offered, whatever, I think Zones 1 to 4 I think someone mentioned is ideal and it's a need to have in reality.

Q: So we're going Zones 1 to 4 because of employment opportunities?

W: Yes.

[...]

W: [...] it's all about opportunities. London is saturated, we know that, for employment, so to give people the choice, I think [...] people are now willing to travel to those areas.

Working age adults without children, Inner London

Pensioners, meanwhile, 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. Children under the age of 11 are also able to travel on all forms of public transport for free in London. 11-15 year olds are required to pay half of the adult fares for travel on the Underground, Overground, DLR and National Rail services, but can travel for free on buses and trams within Greater London. In Outer London, parents agreed that a secondary school child could meet all of their transport needs on the bus. In Inner London, however, groups asserted that children of this age need to be able to take the tube to school, because taking the bus might make them late if it got stuck in

traffic or terminated unexpectedly. They decided that it was reasonable to expect that a secondary school pupil will have to cross through Zone 1 in order to get to school, and might live or go to school in Zone 3. They therefore budgeted for two discounted journeys each day between Zones 1–3, five days a week during term-times. They agreed that for any other journeys, such as going to meet friends, the secondary school child would take the bus for free.

All groups agreed that only being able to take the bus would be insufficient to meet adults' transport needs in London. Buses were understood as helpful for short journeys, such as getting to the supermarket, but less reliable and more time-consuming than taking the tube:

Q: So do they need to go on the Underground or is it OK to just use the bus?

W: You need the Underground.

W: Definitely need Underground.

M: [Buses are] unreliable.

W: Congestion.

[...]

W: It's much quicker by train. The bus and traffic, if you're going somewhere you'd have to leave a good few hours before.

Working age adults without children, Inner London

The unreliability of buses was particularly highlighted as being a problem when trying to get to work on time:

M: A lot of people have routines as well, I mean with buses you'd never be able to stick to a routine.

W: With the trains, even like the times and stuff, it's the same every morning, and every afternoon, so you know when you're getting the train, but with buses, there might be a car accident or something.

Working age adults without children, Inner London

And you can't rely on the buses to get from school to work because they might be held up and there's too many people on the bus and the driver just drives straight past you, or there might be a massive tailback of traffic down the high street and that's the only route the bus would go down.

Parent, Inner London

For parents, particularly in Inner London, there were also problems with trying to get on to buses at peak times with young children on foot or in buggies:

M: I've had to get on a bus with my daughter before and she was a small kid and it's not pleasant when you can't get on a bus, you've got a buggy, there's two buggies on the bus already you can't get on. It's not nice; it's horrible.

M: It's bad.

Parents, Inner London

As well as such difficulties in getting on buses being used to justify access to the tube and rail network, concerns about the practicality of using public transport with children made the decision to exclude a car from the MIS budgets in London far from straightforward. In particular, parents felt that being constrained to public transport would make life in Inner London difficult for families with children. They felt that having to get children of different ages to different schools or nurseries, which might not be in the same location, on time, before going to work themselves, was particularly challenging for parents who had to rely on public transport. The same issues arose in relation to taking children to the extra-curricular activities that – as discussed later – were agreed upon as necessary and important opportunities for children's social participation and development. As well as emphasising the additional stress and pressure that these difficulties placed on parents, groups were concerned that not having access to a car might limit the degree to which children were able to access such opportunities, as illustrated in the following quote from a parent in Inner London:

I think it's going to be hard for Jane.¹ If she had three children I think it would be really difficult for her without a car, and I think the children could miss out on things, like clubs and stuff like that, and if we're saying this is the normal sort of need or whatever and they've got clubs and this, that and the other, some of those children will miss out on those clubs I feel, because she can't be in two places at once and it would be really hard, and if she's working full time that's going to be a big pressure for her to be here, there and everywhere, and with a one year old having to get back in time to bath and put them to bed and that, so I think she would need [a car].

Groups also considered the implications that not having a car would have for families' safety and well-being. In particular, they talked about not wanting older children to travel alone on public transport at night. They felt that parents would need to pick their teenage children up from a friend's house on a Friday night, for example, rather than leaving them to make their own way home, and agreed that this would be a lot easier if the parent was able to drive rather than needing to take public transport or to pay for a taxi. There were many discussions about whether things were so difficult that in fact a car was needed by households with children, and in Inner London, an additional group was undertaken in order to reach a final consensus on whether or not households with children needed a car. The final decision was that a car does not need to be included in the London budgets. Although all of the parents' groups recognised that having a car made life much easier for families in London, they also felt that public transport provision is far stronger in London than elsewhere in the UK, and that some of the opportunities and services that families need to access are more likely to be accessible on foot in London.

Although many people had experienced difficulties in travelling on public transport with children, groups also talked about the problems associated with driving in the capital, including the high costs of owning, running and insuring a car, and the significant levels of congestion. All groups agreed that even if a household with children did have access to a car, it was likely that parents would still use public transport to get to work, unlike in the UK MIS model. The final group therefore agreed that having a car was an additional 'nice to have', and not essential in order to have a minimum acceptable standard of living. This difference between MIS London and the UK MIS budgets for families with children reflects national patterns in car ownership. Households with dependent

Jane is the name of the lone parent case study used within the MIS London groups.

children in London are almost twice as likely to have no access to a car or van as those in the rest of the country, with 30 per cent of households with children in London having no access to a car or van, compared to 17 per cent outside of the capital (ONS, 2011).

Working age adults in London were very conscious of the high cost of public transport in London, which adds significantly to the household budgets:

So that's half their wages already blown on travel [...] That's half of my wages blown on a £23,000 a year salary, that's more than half my wages in a month gone.

Parent, Inner London

It's a lot. I think it's the most expensive transport in the world.

Parent, Inner London

Nonetheless, these costs were agreed upon as essential, and thus included in the budgets. Despite the high costs of public transport in London, groups acknowledged that the infrastructure available to people living in the capital is far superior to that in other urban areas of the UK, and particularly recognised the benefits of being able to take public transport at night:

W: Transport is slightly different in inner London it's much better than anywhere else in the country.

[...]

W: Yes you don't have to wait for a bus, buses are like every 10 minutes, at home I'm like half an hour 'til the next bus you know [...] The transport is more reliable. There's no point walking.

[...]

W: Well I live in Outer London but I bus with the 24 hour buses, now it's much better and they're very frequent.

Orientation group

Appreciation of London's transport system was particularly striking in the pension-age groups, who did not have to pay for the majority of public transport. These groups felt that the Freedom Pass enabled them to access far more opportunities for social participation than their counterparts in other parts of the country:

I would be extremely upset if they removed a Freedom Pass, because it is a godsend, an absolute godsend.

Pensioner, Inner London

If you didn't have the Freedom pass for a lot of people that would curtail their lives considerably.

Pensioner, Outer London

The Freedom Pass means you can go anywhere you like. Speaking from my own personal view where I live I get a bus direct to Waterloo, I can get another bus to London Bridge, I can get another bus that takes me up to Camden. In my area I am well suited for buses. When I have been out with my children in the car and we are driving

somewhere and we are driving and driving and driving and I can't see a blooming bus, so in those cases the Freedom Pass is absolutely no good to them, they probably all have cars where they are, I don't know. In certain places [the free bus pass] isn't good, but for me the Freedom Pass is marvellous.

Pensioner, Inner London

If you're an older person and you live out of London [the free bus pass] is not as valuable because there's not the transport [...] But if they're living in Inner London they do have easy access to transport and that's very important.

Pensioner, Inner London

London groups' appreciation for the city's transport infrastructure was further evidenced by the conclusion that there was less need for taxis than included in the UK MIS budgets. Groups in Inner London anticipated that working age and pension-age adults without children would only need to take a taxi a couple of times a year in emergencies where, for example, they were too ill to take a taxi to the doctors. This is in contrast to households without children in the UK MIS, who budgeted for one taxi journey a week for instances where public transport would not be sufficient, for example getting home late at night for working age adults, or getting to an early medical appointment for pensioners whose free bus pass did not allow them to travel at peak times.

Households with children in both Inner and Outer London similarly perceived little need for journeys that could not be taken by public transport. In Outer London, however, working age adults without children and pensioners kept the taxi budget for households the same as in the UK MIS. This decision reflects the fact that transport links are less comprehensive in Outer compared to Inner London, and that although people living here might need to take taxis less frequently or for shorter distances than people outside the capital, these journeys would be slightly more expensive. Taxis in Inner London were said to be even more expensive, and thus the budget that groups in Inner London included for a short taxi ride was £20, compared to £7 in the UK MIS budgets.

A final change made to the transport budgets by Inner London groups was to increase the budget for trips away from home. In the UK MIS, all working age 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. As illustrated by the following discussion among working age adults without children, groups felt that this allowance needed to be increased for households in Inner London, on account of the particular stresses associated with living there:

W: But I think you might want to escape London more sometimes.

W: Yes.

W: Yes.

W: Everything is quite hectic here and you kind of want to go out and stay with your parents or family just to chill out.

Q: So it might be even more important.

W: Maybe yes. London is stressful.

Working age adults without children, Inner London

Parents in both Inner and Outer London included a budget for trips outside the reach of the Oyster cards, which in the UK MIS would make use of the car. However, unlike working age adults without children, parents in Inner London did not assert a greater need for these day trips than parents in Outer London, with both agreeing that the frequency of trips in the UK MIS was sufficient as a minimum.

In contrast, pensioners in Inner London echoed the sentiments expressed by working age adults without children, and reported that life in Inner London could be very stressful and tiring for people of pension-age. They therefore introduced a budget for day trips beyond the realm of the Freedom Pass, something that pension-age groups in the UK MIS and in Outer London have not asserted as a need. Groups in Inner London also agreed that the budgets for holidays in the UK MIS were not sufficient to meet pensioners' need to get away from home. All MIS groups have agreed that it is essential for people to be able to have a break away from their own home, and pensioners outside London have budgeted for a one-week coach holiday in the UK, plus an additional weekend away. Groups in Inner London felt that this provision is not enough to meet pensioner's need to get away from the 'pressure cooker' that is Inner London. They therefore increased the holiday provision for pension-age households to two weeks, plus a weekend. Working age groups in London, both with and without children, did not increase the minimum holiday provision. However, given that the MIS London budgets for households with children do not include a car, the transport budgets for families with children in London include the cost of coach rather than car travel to their holiday.

Food shopping

The food lists developed for the UK MIS are comprised of weekly household menus, decided by groups and analysed to ensure nutritional adequacy, before being converted into shopping lists. A typical day's food for an adult might include:

- cereal and/or toast for breakfast;
- a mid-morning tea or coffee and a biscuit;
- a light lunch (e.g. a sandwich and a piece of fruit); and
- a more substantial evening meal (e.g. home-made spaghetti bolognese with a side salad, followed by tinned fruit and custard).

For households with children, the meals follow a similar pattern but with after-school snacks for the school-aged children and a mid-morning snack for the pre-school child and toddler. Adult budgets allow for an occasional beer or a glass of wine with a meal during the week. To reflect the realities of people's different resources in terms of time and ability to cook, some of the meals are assumed to be cooked from scratch; others incorporate a ready-made element, for example a jar of sauce for a chicken curry, or a frozen pizza. These shopping lists are based on the assumption that households shop weekly, and take into account both the shelf-lives of perishable goods and households' ability to store and transport large amounts of food. They are priced at Tesco, as the largest supermarket chain in the UK with a national pricing policy, to create weekly food budgets for each household type.

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 households outside the capital, and therefore agreed that the shopping lists should remain the same.

Table 3. Transport provision in UK and London MIS

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) Second hand bike (each) £7 per week for taxis (per person) £100 per year for trips by coach/rail (per person)	Monthly zone 1-4 Oyster card (each) Second hand bike (each) £250 per year for all travel not covered by Oyster/bike (i.e. taxis and trips beyond Inner London) (per person)	Monthly zone 1-6 Oyster card (each) Second hand bike (each) £7 per week for taxis (per person) £100 per year for trips by coach/rail (per person)
Pensioner without children (living alone or as part of a couple)	Free bus pass (each) Second hand bike (each) £40 per month for taxis (per household)	Freedom pass (each) £80 per year for taxis (per household) £200 per year for trips by coach/rail (per person)	Freedom pass (each) Second hand bike (each) £10 per month for taxis (per household)
Lone parent	Car Bike	Monthly zone 1-4 Oyster card Bike Family railcard £54 for rail/coach journeys per year	Monthly zone 1-6 Oyster card £40 per year for taxis Family railcard £100 for rail/coach journeys per year
Couple parents	4 weekly local bus pass (for one parent) Car (per household) Bike (for one parent)	Monthly zone 1-4 Oyster card (each) Bike (for one parent) Family railcard £54 for rail/coach journeys per year each	Monthly zone 1-6 Oyster card (each) £40 per year for taxis (per household) Family railcard £100 for rail/coach journeys per year each
Toddler/pre-school child	Bike as birthday/ Christmas present	Bike as birthday/ Christmas present	Bike as birthday/ Christmas present £50 for rail/coach journeys each year
Primary school child	Bike as birthday/ Christmas present	Bike as birthday/ Christmas present £15 for rail/coach journeys per year	Bike as birthday/ Christmas present £50 for rail/coach journeys each year
Secondary school child	Bike as birthday/ Christmas present 10 bus journeys per week to get to and from school	Bike as birthday/ Christmas present 10 peak tube journeys per week to get to and from school and free bus travel £15 for rail/coach journeys per year	Bike as birthday/ Christmas present Free bus travel to school £50 for rail/coach journeys each year

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.

It was agreed that the main chain supermarkets offer largely similar prices, and that pricing goods at Tesco allows for some flexibility in terms of where people are able to shop. Although chains 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. Like UK MIS groups, they felt that people should be able to buy all of their groceries for the week in one place. They agreed that although some people might choose to shop around to get the best deals, many people wouldn't have the time to do this, and so this shouldn't be built in as a minimum.

All groups agreed that people living in both Inner and Outer London would live within a reasonable distance of a large supermarket or superstore. In the UK MIS, households without children are expected to carry their shopping home on public transport, and so are not expected to take advantage of bulk buy offers and other opportunities to save money by buying larger quantities. For these household types in London, the shopping model remained the same. On the other hand, parents in both Inner and Outer London agreed that families would have to access their shopping in different ways. Outside London, the model is that households with children shop once a week at a big supermarket, and take this shopping home in their car. As groups had agreed that, as a minimum, families with children in London could travel by public transport and did not need a car, this shopping model was not appropriate. Groups reported that it would be difficult to carry a whole family's shop home on public transport, particularly for people who had young children with them:

If you're going for a big shop you need to drive, or you get a cab to take you home, because it's not going to be easy, it's easy to get to the shop, [but] it depends on the quantity you are buying. If you are buying a lot then you need a taxi to get you home.

Parent, Inner London

M: In all fairness if you've got two small kids, you've got a load of shopping, you're not looking to get on public transport.

M: No way.

Parents, Inner London

Although problems with taking young children on public transport were most often discussed by groups in Inner London, where parents reported that buses were often too full to board with a pushchair, the same sentiments were expressed by parents in Outer London in discussions about food shopping:

W: To go shopping with a 1 year old on public transport? Come on, be realistic, it is not going to happen.

[...]

M: But people do do it, they do drag their kids around the supermarket, you see them screaming in the aisles, it does happen.

W: But are they going on the bus?

W: I bet they are not.

M: It is not realistic to take the bus and carry the shopping.

Parents, Outer London

Groups therefore agreed that, when doing the weekly shop, parents in both Inner and Outer London would need either to take public transport to the supermarket and then take a taxi home, or to shop online. As online delivery was understood to be the most cost effective option for most households, it was agreed that the budgets should allow for households to shop online once a week. A £3 delivery charge per week has therefore been added to the food budgets for households with children in both Inner and Outer London. This online model means that, as for households with children in the UK MIS who have a car, these households are able to take advantage of savings associated with bulk buying.

Household goods and toiletries

MIS London groups were presented with lists of the household goods and toiletries included in the UK MIS budgets, and asked whether households in London need to own different or additional things, or to access these items in different ways. These lists included a wide range of goods needed in the home such as:

- 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 nappies, wipes, perfume/aftershave and cosmetics.

Groups agreed that people do not need to own different household goods and toiletries because they live in London. However, groups decided 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, which groups have identified as offering low prices and relatively good quality. However, groups in London reported that Wilkinson's was not easily accessible for people living in the capital, and consequently these items needed to be priced elsewhere. They agreed that small items such as a wooden spoon, toilet brush or toothbrush could be picked up along with a household's weekly shop, and should be priced at a supermarket. For larger items such as lamps and curtains, groups agreed on Argos as an appropriate supplier. Although there were often discussions about being able to access lower prices at local markets or in pound shops, groups reached a consensus that buying these items at supermarkets and Argos would enable people to access items that were of a similar quality to those that would be 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 accessed by households in both Inner and Outer London.

The one case in which the actual household goods needed, rather than where to buy them, were seen as different in London concerned the drying of clothes. The groups of parents discussed whether living in flats rather than houses means that households with children in London need to dry their clothes in different ways. In the UK MIS, households without children have agreed that as a minimum it is reasonable to expect households to dry their clothes on an airer. Parents in the UK MIS groups have said that, as a minimum, families with one or two children can also dry their clothes in this manner. Families with children also have a washing line to hang in- or out-doors. In the UK MIS when there are three or more children in the household, parents have said that a tumble dryer is needed. Many London parents felt that the smaller footprint of a flat compared to a house and the lack of a garden made it harder to dry a family's clothes without a tumble dryer. First, the lack of space in London flats made it hard to fit the washing in:

That's similar to how I live and if we didn't have a tumble dryer there would be no space because there would be clothes everywhere, my clothes, my partner's clothes, the two kids' clothes, clothes everywhere, so we actually need a tumble dryer. When it was broken we were lost because we needed a tumble dryer.

Parent, Inner London

M: [in a house outside London] you would have more space and in that respect you might say you don't necessarily need a tumble dryer because you have space in your house where you can just hang your clothes up.

M: You might have a garden where you can hang clothes outside.

Parents, Inner London

W: I suppose it comes down to space as well. If you're in a flat you don't necessarily want to have your washing out on an airer in a room where maybe people are coming in as well, so maybe a tumble dryer is more of a necessity in a flat just because of space.

W: Yes definitely. I'd say it's a need in a flat.

Parents, Outer London

Second, groups explained that hanging clothes to dry inside could lead to problems with damp and condensation:

If you hang your clothes in a flat you get damp. It's mildew, it's black and it was all growing up the walls in my previous flat. I had the environmental health round and they said do not hang your washing, so I said how am I supposed to do my washing, where am I supposed to do it, I've got central heating and I hang my washing on the radiators, but he's saying when that washing dries where do you think that water goes? It goes in the air, in your walls, it goes all round your flat. My whole flat stunk, so by the time my clothes were dry my clothes stunk of damp, my hair stunk of damp, it's disgusting and that's all due to drying clothes in my flat.

Parent, Outer London

I live in a one bedroom house with no garden and I use my bedroom upstairs as a utility room. My kids won't sleep in it, I don't want them sleeping around damp washing and they share a bed with me. I think a tumble dryer would be lovely and a necessity.

Parent, Outer London

In the end, it was agreed that households with just one child do not need a tumble dryer even in a flat, but that households with two or more children do need a tumble dryer in London. The main impact of this in terms of cost is the additional electricity required to run the tumble dryer, which is higher than the weekly cost of paying for the machine itself. However, this additional cost is offset by a reduction in heating costs as the tumble dryer generates heat while in use. Groups discussing the budgets for working age adults without children also talked about the difficulties involved in drying clothes in a studio rather than a one-bed flat, including not having anywhere to hide laundry if guests came round, as well as the issues noted above of lack of space and the risk of damp. However, the final consensus was that these issues could be resolved, and that the tumble dryer was the 'nice to have' when there were only adult clothes to be dried.

Because groups agreed that households with children in both Inner and Outer London would, as a minimum, be living in smaller properties there are some small reductions in the costs of carpets and curtains in these households' budgets.

Clothes

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 to think that Londoners need different clothes to people living in urban areas in the rest of the UK. The majority of the UK MIS clothing budget is priced at supermarkets and inexpensive clothing shops including Primark and Matalan, with some smart items such as a men's suit and women's dress for a special occasion being priced at slightly more expensive outlets, and expected to last longer. Given the accessibility of Primark stores in London, some groups did discuss whether more of the clothing should be priced here rather than at supermarkets. However, there was a feeling that clothes bought at Primark would probably be cheaper than those bought at supermarkets, but might not last as long. There was not a strong consensus to re-cost items at Primark, and groups agreed that the budget reached by costing clothes at Tesco would enable people to shop at Primark, charity shops or other low cost outlets. Given that all the stores included have national pricing policies, the MIS London clothing budgets, with the exception of school uniform costs, are equivalent to those in the UK MIS.

Parents in both Inner and Outer London discussed the different requirements in terms of expectations surrounding school uniform in the capital. In a number of the groups parents noted that some schools within London – both at primary and secondary level – require uniform to be purchased from official suppliers, with all items of uniform 'branded' in some way. However in other groups, parents stated that it is not necessary to buy uniform from school suppliers and that items bought at supermarkets meet the minimum need. Groups ultimately agreed that the model within UK MIS – where primary school aged children have a branded jumper and where more of the secondary school aged child's uniform is bought from a school supplier – meets the minimum need within London. Consequently, school uniform has been re-priced at a range of different school suppliers in Inner and Outer London.

Household services and personal care

Essential household and personal care services identified in MIS include medical services, hairdressing and childcare. The lists reviewed by groups in London included services such as:

- health care, including prescriptions and eye tests (except for pensioners and children, who are exempt from prescription costs);
- dentistry for adults (children are eligible for free dental care from the NHS).

In general, London groups agreed that people's needs for medical care including those services listed above do not differ 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 people 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 the UK MIS budgets.

In contrast, however, the budget for hairdressing is higher in the London budgets, particularly for Inner London. This increase in the budgets arose from the relatively high costs of services such as hairdressing in London, which reflect the high costs of labour, outlet rental and other overheads in the city (ONS, 2010). Many of the London groups also suggested that the budget needed to be increased in order to reflect the ethnic diversity of the city's population. They emphasised the fact that people from Black African and Black Caribbean communities often need to spend significantly more in order to keep their hair neat and presentable, either having their hair done more often and/or spending more money on hairdressing and products, and, citing the large Black and Minority Ethnic population in the capital, felt that these needs perhaps needed to be better represented in the budgets for London.

However, groups also recognised that hairdressing was a highly variable need, that MIS represents the minimum that nobody should fall below, so cannot reflect all of these variations, and that some people outside London would also have needs that were not accounted for in the UK MIS budgets. The final consensus reached was that the frequency of haircuts does not need adjusting when calculating minimum costs in London compared to elsewhere, but that the fact that costs will be higher for some households due to particular needs should be noted.

Groups of parents in London agreed that the same model of childcare is needed to enable parents to work in London as it was elsewhere. UK MIS groups have specified that in order for parents to be able to work full-time (defined as a 37.5 hour week), they require 50 hours of childcare for children under school age, and before and after school provision for primary school children. The childcare budgets in MIS thus provide enough for a childminder for all children under the age of 11, excluding the times when children are at school and the 15 hours a week covered by the childcare vouchers available to parents of three and four year olds. Although one group of parents in Inner London felt that the typically long commute times of Londoners (see DFT, 2014) might mean that children need to be in childcare for longer, the final consensus reached was that 50 hours' care would enable most parents in the city to work. The model thus remains the same, but has been priced using Family and Childcare Trust data on childcare costs in Inner and Outer London (FCT, 2014), which creates a large difference in cost due to the higher average childcare fees in London compared to the rest of the UK.

Social and cultural participation

The UK MIS budgets include various aspects of social and cultural participation, including:

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

As with other budget areas, such as household goods, London groups agreed that what people need for home entertainment in order to have opportunities for social and cultural participation (for example, 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 modest budgets for gifts and children's toys and pocket money needs to be any different for London households.

Parents also agreed that children in London need to be able to participate in the same kinds of activities as those elsewhere in the UK in order to achieve a minimum standard of social and cultural participation. These activities include, for example, parent and toddler swimming sessions and day-trips for pre-school children, and some school trips and weekly sports clubs for school-age children. These activities have been costed for Inner and Outer London.

While the UK MIS and MIS London budgets for children's activities have been calculated on the basis of detailed lists of the kinds of things that groups have agreed children need to be able to participate in, and the frequency at which they need to do these activities, adults' leisure budgets have been 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 are able to access opportunities for social and cultural participation. London groups were therefore presented with weekly totals set by UK MIS groups for adults' leisure activities, rather than lists of set activities. Working age adults, both with and without children and in Inner and Outer London, agreed that these budgets are sufficient to meet a minimum standard of social participation for people living in the capital, and would cover similar activities as they do outside of London.

Pensioners in Outer London also agreed that the UK MIS budget for leisure activities is sufficient, but certainly does not exceed the minimum standard, and would allow for similar opportunities as groups had said it would outside London. In contrast, all pensioner groups in Inner London felt that the weekly budgets for single and couple pensioners need to be increased. This was on the basis that some activities cost more in London, but also reflected the fact that pensioners in Inner London had different expectations about the kinds of leisure activities that people of pension age need to be able to participate in in order to have a minimum acceptable standard of living. This was illustrated in the following exchange between pensioners in Inner London, in which one participant had suggested that it would cost a pensioner £5 to go to the cinema:

M: No you wouldn't get it for £5.

M: Opposite the town hall on a Tuesday.

M: Yes if you're prepared to go at very restricted times then yes but if you just wanted to go like a normal person, at seven o'clock in the evening you pay about £15.

M: Yes.

M: We don't have to behave like a different species do we? Go at 12 o'clock midday?

Pensioners, Inner London

In order to enable older people to participate fully in London life, and not to become isolated or constrained to interacting only with people of the same age and life stage as themselves, pensioners in Inner London agreed that the weekly activity budget for single and couple pensioners needs to be double the level in UK MIS.

Although the pensioner groups in Inner London were the only groups to increase the weekly budgets for households' leisure activities, all groups in both Inner and Outer London increased the budget for eating out. This was partly on the basis that going out to eat costs more in London than elsewhere. Many people felt that there are fewer opportunities for low-cost eating in the capital than there are elsewhere in the country:

I would say everything costs more [in London]. You can eat for half the price in these restaurants outside London or you can go on Groupon and get £10 for five people. In London you have to get the lunch menu or the pre-set menu or you pay full price and you're lucky if there's anything on the menu. It just doesn't really happen.

Orientation group

W: Because I go outside London quite a lot and I go down to Hastings and all the little olde worldy pubs you can go in there and you can get half a lager for £2.50. You come up to London now and you go in a bar in London you're getting half a lager that's £4.50. Outside London you can get a nice jacket potato something like that for £3 something.

M: You can't do that in London.

W: It's not an option.

Single working age adults without children, Inner London

Although some participants did feel that there are a variety of low-cost eating options in London, the consensus reached by most groups was that the budgets need to be slightly higher in London in order to enable people to eat in the same kinds of places as in UK MIS. Among pensioner groups, there was also a consensus on an additional need, with groups agreeing that pensioners in London need to be able eat in different places than is currently budgeted for in UK MIS. In order for pensioners in London to have a degree of choice in where they are able to eat, and again reflecting the idea that they should not be constrained to eating in places which were frequented only by older people, or to eating at certain times in order to access discounts and deals, groups increased the budget for eating out from £10 per head to £20 per head. This time, this increase in the budget was agreed by groups in Outer as well as Inner London.

The only groups not to increase the price of a meal out were the groups of parents in Inner London, who felt that the budget set by UK MIS groups for households with children would enable families to eat out at a number of restaurants, including chains like Nando's but also local, independent eateries, which would meet their need for eating out as a family. On the other hand, although these parents in Inner London did not increase the budget for a meal out, they did increase the frequency at which families need to be able to do so from three times a year to once a month. Parents in Outer London, in contrast, were happy that, for families with children, eating out three times a year met the minimum standard; this increased need to eat outside of the home was specific to families in Inner London. One Inner London group said that the lack of time available to parents in London led to families' increased need to eat out:

M: You want to do more stuff with your kids, if you can go out for dinner with them, do stuff with them.

W: I was just going say that amount, because that amount of time you spend at work, travelling to work, being at work, you don't get to see the kids, so you tend to go out.

Parent, Inner London

This idea was agreed by the final group of parents in Inner London, who talked about the importance of being able to relax with your family, and of having 'something to look forward to'. However, long working hours and commute times are not unique to Inner London, and parents in Outer London and indeed outside of the capital might also lack time with their families, and want family time 'to look forward to'. It seemed therefore that Inner London parents' citing once a month as the minimum frequency for eating out as a family also reflected different levels of expectation in terms of what was sufficient as a minimum level of participation in society.

This difference in expectations similarly arose in groups of working age adults without children, who increased the frequency at which people need to be able to eat out from once a month to once a fortnight. Like the parents in Inner London, working age adults in both Inner and Outer London linked this different need to things that were different about living in London. They talked about London's population, and thus a person's social contacts, being more transient and more widely dispersed:

Looking at the differences and thinking about when I lived out of London to now it's definitely more transient. Lots of people I know are not settled they're not kind of living in a town where they've lived for 10 years and they've got all their friends and now they come round for dinner every Saturday. I don't know there's something about it that when you live in London that you feel it's not quite as easy just stay in and stare at the walls. You're not settled.

Single working age adult without children, Inner London

W: [It needs to be] once every fortnight really.

Q: Why is that different in London?

W: People are busy

[...]

W: People travel further so they don't go home and necessarily have their dinner before they go out.

[...]

W: When I lived in Manchester I'd always go back home to eat first but now I never go home because it would just take me too much time.

Couple working age adults without children, Inner London

The prevalence of smaller properties in London also led groups to talk about people being less able to share food with their friends and family at home, and so needing to eat out more often. This reference to a lack of space for eating and socialising particularly arose in discussions about single working age adults living in a studio rather than a one-bedroom flat, and about families living in flats rather than houses:

W: In my flat I have nowhere to put a table and chairs.

Q: Is that people's experience?

W: It depends on individual living standards, flats or houses.

[...]

M: My kitchen you couldn't swing a cat in there.

W: These studio flats you wouldn't get that [a table and four chairs] in a kitchen at all.

Working age adults without children, Inner London

W: Well in Inner London they're small, the rooms are small, so you don't have a seating area. You can't even turn around or you can literally touch one end of the kitchen to another with your wingspan.

M: Yes I agree with you, good point.

W: Living in London it is different.

Parents, Inner London

W: Where I live it's a one bedroom house and the living room is so small, there's a dining room table in there and chairs but you can't sit in there because there's not enough room. So if anybody comes round I have to sit in the kitchen and have it in the kitchen, it's true.

W: When I got my flat I looked at so many and so many don't have anywhere to eat.

W: I can't have people sit in my living room there's no room for them to sit round there.

Working age adults without children, Outer London

There was a striking consensus that being able to eat out once a fortnight was necessary in order to participate in social life at a minimum level in London:

In terms of social exclusion [...] it just seems ridiculously low in terms of if you don't want people to be getting depression - once a month to say you can eat out.

Working age adult without children, Outer London

The idea of being socially 'excluded' or 'isolated' was mentioned by working age groups in both Inner and Outer London. There was a strong sense that eating

out was a central feature of London life, and that Londoners typically ate out on a more regular basis, largely because there was more choice but also for the reasons discussed above. Groups agreed that working age adults without children need to do so more often in order to maintain an acceptable level of participation in ‘London life’:

W: Because people are always eating out in London then that's your friends.

W: I don't know it's a social thing, exactly.

[...]

W: Food is like the heart of London, there's restaurants, everything.

M: I think it's because London is a metropolis here and peer pressure almost.

W: Yes it is almost peer pressure.

M: Yes the peer pressure of London.

[...]

M: I would agree that maintaining your friends in London there is a kind of a social trend, or social rules. No one really chills at home anymore, like I can't just invite my friends and say let's play Playstation. I don't have a Playstation.

W: You can't have a Playstation.

W: It's go out.

M: It's not like that but in London the social mentality is that you go out and you build friendships based on society. When you're at university there's this thing of you build friendships by drinking and going out and stuff like that. In London I'm not saying it's a university but you go out and that's how you make friends that's how you maintain your friends. Because you can make friends in work and then you go and see them on the street and you don't know them but then you go out to dinner with them after a while, that's a need to participate.

Single working age adults without children, Inner London

It's about having what you need in order to have the opportunities and choices necessary to participate in society. I see London as a 24 hour city. If we are preventing people from going out on a regular basis in the evening, how are we supporting participation in society.

Working age adult without children, Outer London

Although the need to eat out more often was linked to social norms and expectations, groups were very clear about setting a minimum level for participation. They recognised that being able to eat out every night was not the minimum acceptable standard, and that it was not necessary for someone to be able to eat out every time their friends and colleagues did, for example. There were particular instances, such as lunchtimes at work, where groups agreed that being able to purchase food in a cafe or restaurant was the ‘nice to have’, and that it was perfectly acceptable, as a minimum, for someone to prepare a packed lunch at home and take it to work.

Nonetheless, eating out was an important way of maintaining relationships and participating in social life in London, and all groups were clear that the budgets need to be increased.

As discussed above, pensioners in Inner London increased the main holiday included in the budgets for single and coupled pensioners living in Inner London from one week to two weeks. All other London groups agreed that households' need for a holiday did not change because they lived in the capital. The holiday provision for households with children in Inner and Outer London thus continues to provide for a one week self-catering caravan holiday at a family resort in the school holidays, for example at a Haven or Butlins site. For working age adults without children, the budget allows for a one week, off-peak self-catering holiday in a rented cottage, sharing with a friend or partner. For pensioners in Outer London, the provision is the same as in the UK MIS budgets; covering a one week plus a one weekend half-board coach tour package, both during off-peak periods. These holidays have all been costed as starting from London.

4. The additional costs of living in London

Chapter 3 has demonstrated that many of the goods and services that London households of all types need for a minimum socially acceptable standard of living are similar or identical to those needed by people in UK urban locations outside of London. Although there are some small differences – often related to constraints on space within London – households need a broadly similar range of clothes, food, household goods, toiletries and other possessions to that identified in UK MIS. There are some areas of more significant differences, with more substantial implications for cost. Sometimes these are differences in what is needed in London in order to have a minimum living standard – for example, the different social expectations and norms regarding eating out in the capital. In other instances, what is needed in London is no different, but the ways in which these needs are met and the costs associated with this are different – for example, working age adults without children meet their transport needs mainly through public transport both in London and in other urban areas of the UK, but the cost of accessing appropriate public transport is very different in London than elsewhere.

This chapter presents the findings about the budgets needed by households in both Inner and Outer London, focusing for the most part on four illustrative household types and comparing these to the budgets for the same households in the UK MIS. It also looks at the composition of additional costs and at the implications of these for income requirements within both Inner and Outer London. There is the capacity within MIS to calculate budgets which cover the great majority of households in the UK and the same holds for the MIS London budgets. Budgets can be calculated for most types of household where they comprise single or couple pensioners, or single or couple working age adults living with no others or only with up to four dependent children. Focusing on the four core households used in UK MIS captures much of the diversity of experience across demographic groups within London. However, when looking at the implications of the additional costs of living in London for income requirements, this chapter does refer to other household types – most notably single working age adults living in shared accommodation.

Overall differences in minimum household budgets

The budgets required by many households in Inner and Outer London to achieve a minimum socially acceptable standard of living are more than those needed in UK urban locations outside London. The overall differences, net of rent and childcare, are shown in Figure 2 and in Tables 4 and 5.

These figures show that although the cost of a minimum standard of living is greater in most instances, there is significant variation in the level of additional costs needed to achieve this standard of living. Across these household types, pensioners in Inner London have proportionately the most significant additional weekly costs. In Inner London, for a lone parent with one child there is no real difference in the weekly budget needed for this standard of living compared to UK MIS, excluding rent and childcare, while for couple pensioners the weekly budget is nearly a quarter more (23

per cent) than in UK MIS, and single working age adults need just over 10 per cent more. In Outer London the additional weekly budget for a lone parent with one child is three per cent more than in UK MIS, while single working age adults need nearly a fifth more (19 per cent).

Figure 2. Additional weekly budget compared to urban UK households (April 2014 prices, excluding rent and childcare)

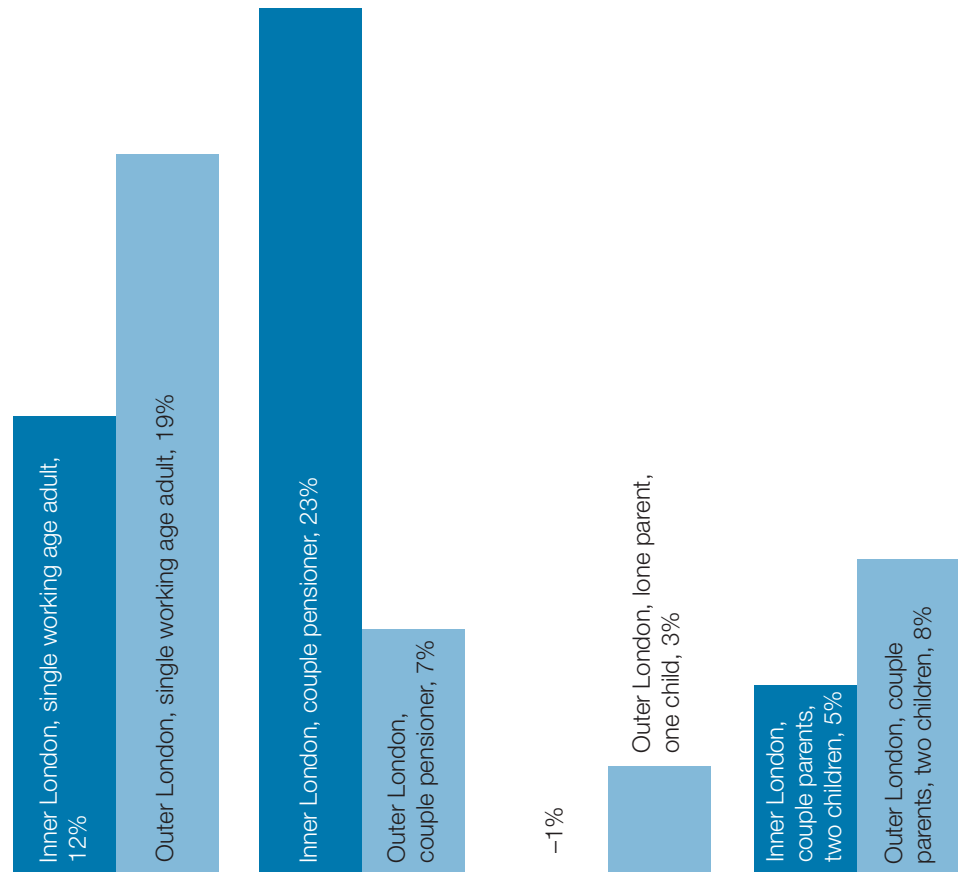


Table 4. Comparison of weekly MIS for urban UK households and Inner London households (excluding housing costs and childcare, 2014 prices)

	UK MIS total (£)	Inner London total (£)	Additional Inner London cost (£)	Additional Inner London cost as percentage increase
Single, working age	195.29	219.32	24.03	12.3%
Couple, pensioner	262.76	323.85	61.09	23.3%
Lone parent, one child (aged 0-1)	291.03	289.55	-1.48	-0.5%
Couple parent, two children (one aged 2-4; one primary school age)	482.29	506.19	23.90	5.0%

Table 5. Comparison of weekly MIS for UK households and Outer London households (excluding housing costs and childcare, 2014 prices)

	UK MIS total (£)	Outer London total (£)	Additional Outer London cost (£)	Additional Outer London cost as percentage increase
Single, working age	195.29	232.77	37.48	19.2%
Couple, pensioner	262.76	279.90	17.14	6.5%
Lone parent, one child (aged 0-1)	291.03	298.63	7.60	2.6%
Couple parent, two children (one aged 2-4; one primary school age)	482.29	522.05	39.76	8.2%

While Figure 2 and Tables 4 and 5 show only the additional weekly budgets needed for the four illustrative households, across all of the different household types covered by MIS there is a broadly similar pattern. In general, when rent and childcare are excluded, the additional costs are greater in Outer London for working age adults without children and households with children and the reverse is the case for pensioners, where there are significantly greater additional costs in Inner London. This contrast can be broadly explained by the fact that travel costs are greater for non-pensioners in Outer London (who require a more wide ranging travel pass), whereas pensioners, who get free public transport, specify a more costly form of social participation in Inner than Outer London (see Chapter 3 above).

A very different picture emerges when housing and childcare are included in the weekly budgets needed for a minimum socially acceptable standard of living, as shown in Table 6 and Figure 3. When these costs are included, it is single working age adults, living on their own in Inner London who have the most significant additional costs, needing nearly 50 per cent more than their counterparts in urban areas outside of London. This is because the cost of renting privately - even a lower-priced studio - in Inner London contributes so much to a single person's budget compared to a single person's other spending requirements. In fact, rent in this case comprises nearly half the total household budget (see Appendix tables).

Although there was a clear view that social housing meets the minimum need for accommodation with London for households with children, not all of these households will be able to access social housing. Where this is not possible families face significant additional costs. For example, using lower quartile private rents from Inner and Outer London boroughs, a couple with two children in Inner London (one aged 2-4 and one primary school age) would need just over 60 per cent – or £451.25 each week – more than families living in social housing in urban areas outside of London; in Outer London the same family would need just over 40 per cent – or £302.14 each week – more than families outside London.

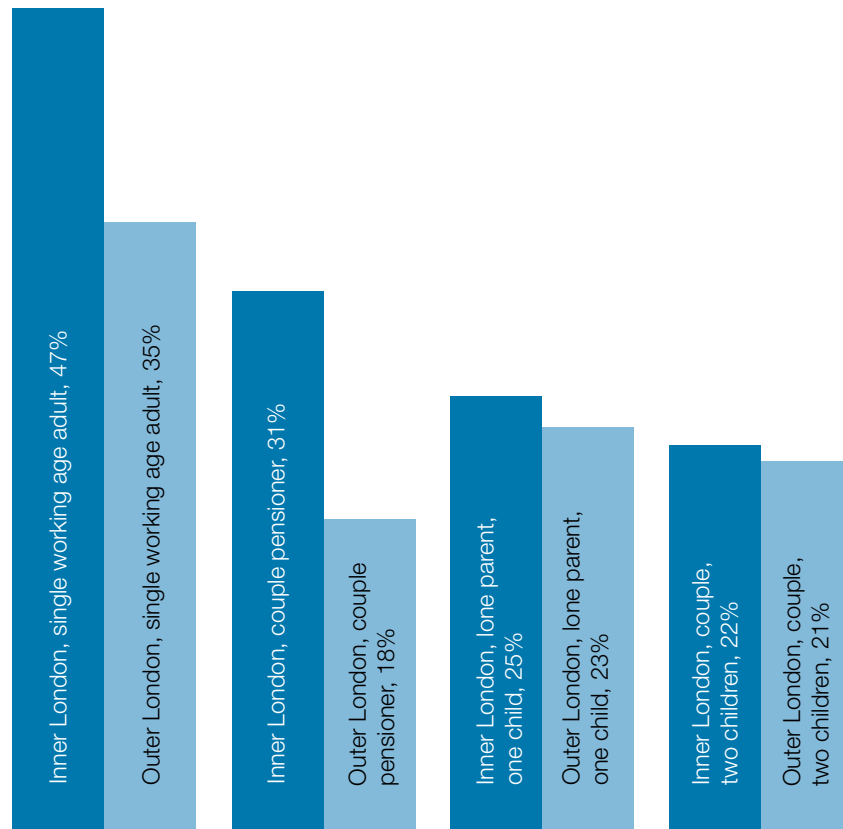
While expensive housing and childcare are crucial reasons why it is more expensive to live in London, the actual size of this premium depends on which part of the country one is comparing it to, since rent and childcare costs vary considerably across the UK. The comparisons shown in this report, which use costs in the East Midlands

as a starting point representing a relatively low-cost region, should be seen only as illustrative of how much more expensive it is to live in London than elsewhere.

Table 6. Additional budgets compared to UK MIS – including and excluding rent and childcare

Household composition		Additional cost as percentage increase (£ difference)	
		Inner London	Outer London
Single working age	Excluding rent and childcare	12.3% (£24.03)	19.2% (£37.48)
	Including rent and childcare	46.8% (£130.74)	34.7% (£96.80)
Pensioner couple	Exc. rent and childcare	23.2% (£61.09)	6.5% (£17.14)
	Inc. rent and childcare	30.7% (£106.95)	18.1% (£62.99)
Lone parent, one child (aged 0-1)	Exc. rent and childcare	-0.5% (-£1.48)	2.6% (£7.60)
	Inc. rent and childcare	24.9% (£134.40)	23.2% (£125.03)
Couple parent, two children (one aged 2-4; one primary school age)	Exc. rent and childcare	5.0% (£23.90)	8.2% (£39.76)
	Inc. rent and childcare	22.3% (£163.65)	21.3% (£156.73)

Figure 3. Additional weekly budget compared to urban UK households (April 2014 prices, excluding rent and childcare)



Composition of additional costs

The differences between budgets, both between UK MIS and London and between Inner and Outer London budgets, can be understood by considering the categories in which these costs fall. Tables 7 and 8 show the total additional Inner and Outer London cost in pounds and the budget categories in which there are additional costs and savings. More detail on the actual budgets for each spending category in each area type is shown in the Appendix tables at the end of this report.

With the exception of pensioner households and lone parents with one child in Inner London, the largest element of additional costs – other than rent and childcare – are those associated with transport. In general this reflects the higher costs related to the use of public transport within London compared with the UK MIS. This increase is most significant for households in Outer London as groups agreed that a Zone 1-6 monthly Oyster Card was the minimum needed by all working age adults to get around the capital. Transport costs account for more than 90 per cent (£34.48 per week) of the additional costs for single working age adults living in Outer London, where the cost of a Zone 1-6 monthly is significantly greater than the cost of a monthly bus pass in the UK MIS. For pensioners there is a decrease in transport costs: because of the flexibility and coverage provided by the Freedom pass, there is a reduction in the need for taxi journeys, accounting for the decrease in costs in both Inner (£1.85 per week) and Outer London (£5.11 per week). Lone parents with one child living in Inner London also have reduced transport costs with a saving of £4.00 per week compared to UK MIS.

While transport accounts for the majority of additional costs for working age households with and without children, for pensioner households in both Inner and Outer London the largest element of additional costs are those associated with social and cultural participation and eating out. In Inner London additional needs associated with eating out and social and cultural participation add £52.95 to the weekly budget; in Outer London additional needs in these budget categories add £13.33 each week.

Figure 4 shows the differences between and composition of transport budgets for single working age households outside of London and in Inner and Outer London

After transport costs, in Inner London, the increased frequency and cost of eating out accounts for the next largest element of additional costs for all except pensioners, but adds only around £5 or less per week for these other households. As discussed in Chapter 3, changes in either the frequency or cost of eating out were needed in order for households in Inner London to have a minimum socially acceptable standard of living. The additional costs of eating out are generally less significant in Outer London, although they do make up the greatest part of the additional costs for pensioners living in Outer London.

Other costs – including changes to school uniform suppliers and some additional costs associated with social and cultural participation in households with children – have a more limited impact on the budgets. A notable exception is the considerable proportion of the additional costs for pensioners in Inner London that are accounted for by an increase in the budget allowed for social and cultural participation – this increased budget accounts for two-thirds of the additional costs for these households.

Income comparisons and earnings requirements

The Minimum Income Standard allows calculations not only of minimum budgets required by households but also of how this compares to income on benefits and the

Table 7. Components of additional costs for Inner London households (excluding rent and childcare)

	Additional Inner London weekly cost (£)	Of which (£)					
		Transport	Food and alcohol (including eating out)	Personal goods and services	Heating and power	Social and cultural participation (including holidays)	Other
Single, working age	24.03	19.77	5.01	2.15	-1.80	0.00	-1.10
Couple, pensioner	61.10	-1.85	12.78	1.66	4.89	40.17	3.44
Lone parent, one child (aged 0-1)	-1.48	-4.00	1.67	0.22	1.74	2.17	-3.28
Couple parent, two children (one aged 2-4; one primary school age)	23.90	12.61	4.90	2.89	5.26	0.36	-2.12

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

	Additional Outer London weekly cost (£)	Of which (£)					
		Transport	Food and alcohol (including eating out)	Personal goods and services	Heating and power	Social and cultural participation (including holidays)	Other
Single, working age	37.48	34.48	4.68	1.21	-1.80	0.00	-1.08
Couple, pensioner	17.14	-5.11	11.26	0.82	4.89	2.07	3.22
Lone parent, one child (aged 0-1)	7.60	5.40	0.82	0.22	1.74	2.85	-3.44
Couple parent, two children (one aged 2-4; one primary school age)	39.76	32.90	1.61	1.31	5.26	1.06	-2.38

minimum wage, how it compares to the official poverty line and how much a working household would need to earn in order to have the required disposable income.

Table 9 shows that, against various benchmarks, Londoners on a low income fall further short of meeting their needs than people living in less expensive areas. Single people on benefits have only a third of the disposable income that they need. Families with children on benefits meet just over half their needs: due to the fact that most extra costs for families are for rent, which is covered by Housing Benefit for out of work families in social housing, and childcare, which is assumed not to be used by non-working families, in this case London costs make little difference. Pensioners have three-quarters of the minimum in inner London and nearly 90 per cent in outer London) but this still leaves a larger shortfall than outside London.

Table 9. Londoners' income compared to MIS: benefits, minimum wage and poverty line

Safety-net benefits* as a % of MIS			
	UK outside London	Inner London	Outer London
Single adult	40%	35%	33%
Pensioner couple	95%	77%	89%
Lone parent, one child	57%	57%	56%
Couple, two children	57%	54%	52%

* Post-rent income on Income Support or Pension Credit.

Disposable income on the Minimum Wage* as a % of MIS			
	UK outside London	Inner London	Outer London
Single adult	69%	61%	57%
Lone parent, one child	85%	55%	60%
Couple, two children	82%	74%	72%
Couple, two children	57%	54%	52%

*Income after rent, council tax and childcare costs have been paid. Assumes adult/s in household work full time.

MIS as % of median income, after housing costs (poverty line is 60%)*			
	UK outside London	Inner London	Outer London
Single adult	81%	91%	97%
Pensioner couple	56%	69%	60%
Lone parent, one child	87%	87%	90%
Couple, two children	82%	86%	89%

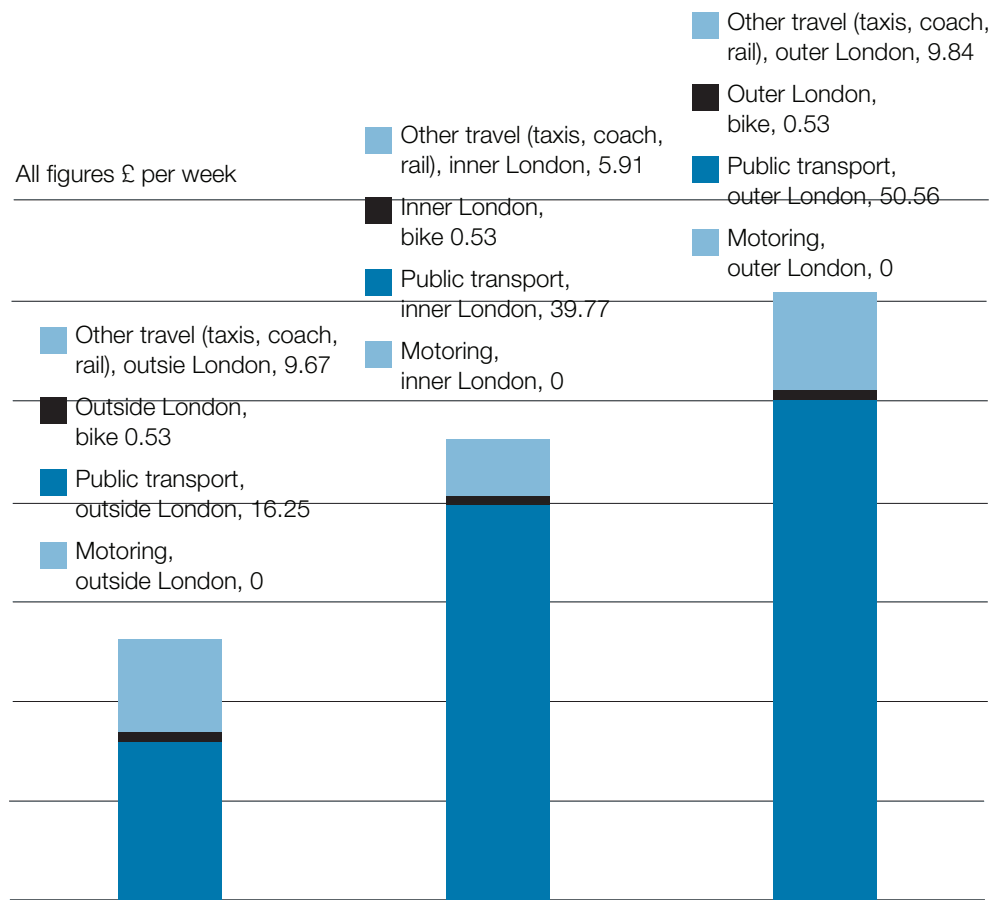
*Based on MIS and the income distribution in 2012/13, and assuming that the ratio of London to out-of-London costs was the same then as in 2014.

The Table also shows that those who are working, but on the Minimum Wage, still have below the minimum required income. Those with only a single adult earning find it especially hard to meet the high rents in London, even helped by Housing Benefit, and in the case of single parents to pay for childcare. In these cases the shortfall is around 40 per cent of a minimum budget. For couples with children, the existence of two earners reduces the shortfall, to around a quarter of a minimum budget.

The high cost of housing and other additional expenses also means that the wage that would get a London household above the minimum is considerably higher in London than elsewhere in the United Kingdom.

For a single person, who needs to earn £17,100 a year in order to attain MIS in the UK-wide calculations, this rises to £24,500 in Outer London (43 per cent more) and

Figure 4. Comparison of transport costs for single working age adults (2014 prices)



to £27,100 in Inner London (58 per cent more). These calculations are based on people living in self-contained accommodation; even though a studio rather than a one-bedroom flat is specified as being needed in London, rents are far higher than elsewhere. However, many Londoners share accommodation: sharing is now more common than living alone for working age singles living in London and under the age of thirty-five people in London are far more likely to be living with other non-relations than they are to be living alone (Hill *et al.*, 2015). For someone renting a room in a shared house, it is possible to reach MIS earning £21,100 a year in Outer London and £22,300 a year in Inner London.

These costs could come down further for someone who is established in a job where the amount of travel required is less than groups in this study agreed was needed in order to access work opportunities. For example, someone working in central

London and living in Zone 2 may only need a Zone 1-2 rather than a Zone 1-4 travel card, which will save about £50 a month, and for an Outer London resident living in Zone 4 and working in Zone 1, requiring four rather than six zones, the saving is similar. These illustrative cases would reduce the earnings requirements stated above by slightly less than £1,000 a year – in other words, this would make a small but not insignificant difference to these figures.

For a couple with two children, with both working full time and paying for full-time childcare, each parent needs to earn £20,400 outside London, £28,500 in Outer London (40 per cent more) and £28,800 in Inner London (41 per cent more), in order to cover their minimum costs. This is above the level at which the family gets any help from the state through tax credits.

For a lone parent with one child, the cost of childcare in London makes costs at a minimum level prohibitive. If the child is under 2, and gets no free childcare entitlement, full-time childcare costs greatly exceed the weekly limit eligible for tax credits, and in order to cover them fully a lone parent's earnings have to rise to over £45,000 a year either in Inner or in Outer London. Thus, earnings requirements in London are substantially above what most lower-paid workers could hope to attain. Unless life becomes more affordable, such workers will fall short of what they need.

Households below the Minimum Income Standard in London

The Minimum Income Standard for London enables analysis of the adequacy of incomes in London as measured by households' ability to reach MIS. Using a similar methodology as that which is used to monitor income adequacy in the UK as a whole (Padley *et al.*, 2015), it is possible to calculate the proportion of those households in London who are covered by MIS that have incomes that fall below the minimum. The figures presented here are based on a three-year average of MIS London budgets between 2010 and 2012, compared with three-year average for the London region from the Family Resources Survey.

Table 10 shows the proportion of individual in households with an income below that needed for an adequate standard of living in London. Of individuals living in MIS-type households in London, just over one third (34 per cent) have a household income that falls below MIS. This is higher than the proportion of individuals in the UK as a whole who fall below MIS: in 2012/13 27 per cent of individuals in MIS-type households in the UK were below this level (Padley *et al.*, 2015). A greater proportion of individuals in London compared to the UK as a whole also have incomes that are below half of MIS: 11 per cent in London compared to 6 per cent in the UK as a whole.

Table 10. Percentage of individuals below MIS in London by household type (average for 2010/11 to 2012/13)

Household type	Below MIS in London	Below 50% of MIS
Single/couple working-age	26%	11%
Lone/couple parents	43%	12%
Lone parent	65%	15%
Couple parent	39%	12%
Single/couple pensioners	18%	3%
LONDON TOTAL	34%	11%

Table 10 also shows that risk of low income varies across household types. Individuals in households with children in London face a greater risk of having an inadequate income than those in working age households without children (43 per cent compared with 26 per cent in 2012/13). Among households with children in the capital, the greatest risk of having inadequate income faces lone parents and they also have the highest risk of having an income below half of what is needed for a socially acceptable standard of living. Pensioners have a lower risk of being below MIS than other household types, although the risk of having an inadequate income is significantly higher for pensioners in London compared to the UK as a whole (18 per cent compared with 7 per cent) (Padley *et al.*, 2015).

5. Conclusion

It will come as no surprise to Londoners that this report has shown the minimum cost of living in the capital to be substantially greater than in the rest of the UK. However, research on a Minimum Income Standard for London is able both to quantify this difference and to comment on the various sources of additional costs. This allows policy makers and practitioners to consider not just how lower-income Londoners might be helped to increase their income, but also which costs would need to be brought down in order to make living in London more affordable.

The study has found that many elements of essential living costs are the same in London as anywhere else in the United Kingdom. Buying things like food, clothing, electricity and household goods varies little by location, helped by the fact that chain stores have national pricing policies.

However, substantial differences in costs also arise, for several different types of reason. One is a difference in *prices*: a home of the same size, or a childcare session at a nursery costs much more in London than exactly the same thing elsewhere. A second category is difference in the *infrastructure* affecting people's lives: travelling to work in London, for example, often involves a different type of journey using a different mode of travel than it would in Loughborough, and minimum housing costs too are influenced by the context of a different built environment. A third source of difference lies in *ways of living*. People in London describing minimum needs expect a somewhat different way of living, in some respects, from those in other parts of the UK, and this is particularly apparent in the forms of their leisure and social interaction. These lifestyle differences do not imply a higher or lower overall 'minimum living standard' in London than elsewhere, but rather reflect differences in customs *and* differences in the situations and pressures experienced by households in the capital.

What were the greatest differences in MIS produced by the above three factors? As expected, the single biggest additional expense in London relates to price: the very high cost of housing. This is true despite the fact that the housing infrastructure has an influence on reduced expectations of housing space. Londoners accept that the minimum size of housing will necessarily be more modest in London than the equivalent in other parts of the country, with studios sufficing where elsewhere flats would be considered a necessity, and in other cases flats replacing houses. Even with these reductions, however, London minimum rents are far costlier than the minimum elsewhere. Nor do higher housing costs affect only those renting privately: social housing has become much more expensive in London compared to elsewhere in the UK, and for working families whose rent is not being fully covered by Housing Benefit, this makes it difficult to earn enough to make ends meet.

While all living in London are impacted by high housing costs, other additional costs affect various household types differently. Transport, like housing, is affected both by price and by infrastructure. Good public transport means that families with children can do without a car, unlike outside London, but this is offset by the high cost of public transport, meaning that getting around costs a similar amount inside and outside London. For other working-age households, on the other hand, transport costs more in London, since public transport is considered adequate in all urban

areas of the UK, but is more expensive in the capital. Whilst additional transport costs affect those without children more, households with children are impacted greatly by high childcare costs. Pensioners avoid both childcare and public transport costs, but have the greatest additional costs associated with ways of living: for this group, social participation costs more in London, especially Inner London, than elsewhere. Thus, each group faces some additional cost deriving from prices, infrastructure and/or lifestyle.

Overall, the additional minimum cost of living in London ranges from around zero to 25 per cent higher excluding rent and childcare, and between 20 and around 50 per cent when the cost of these is included. The highest premiums come for single working-age people who do not get any economies of scale when paying a London rent. The most affordable situation is that of pensioners living in Outer London, who face neither transport costs nor the extra expenditure linked to social participation in Inner London – and who could avoid much of the additional housing cost either because pensioner owner-occupiers are likely to have paid off their mortgage or because those in rented accommodation and on low incomes receive Housing Benefit.

This report is a starting point in understanding and responding to high costs in London. It provides a reference point that can be used by others in analysing which individuals and groups living in London are not meeting their needs and what might be done to address this situation.

For example, analysis of the number of households living significantly below the minimum in different parts of London and which groups are affected can build on the initial figures on the numbers below MIS reported above and on the annual analysis of the numbers below MIS nationally (cf. Padley *et al.*, 2015, Padley and Hirsch, 2014, 2013). This information can be used by agencies seeking to help those in London who are struggling to make ends meet, using a more evidenced profile of low income than has previously been available. MIS can be used to consider not just the incidence of particular phenomena such as low wages, high rents or cuts in benefits but to look at how such factors combine to create disposable income for households that may be well below what they need.

A further application of the MIS findings can be to consider which costs are affecting the living standards of particular groups, and hence what the effect could be of bringing these costs down. Most obviously, making housing more affordable (including in the social housing sector) would benefit most groups. An example of a less obvious point that emerges from the study is that families' transport costs may be contained not just by keeping fares down but also by making buses more accessible to parents with children, allowing them to use this cheaper travel option more. The impact on overall living costs of particular policy proposals, such as extending free school meals or travel concessions, can also be measured through MIS.

This research has provided, for the first time, a rounded picture of minimum household costs in London. In so doing, it allows debate and analysis on Londoners' costs, and how they are different, to be based on concrete evidence, rather than on anecdote or arbitrary assumptions.

Appendix

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

£ per week (2014 prices)	Single, working age		
	UK MIS	Inner London	Outer London
Food	43.95	48.97	48.63
Alcohol	4.82	4.82	4.82
Tobacco	0.00	0.00	0.00
Clothing	6.76	6.76	6.76
Water rates	5.63	4.95	4.95
Council tax	14.60	14.50	14.50
Household insurances	1.16	0.81	0.82
Fuel	17.32	15.52	15.52
Other housing costs	1.92	1.92	1.92
Household goods	11.91	11.93	11.93
Household services	2.79	2.79	2.79
Childcare	0.00	0.00	0.00
Personal goods and services	13.56	15.72	14.77
Motoring	0.00	0.00	0.00
Other travel costs	26.45	46.22	60.93
Social and cultural participation	44.43	44.43	44.43
Rent	84.06	190.77	143.38
Total – excluding rent and childcare	195.29	219.32	232.77
Total – including rent and childcare	279.35	410.09	376.15

£ per week (2014 prices)	Couple, working age		
	UK MIS	Inner London	Outer London
Food	78.95	88.61	88.61
Alcohol	9.44	9.44	9.44
Tobacco	0.00	0.00	0.00
Clothing	13.51	13.51	13.51
Water rates	5.63	6.02	6.02
Council tax	19.47	19.34	19.34
Household insurances	1.11	0.81	0.82
Fuel	20.65	18.28	18.28
Other housing costs	1.92	1.92	1.92
Household goods	15.72	12.88	12.88
Household services	5.09	5.09	5.09
Childcare	0.00	0.00	0.00
Personal goods and services	24.78	28.61	26.11
Motoring	0.00	0.00	0.00
Other travel costs	52.89	92.42	121.86
Social and cultural participation	73.84	73.84	73.84
Rent	81.88	257.70	182.28
Total – excluding rent and childcare	323.00	370.76	397.70
Total – including rent and childcare	404.88	628.46	579.98

£ per week (2014 prices)	Single, pensioner		
	UK MIS	Inner London	Outer London
Food	45.47	53.97	52.46
Alcohol	6.58	7.38	7.38
Tobacco	0.00	0.00	0.00
Clothing	5.75	5.75	5.75
Water rates	5.63	4.95	4.95
Council tax	14.60	14.50	14.50
Household insurances	1.16	0.81	0.82
Fuel	15.04	18.28	18.28
Other housing costs	1.92	1.92	1.92
Household goods	14.37	13.93	13.93
Household services	7.97	7.97	7.97
Childcare	0.00	0.00	0.00
Personal goods and services	15.99	16.93	16.44
Motoring	0.00	0.00	0.00
Other travel costs	10.53	5.48	2.93
Social and cultural participation	37.16	61.70	45.55
Rent	77.62	116.93	116.93
Total – excluding rent and childcare	182.16	213.57	192.87
Total – including rent and childcare	259.78	330.50	309.80

£ per week (2014 prices)	Couple, pensioner		
	UK MIS	Inner London	Outer London
Food	73.66	86.43	84.92
Alcohol	7.70	9.16	9.09
Tobacco	0.00	0.00	0.00
Clothing	11.49	11.49	11.49
Water rates	6.64	6.37	6.37
Council tax	19.47	22.10	22.10
Household insurances	1.56	1.02	0.87
Fuel	18.62	23.51	23.51
Other housing costs	1.92	1.92	1.92
Household goods	15.72	15.89	15.89
Household services	8.04	8.04	8.04
Childcare	0.00	0.00	0.00
Personal goods and services	32.03	33.69	32.85
Motoring	0.00	0.00	0.00
Other travel costs	11.05	9.21	5.94
Social and cultural participation	54.85	95.03	56.92
Rent	85.18	131.03	131.03
Total – excluding rent and childcare	262.76	323.85	279.90
Total – including rent and childcare	347.93	454.88	410.93

£ per week (2014 prices)	Lone parent, one child (aged 0-1)		
	UK MIS	Inner London	Outer London
Food	54.45	56.12	55.26
Alcohol	6.78	7.33	7.33
Tobacco	0.00	0.00	0.00
Clothing	22.11	21.45	21.45
Water rates	9.15	6.37	6.37
Council tax	17.03	16.58	16.58
Household insurances	2.27	1.02	0.87
Fuel	21.18	22.92	22.92
Other housing costs	3.56	3.56	3.56
Household goods	23.64	22.47	22.47
Household services	8.24	10.75	10.75
Childcare	163.85	253.88	235.43
Personal goods and services	29.93	30.15	30.15
Motoring	46.52	0.00	0.00
Other travel costs	1.24	43.76	53.16
Social and cultural participation	44.93	47.09	47.78
Rent	85.18	131.03	131.03
Total – excluding rent and childcare	291.03	289.55	298.63
Total – including rent and childcare	540.06	674.46	665.09

£ per week (2014 prices)	Couple parent, two children (one aged 2-4; one primary school age)		
	UK MIS	Inner London	Outer London
Food	104.62	109.52	106.23
Alcohol	7.11	8.21	8.21
Tobacco	0.00	0.00	0.00
Clothing	44.69	44.87	44.87
Water rates	9.62	7.02	7.02
Council tax	22.71	22.10	22.10
Household insurances	2.30	1.19	0.93
Fuel	25.65	30.91	30.91
Other housing costs	9.58	9.58	9.58
Household goods	28.09	26.30	26.30
Household services	8.82	11.55	11.55
Childcare	161.74	248.72	225.93
Personal goods and services	44.19	47.08	45.50
Motoring	58.87	0.00	0.00
Other travel costs	15.11	86.59	106.89
Social and cultural participation	100.91	101.27	101.97
Rent	91.33	144.10	144.10
Total – excluding rent and childcare	482.29	506.19	522.05
Total – including rent and childcare	735.35	899.00	892.08

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