



London Project Report

July 2004



This report is not a statement of government policy

Literary London

No, Sir, when a man is tired of London, he is tired of life;
for there is in London all that life can afford. - **Samuel Johnson**

I love London because on any day of the week, somewhere,
you can find something that will enrich you. - **Kwame Kwei-Armah**

Certainly London fascinates. One visualises it as a tract of quivering grey,
intelligent without purpose, and excitable without love; as a spirit that
has altered before it can be chronicled; as a heart that certainly beats,
but with no pulsation of humanity. It lies beyond everything. - **E M Forster**

London is enchanting. I step out upon a tawny coloured magic carpet,
it seems, and get into beauty without lifting a finger. - **Virginia Woolf**

Unpredictable, diseased, impatient, energetic. - **Peter Ackroyd**

That great cesspool into which all the loungers and idlers
of the empire are irresistibly drained. - **Sir Arthur Conan Doyle**

A nation, not a city. - **Benjamin Disraeli**

The London Project is a study of the long-term issues facing London and its role as a capital and world city

- The London Project was commissioned by the Prime Minister and Deputy Prime Minister, to consider the long-term issues facing London and its role as a capital and world city.
- The Mayor published his London Plan in June last year, focusing on areas in which lead responsibility has been devolved.
- The Government considered it appropriate to look in parallel at issues where central government retains lead responsibility and/or a strategic interest.
- An analytical report looking at the issues facing London's services was published last summer. This report follows up our earlier study with more detailed analysis and recommendations on key issues.
- This document is a report to Government, it is not a statement of government policy.

The Strategy Unit published its London analytical report in July 2003

Summary of analytical report findings - London:

- has a highly successful, productive economy that makes a substantial contribution to the whole of the UK
- is attractive to skilled workers from the rest of the South East, the UK, and across the world
- has a young population that is diverse and transient
- has high numbers of jobless people and substantial deprivation
- has a housing market which is under strain and which will come under increasing pressure as population growth continues
- has a transport infrastructure that has not kept step with the city's developing needs in the last fifty years
- has public services that face substantial challenges as a result of the city's unique characteristics
- has a complex system of governance that does not easily enable the city to focus on its strategic needs

Full report available online at: www.strategy.gov.uk

This report focuses analysis on housing, transport, public services and the labour market in London

- This report has a particular focus on the role of central government in London.
- It covers London's overall economic and social position, housing, transport, public services and the labour market.
- It has not been possible to cover every aspect of London in detail; this report does not provided detailed analysis on topics including:
 - » Environmental issues
 - » Structural issues (and governance)

Contents

6. Summary: the three-minute London

- 10. London overall
- 25. Housing
- 45. Transport
- 69. Public services
- 95. Labour market
- 116. Structural issues
- 121. Summary: recommendations

Summary: the three-minute London

London overall

- London is a leading world city, without parallel in history, diversity, culture, enterprise and creativity - with powerful internationally competitive clusters in business, trade, finance and creative industries. It is an open and tolerant city offering both a gateway to Europe and a mid-Atlantic orientation, underpinned by the English language. London's challenge is to resolve tensions arising from its intensity; great wealth with social inclusion; diversity with tolerance; openness to migration with security and public support; mobility with community; and population and economic growth with quality of place and quality of life.

Economy

- London's economic strength is rooted in human talent, and expressed through knowledge-based, creative and cultural industries, including tourism - competing internationally for markets and for workforce. To sustain its economic success London must create the conditions to attract and retain its workforce. London is the focus for migration to the UK, and its economy and cultural life benefit enormously - but economic migration cannot be open-ended for all-comers. Understanding the drivers of London's attraction and repulsion and action to maintain London's attraction, and a strategy for managing international economic migration into London will underpin the continued success of the economy.

Summary: the three-minute London

Housing

- Housing in London is under pressure as construction lags behind demand. Homes become less affordable, squeezing middle-earners out of popular areas. Meanwhile, waiting lists for social rented accommodation are long and increasing. The government is beginning to address these challenges. In the long term, affordability should stem from a flexible supply side. Expenditure on temporary accommodation should be converted to construction or purchase of permanent homes. Making more fair and efficient use of the social housing stock (38% of dwellings in Inner London) could support sustainable communities, promote choice and mobility, and improve the welfare return on these valuable assets.

Transport

- London's people and economy depend on its transport system, which sustains enormous daily movements. Continued improvement to the transport system is a pre-requisite for the functioning of the capital and its ability to compete internationally. The Mayor's transport strategy should lead the development of London's transport system, with central government being as clear as possible about its contribution and the tools available to the Mayor to raise the funds to implement his strategy. The strategy should be based on the best modelling and appraisal techniques available in order to secure value for money within the constraints of affordability, backed by pricing and fares that reflect costs and congestion.

Summary: the three-minute London

Public services

- Performance of public services within London is polarised. The compactness of the city allows the best services to attract and retain the best staff. Quality staff and managers are drawn away from services facing greatest challenge. Workforce strategies should target incentives according to need/challenge, and ensure high quality staff are motivated to work in difficult circumstances. London's mobile and diverse London population is both a strength and a challenge. There is greater potential to organise services to go with the grain of these characteristics, which will be essential in ensuring equality of outcomes for Londoners.

Labour market

- Meeting the Government's employment targets requires particular emphasis on London's labour market. Policy should address London's population characteristics (e.g. ethnicity) and extra challenges (e.g. mental illness, drug addiction) by understanding these factors better and by supporting services that address them (e.g. outreach, cross-agency approach). There are also 'London factors': chiefly low gains to work aggravated by poor awareness of in-work benefits and the childcare gap for women at *all* skill levels. Public sector employers, in partnership with Jobcentre Plus, should lead in enabling target groups to find work. English language teaching is essential for many Londoners.

Contents

6. Summary: the three-minute London

10. **London overall**

25. Housing

45. Transport

69. Public services

95. Labour market

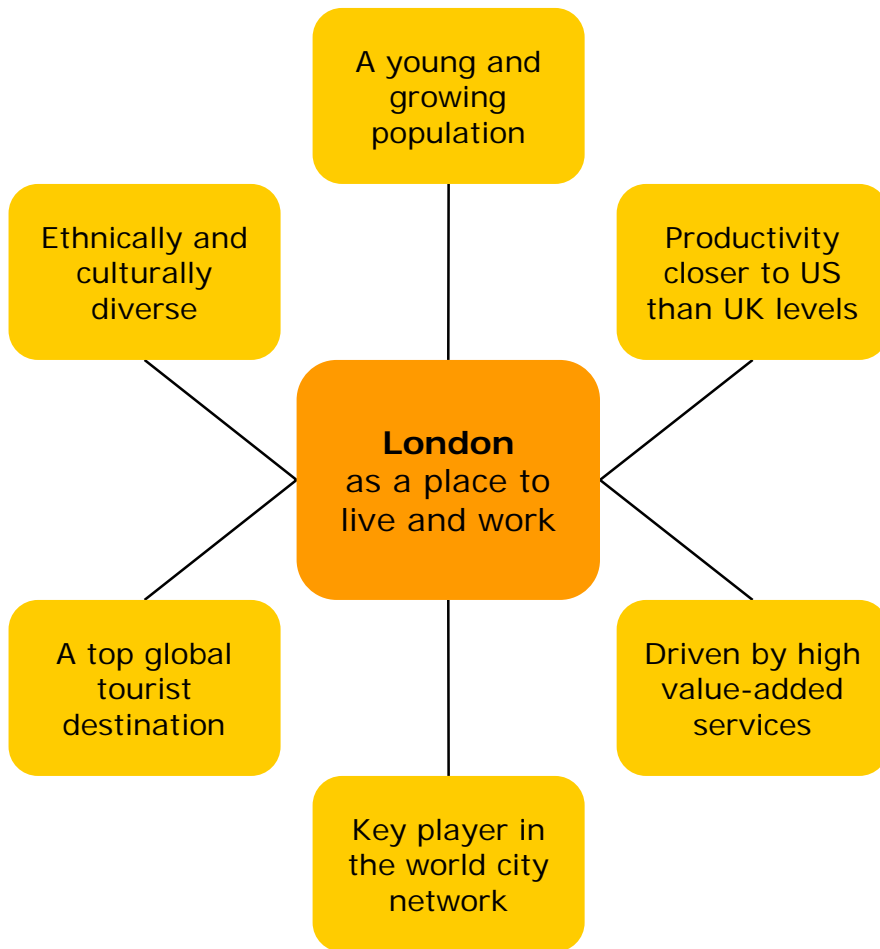
116. Structural issues

121. Summary: recommendations

London: overall positioning

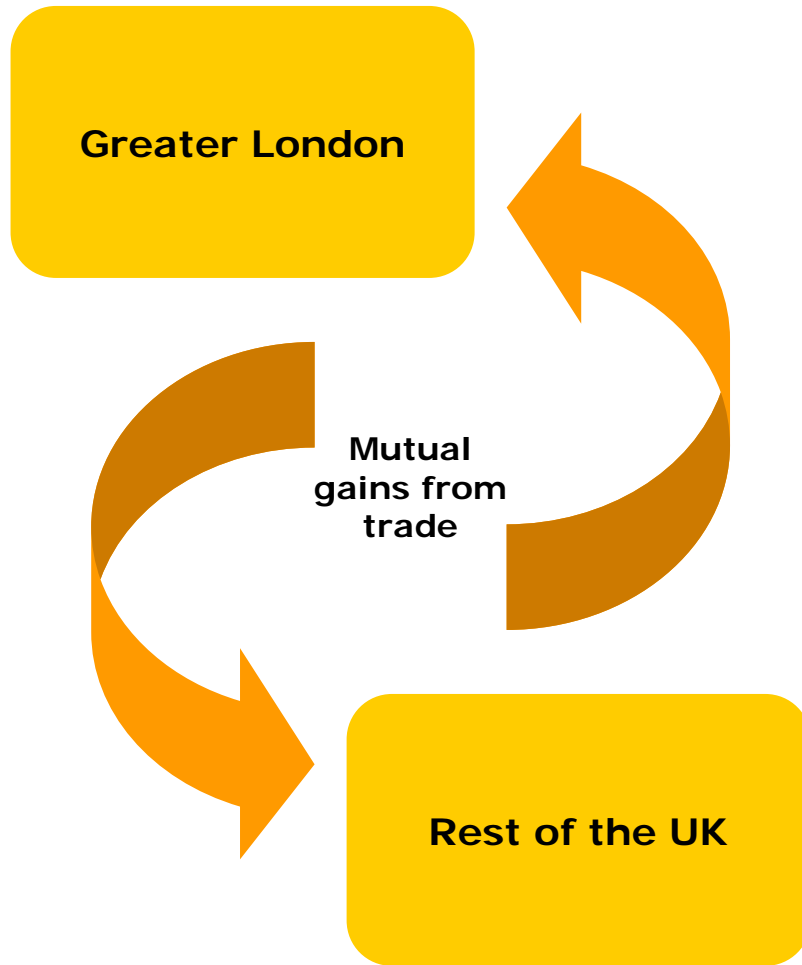
- **London is not just a larger English city, nor just the UK capital - it is a 'world city'**
 - » Highly diverse and attracts migrants for many reasons - a melting pot
 - » Centre of gravity of developed world - English language, European, mid-Atlantic, international businesses
 - » Increasing in population - primarily through migration - while most UK cities declining
 - » Rich cultural assets and history, attracting large tourist trade and longer-term visitors
 - » Large and growing creative sector - attracted by liberal values, culture and tolerance
 - » Dominant financial and business services centre in Europe
- **London contributes substantially to the UK economy**
 - » Net contributor to the Exchequer (estimated by economists at £10-20bn) *but this is fair, as redistribution is integral to design of the tax and benefits system*
 - » There are substantial mutual gains from trade with rest of the UK
 - » To some extent, London acts as 'gateway' to rest of the UK and there is gradual outreach of London-centred activity to the rest of UK
 - » There is no 'zero-sum-game' in which London's success is at the expense of other cities or regions
 - » The task of raising growth in other regions and cities is formidable, but should focus primarily on building productivity within the regions
 - » Some redistribution of public sector investment and operations could be justified - for example the location of civil servants (as envisaged in the Lyons review), research spending and prestige projects

London is an attractive place for many to live, but with success there are also underlying tensions



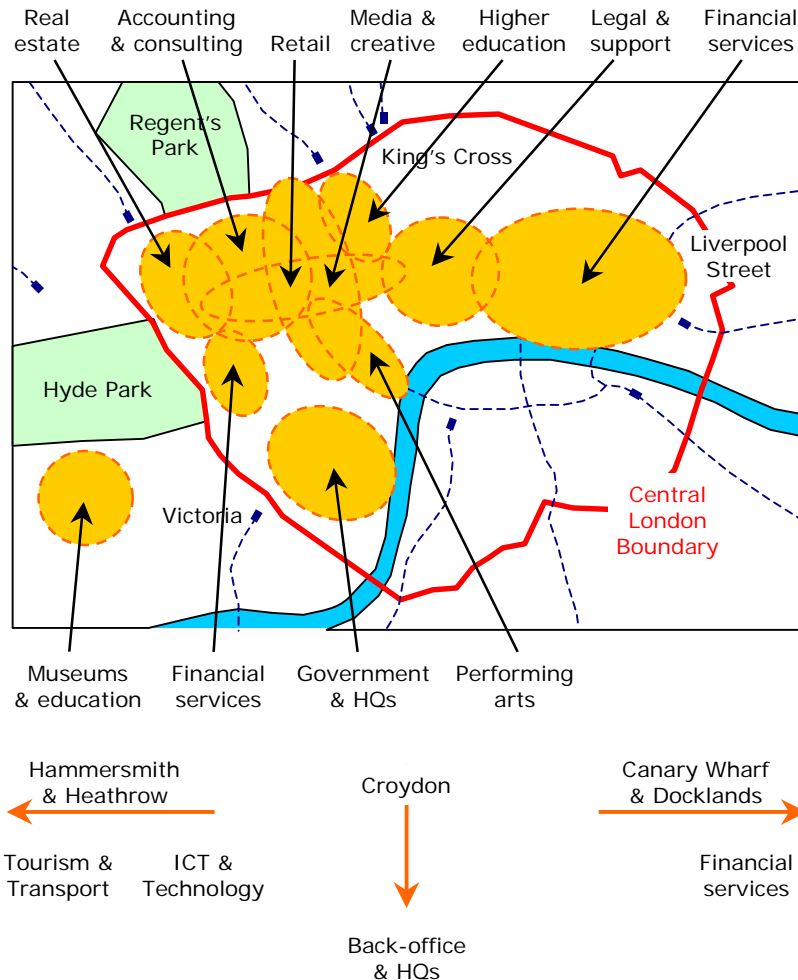
- Some of London's strengths also have a negative 'flipside' e.g.
 - » Growing population and changing living patterns puts strain on housing and transport
 - » Diversity poses challenges for public services and migration can intensify labour market competition, with overall benefits but losses to some
 - » High quality of life and cultural excellence mask exclusion and polarisation between rich & poor
 - » London's international positioning makes it the gateway for crime and home to most of the UK's illegal immigrants
 - » London's high profile and openness presents a terrorism risk

London has a mutually beneficial relationship with the rest of the UK - though it is far bigger than and very different to all other UK cities



- 75% of London's **trade** is with the rest of the UK.
- London acts as an **international gateway** for the regions.
- London attracts high-skilled workers and investment.
- London makes a **net contribution** to the Exchequer.
- London supports an estimated 4m jobs across the country.

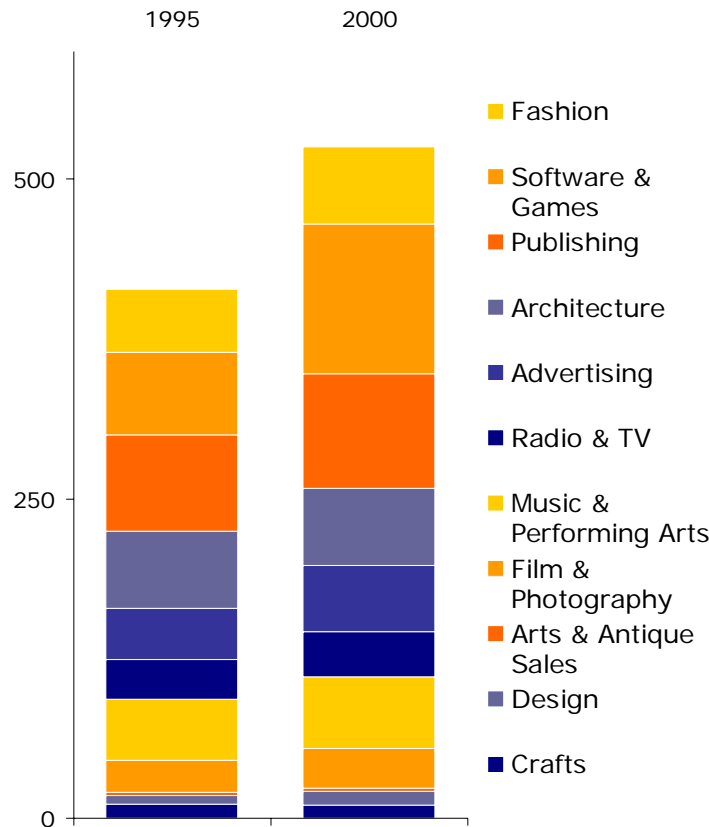
Businesses in London benefit from the interlocking clusters of industries in the city - these are knowledge-based and highly creative



- Similar firms derive a range of benefits from clustering together:
 - » access to deep labour pools
 - » interactions with similar firms
 - » intelligence sharing
 - » better customer attraction
- Firms also benefit from being near clusters of other types of business:
 - » financial institutions require lawyers and accountants
 - » technology firms benefit from proximity to academia
 - » creative industries are highly integrated
- The interdependencies between sectors are crucial to their success:
 - » so some subsets of a cluster could not be easily transplanted
 - » but cost pressures may increasingly move more 'back office' staff out of the capital

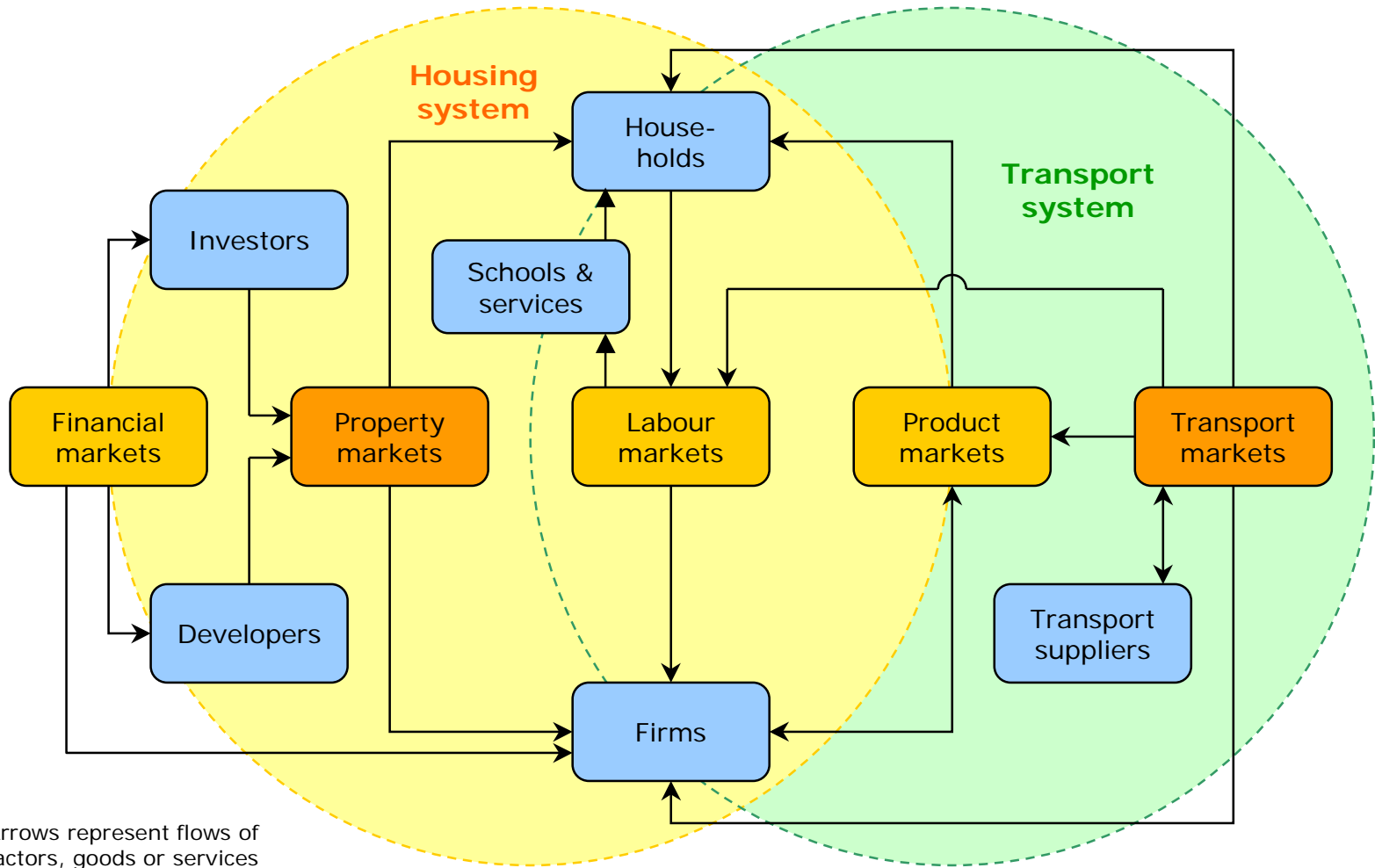
The growing creative industries sector exemplifies London's economic strengths, but London has to compete with other cities to attract talent

Creative industries employment in London (thousands)



- One example of London's comparative advantage is the strength of the creative industries sector - a loose construct capturing industries that have expression and imagination as their core qualities. Arts, culture, shopping opportunities are all major elements drawing people and business to the capital
- These industries are diffuse and often SMEs - and can be supported through the availability of affordable property, venture capital, start-up advice and minimal bureaucracy
- They also especially depend on network synergies and clustering, and have some specialised needs like intellectual property competence
- Though a large sector, they cannot easily co-ordinate - so show-casing the best talent and exploiting the highlights of London's creative and cultural capital is a valuable government role

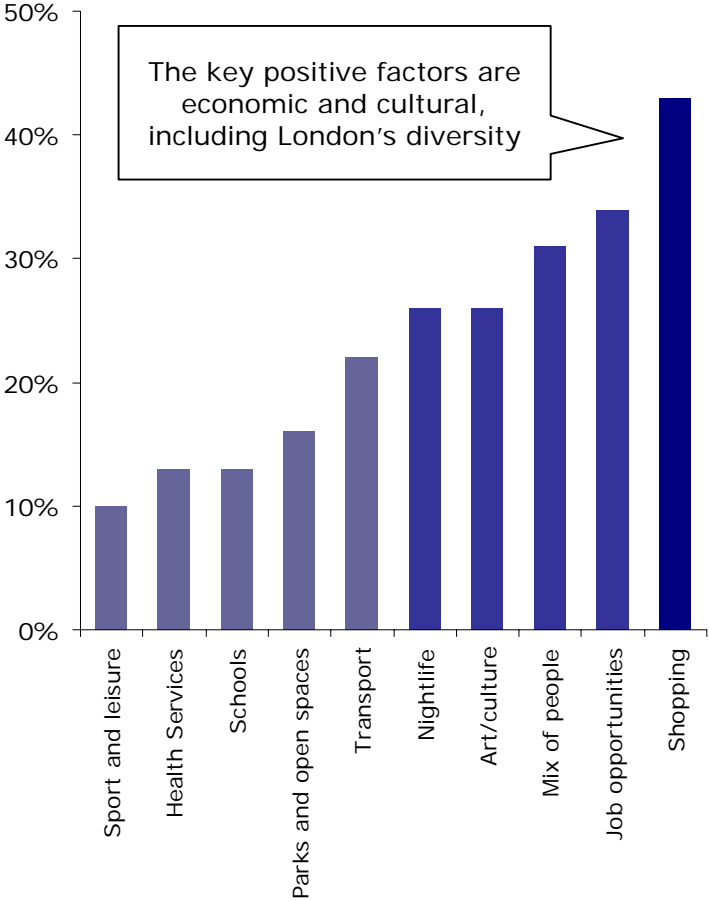
London behaves as a complex system, in which people and firms make optimising decisions about where to locate or whether to leave the city altogether, mediated by prices



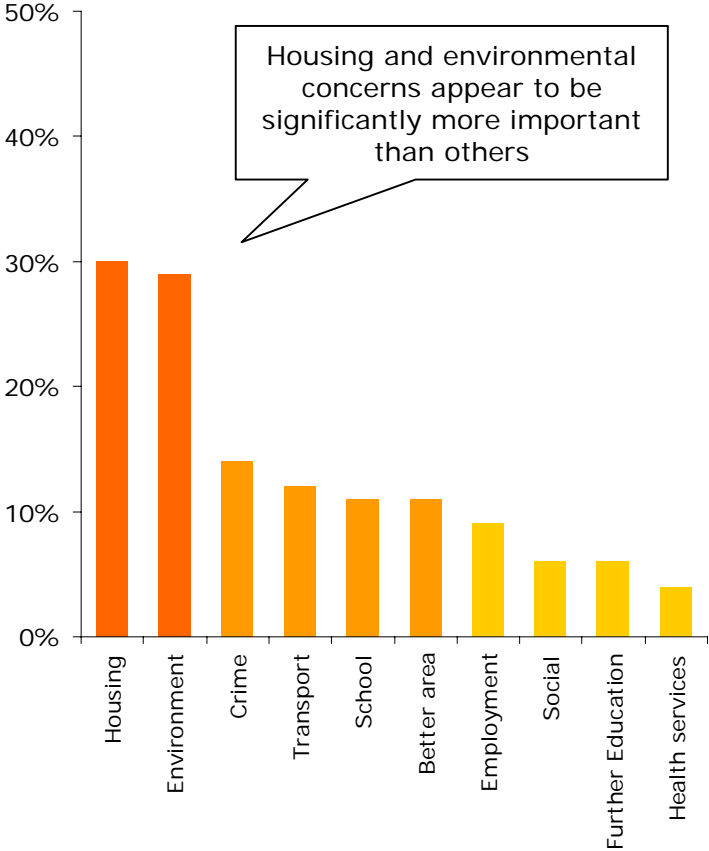
Source: based on DFT GOMMS

London's attractiveness is formed from a complex mix of likes and dislikes - insights into these preferences should inform investment and policy-making

Top 10 best things about London (%) - 2001



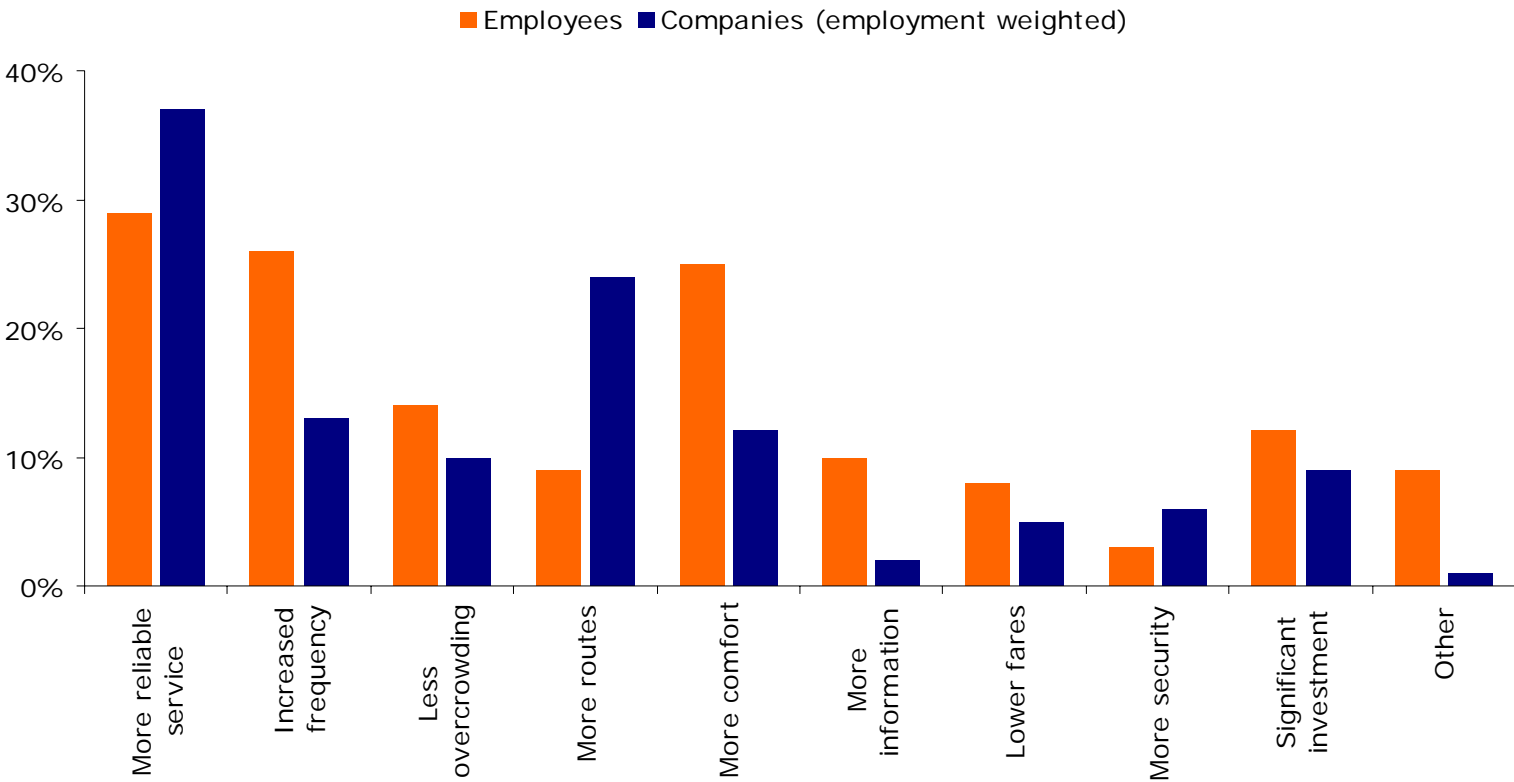
Top 10 reasons for wanting to leave London (%) - 2001



Source: MORI

Even within “better transport” there are complex preferences and differences between employees and firms

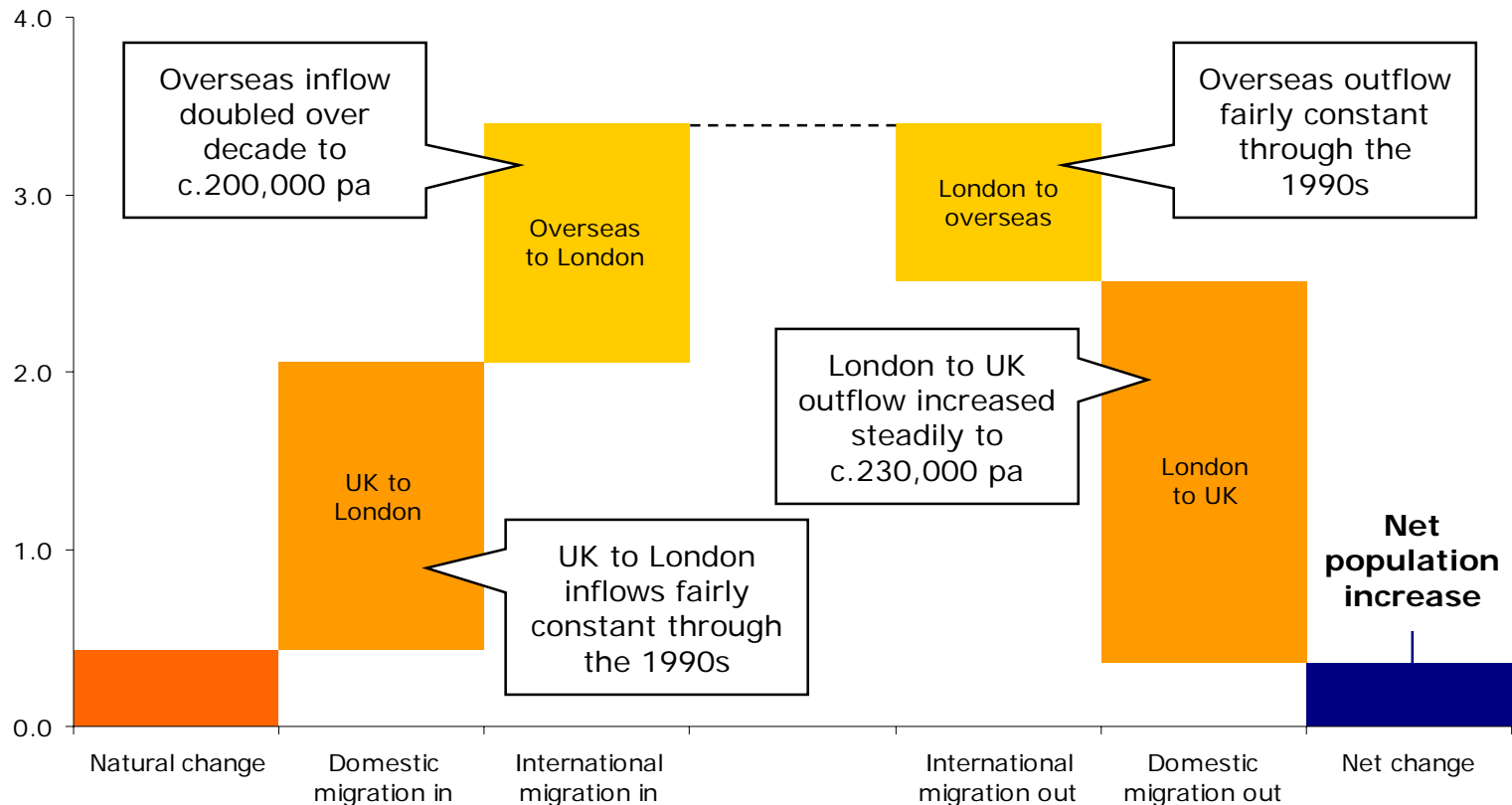
**What improvements would you like to see in London's transport?
(% of respondents) - 2003**



Source: Corporation of London / OEF

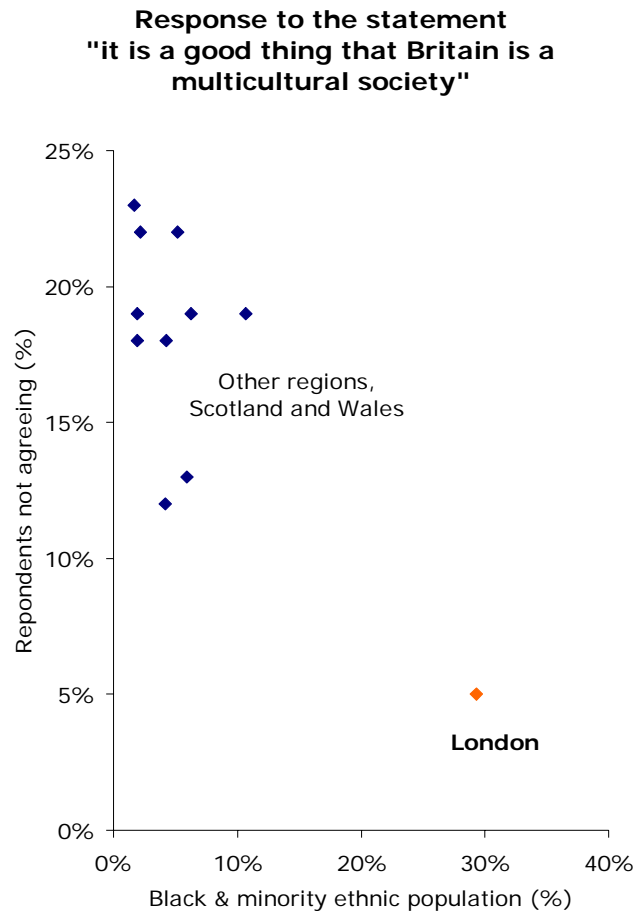
London's population growth has been driven by international migration, with people attracted by a strong economy, high diversity and many existing communities

Population change in London (millions) - 1991-2001



Source: ONS supplied by GLA

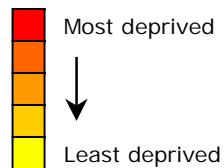
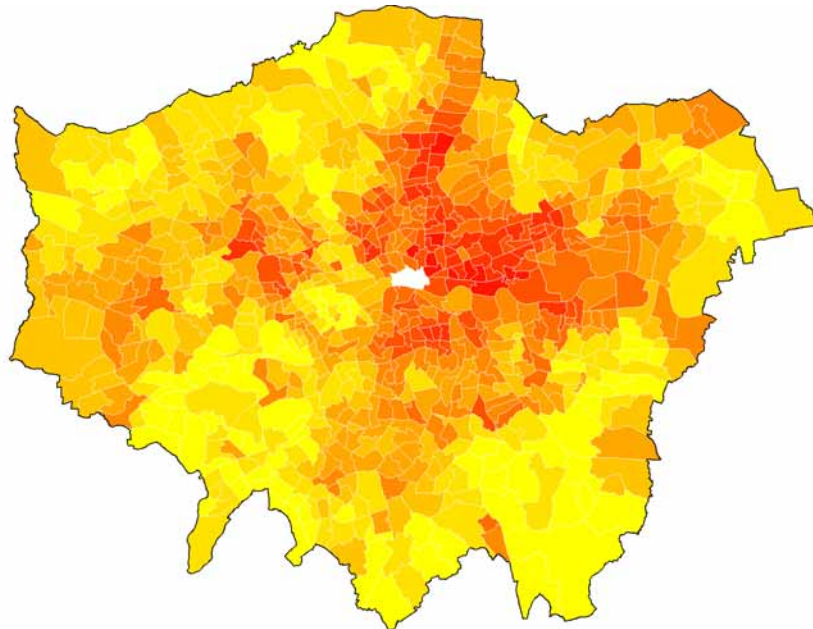
Minority ethnic groups make up nearly a third of London's population, and most Londoners appear content with this



- London is the most ethnically diverse UK region by far. In some London boroughs the proportion of minority ethnic groups exceeds 50%.
- There are 34 communities of foreign nationals in London with > 10,000 members, and a further 20 communities with > 5,000 members
- London's diversity and migration is part of its economic and cultural strength, a driver of its creativity and its attractiveness as a world city.
- But it also creates challenges for public service delivery, and for particular groups that risk disadvantage in the labour market

London is a city of contrasts - deprivation is concentrated in the Inner East of the city, surrounded by considerable wealth

**Index of multiple deprivation
by London ward - 2000**

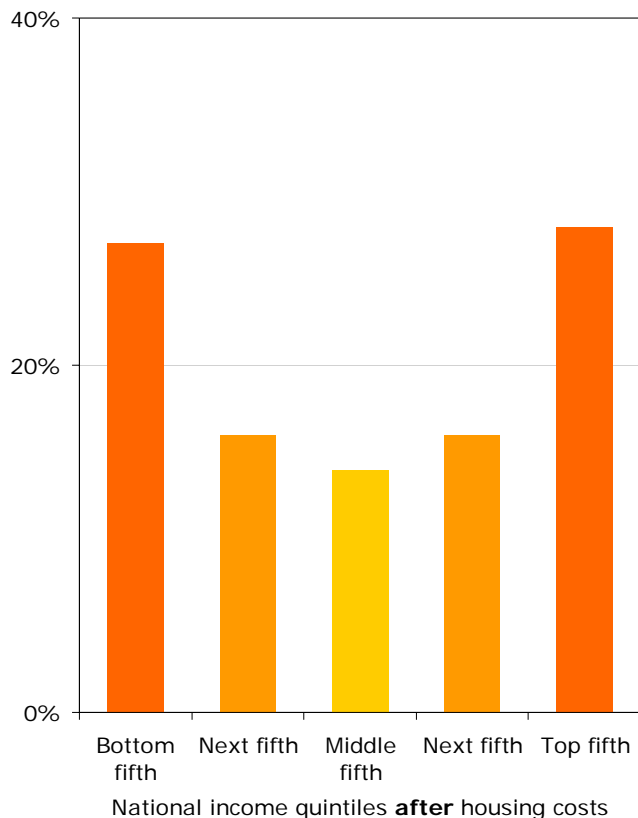


- London has six of the 20 most deprived English local authorities - similar to NW (5) and NE (5).
- Three of the five most deprived English local authorities are in London: Tower Hamlets, Hackney and Newham
- 20% of London wards are in the 10% most deprived wards in England.
- London has a highly deprived 'sub-city' of the Inner-East embedded within the relative prosperity of the rest of London.

Note: measures of deprivation can depend on the scale – local authority, ward, individual housing estate or even household – and the threshold used for defining deprivation. London does not have many of the most deprived 1% of the 8444 English wards, but it has a high proportion in the most deprived 10%. In terms of quantity of deprivation – London has many people living in very deprived circumstances.

Taking housing costs into account, London is over-represented at the top and bottom of the income scale - polarisation creates challenges to social cohesion

Income distribution of Londoners on UK quintiles (AHC) - 2000/01



- London's population diverges from the overall pattern in the UK:
 - » High earners and those on low incomes are over-represented
 - » Mid earners are generally under-represented in London
- But mid income groups are necessary for the city to function, helping to staff essential services in the public and private sectors.
- Middle groups include many young people at the start of their careers, who provide the new talent essential for London's dynamic modern economy.
- Middle groups are also desirable to avoid social polarization and maintain mixed & balanced communities in the capital.

Source: ONS

London overall - conclusions (1/2)

- **London as a system:** London is an intense and interconnected economic, spatial and social system. Households and businesses make complex choices about where to live and locate, based on their needs, resources and the availability of homes, transport, schools and other amenities. The system has important self-regulating features, with prices reflecting the desirability of different areas. Gentrification, house-to-flat conversions, lengthening commuter journeys, buy-to-let, moving out to find better schools or more living space, and the dispersal of back-office functions are some key manifestations of Londoners' continuous adaptation to changing circumstances in London's systems. These responses may continually rebalance the London system, but not necessarily with the best outcome for overall welfare and equity.
- **London's economic comparative advantage** is rooted in its ability to attract and retain the people that make its knowledge-based, creative and cultural economy internationally competitive. The components of 'attraction' (and its opposite) are many and complicated:
 - » We recommend that all tiers of government take steps to understand better what attracts people to London and what drives them away and that research focussed on London includes perception and attitude data.
 - » Factors are likely to include: employment opportunity, housing, schools, travel burdens, environment, public realm, community and inclusiveness, crime and threat, cultural vibrancy, and consumer services like shopping and food.
 - » Investment and policy-making aimed at supporting London's economy should be focussed on making London broadly attractive - defined broadly and based on rich understanding of the preferences of people and firms. For example, the expenditure on culture and arts may be seen as an important aspect of London's wider competitiveness and contributor creative environment as well as valuable in its own right.

London overall - conclusions (2/2)

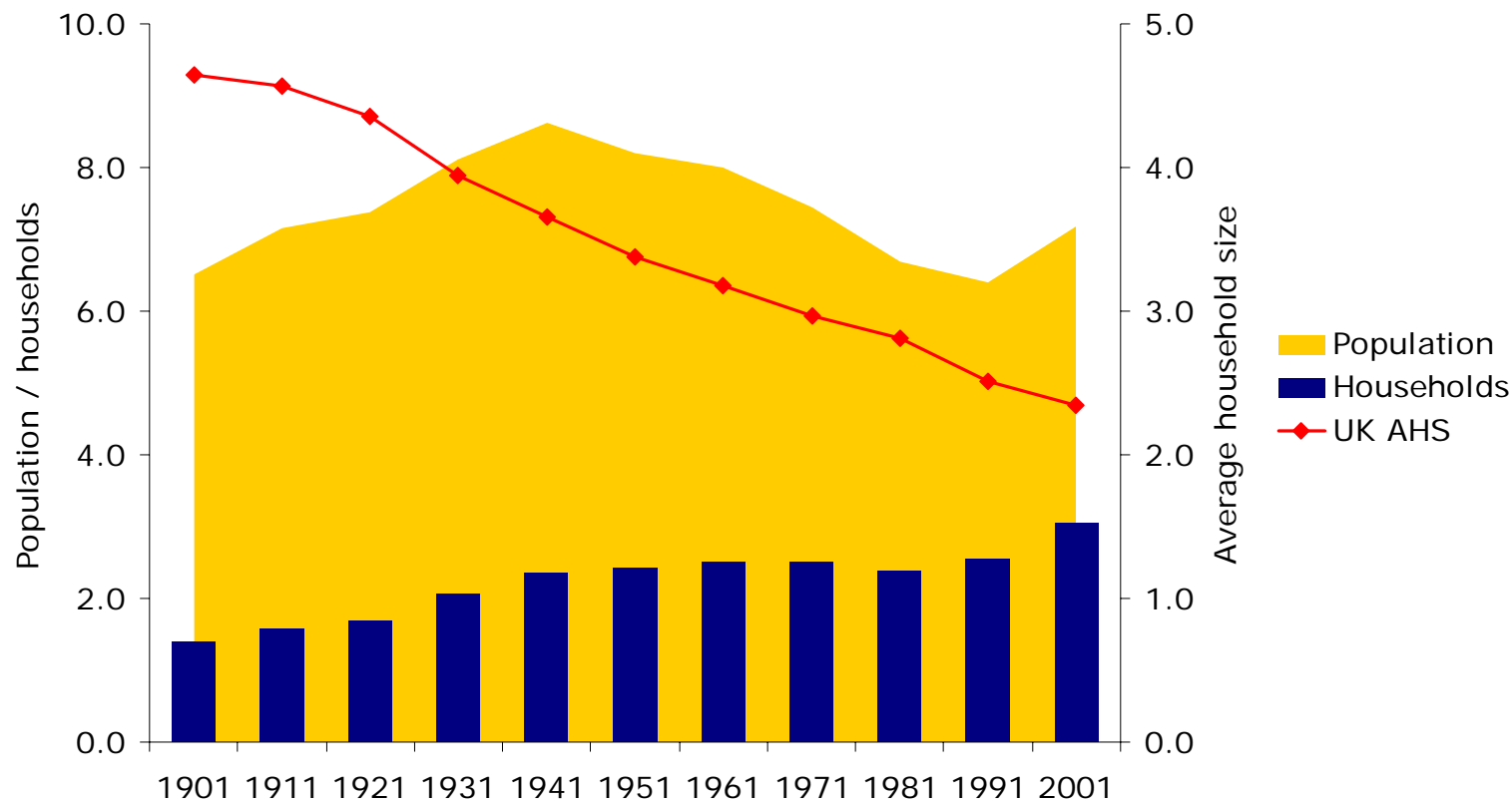
- **London as a world city:** London's attractiveness applies internationally. The international people flows through London are vital to its economy and to its cultural and creative life. London can and does accept many thousand 'economic migrants' every year and benefits from their productivity and contribution
 - » Economic migrants include the international highly skilled and mobile executives, students, intra-EU migrants and others offered work permits under a variety of schemes
 - » However, for maximum benefits, migration flows need to be managed carefully and legitimate migrants properly welcomed, assimilated and integrated
 - » We recommend continued development of a strategy for managed international economic migration and tackling illegal immigration, building on current programmes
 - » These are separate considerations to the management of asylum-seekers and humanitarian refugees.
- **Inequality:** As well as the efficiency of the London economy, government is the lead promoter of *equity* objectives. London has great deprivation as well as wealth and opportunity making it the most unequal region of the UK. The government encourages social inclusion both for its own sake and to build a stable and secure society.
 - » Decent homes and jobs, located in well-connected sustainable communities with excellent public services are the key to social inclusion.
 - » The public sector pursues objectives of fairness and equity through universally offered public services.
 - » Housing, transport the labour market and the challenges to London's public services are discussed in more detail in this report.

Contents

- 6. Summary: the three-minute London
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- 69. Public services
- 95. Labour market
- 116. Structural issues
- 121. Summary: recommendations

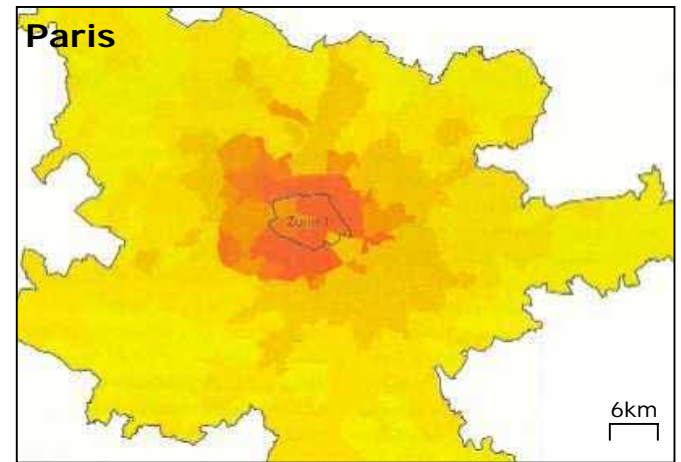
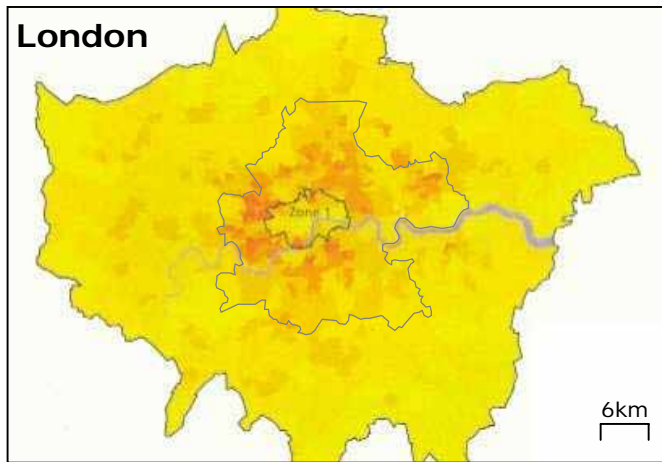
Fewer people live in London than at its peak, but the number of households has grown steadily - as household size has fallen and continues to fall

Population of Greater London (millions) - 1901-2001

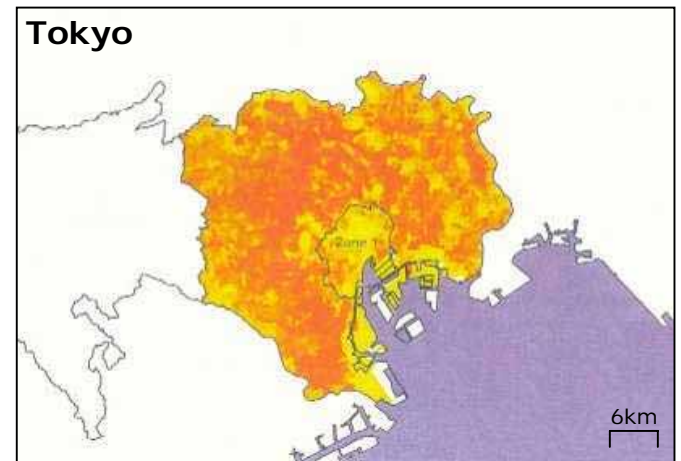
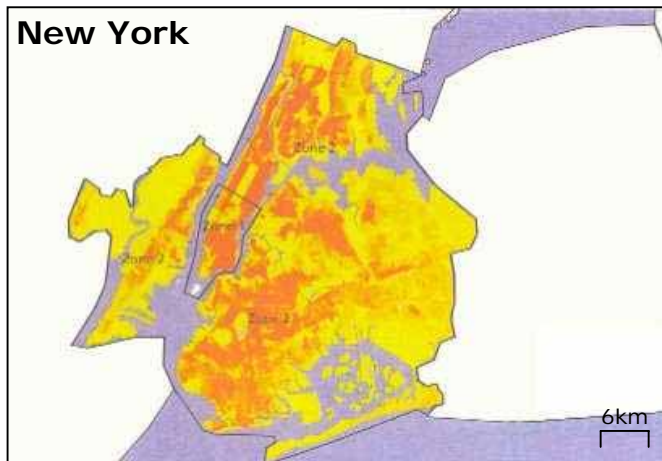
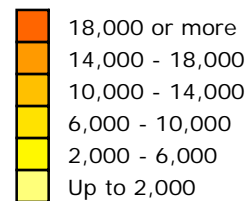


Source: ONS / Census; 1941 figure derived from 1939 MYE.
Note some household numbers estimated using UK AHS

Population density is relatively low in London compared to other world cities, reflecting London's history

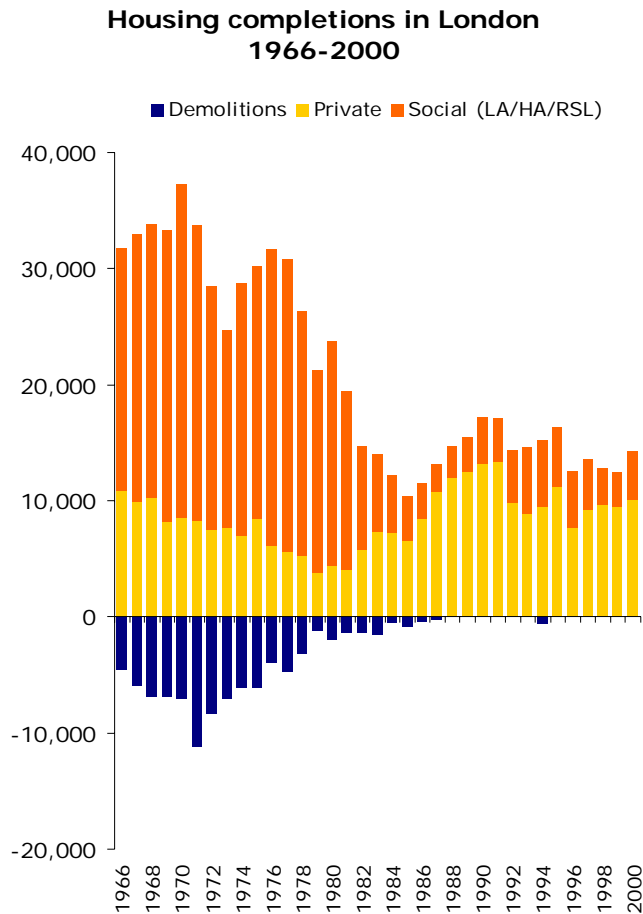


**Population density
per square km**



Source: LRC 1990/91; NB London is the third most dense EU city

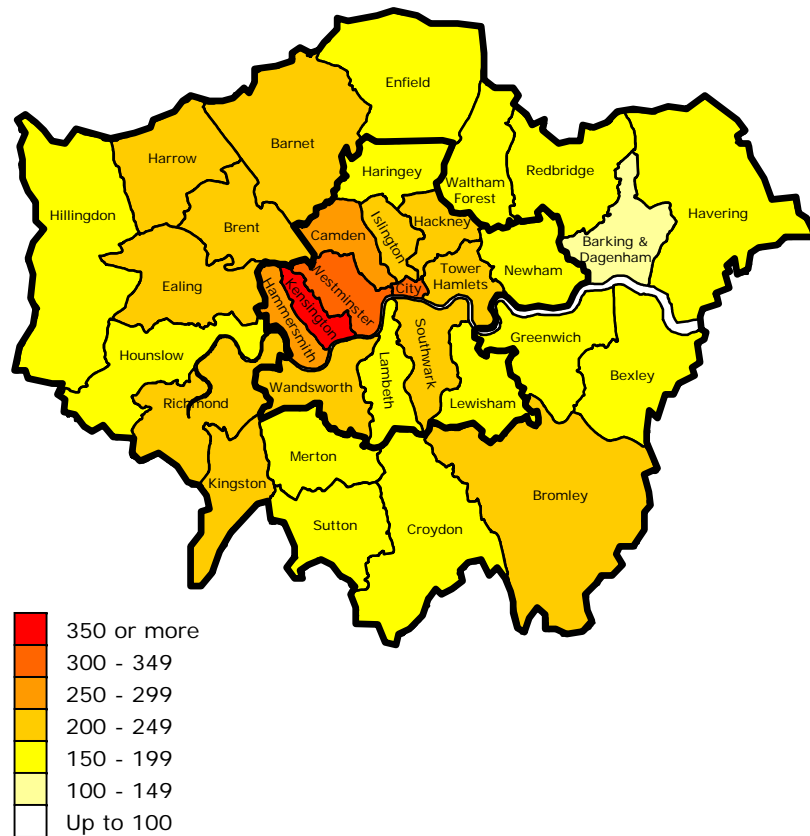
Despite rapid population growth since the mid-1980s, completions of new homes in London remains flat



- The early 1980s witnessed both a dramatic decline in public sector housebuilding in London and the start of the current wave of population growth.
- A growing population and falling average household size have accelerated the increase in numbers of households living in the capital.
- Yet although households have formed rapidly over the last decade there, has been little change in the rate of supply of new dwellings.
- The excess of new households over new buildings is attributed to conversions and reductions in vacancies, but these gains cannot continue indefinitely.

In the private sector, households make tough choices about where to live, and prices reflect their preferences

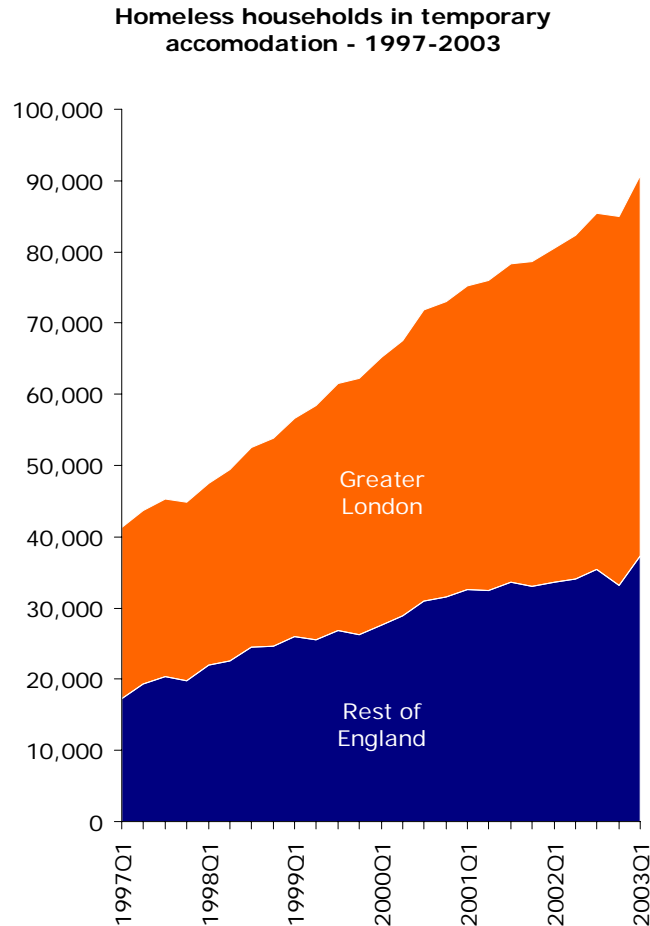
**Median house prices in London
(£000s) - Q2 2003**



- In the private sector, households make complicated optimising decisions about where and how to live, making difficult trade-offs between space, location, transport, quality of schools, etc.
- The pattern of house prices reflects an aggregation of Londoners' housing preferences interacting with the available supply - with Inner and West London locations commanding a premium.
- Those on mid-incomes, including many key workers and newcomers, can find their choices heavily constrained by their ability to pay.
- Falling house prices can benefit poorer households and newcomers but may leave some homeowners with negative equity and perceived losses of wealth.

Source: ONS, ODPM

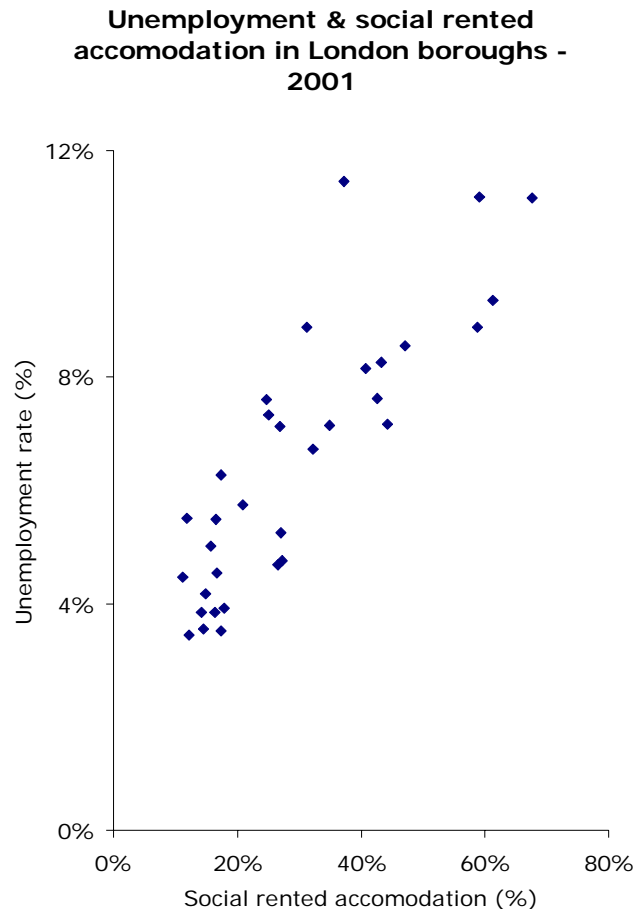
In the social rented sector, demand for accommodation exceeds supply and waiting lists are long



- Demand for social housing in London significantly exceeds supply, with over 50,000 homeless households being housed in temporary accommodation - 60% of the total for England.
- Local authorities have a duty to house those that present themselves as homeless, in priority need and with a local connection, and recent legislation broadens those duties. Where no housing is available, temporary accommodation is offered.
- Temporary accommodation is expensive, centrally funded through housing benefit, and can cause 'bad mobility' and disruption to lives while posing challenges for key public services.
- There are schemes to encourage tenants to accept housing outside London, but uptake has been low so far.

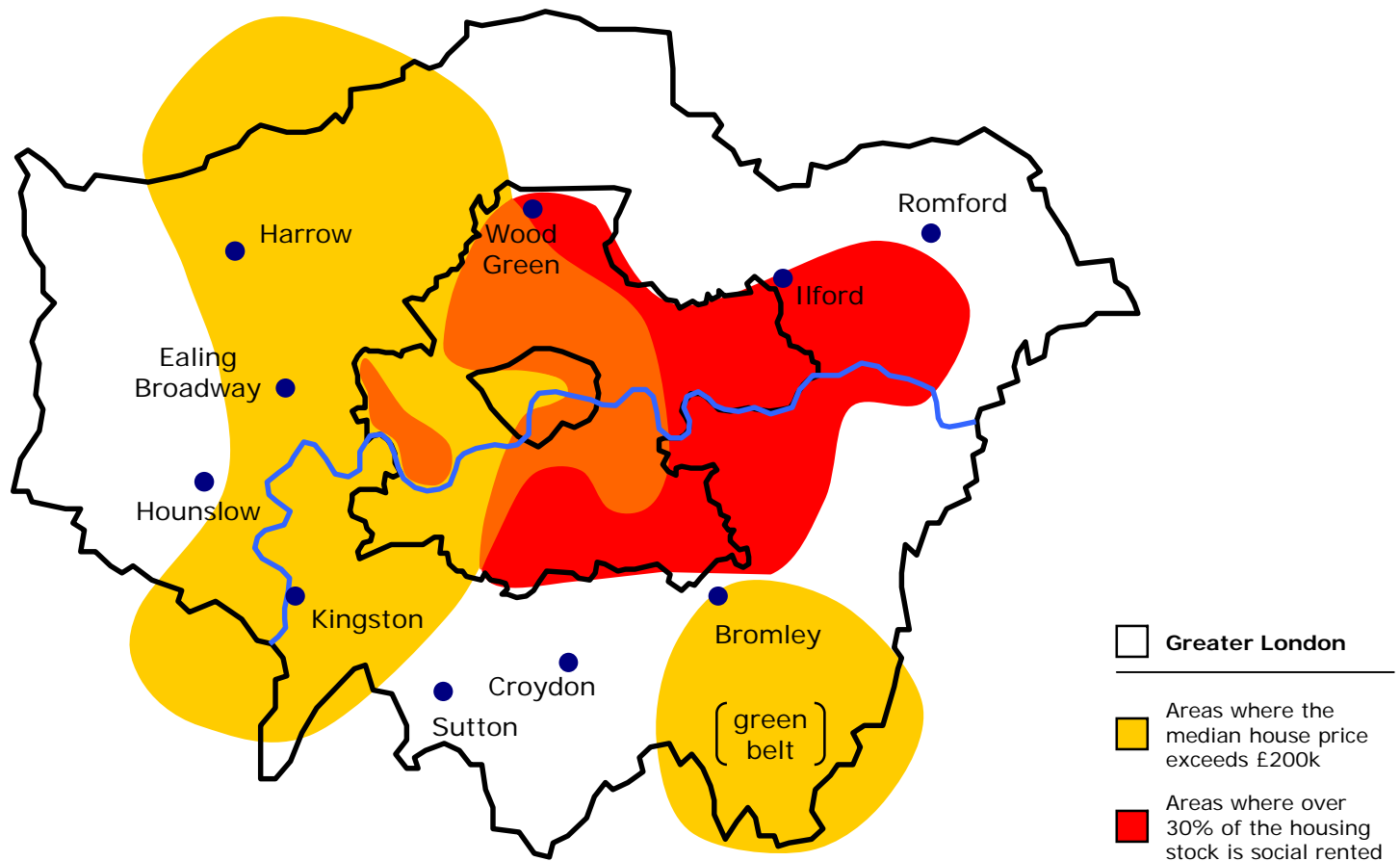
Source: ODPM

The pattern of social housing in London is correlated with unemployment and deprivation



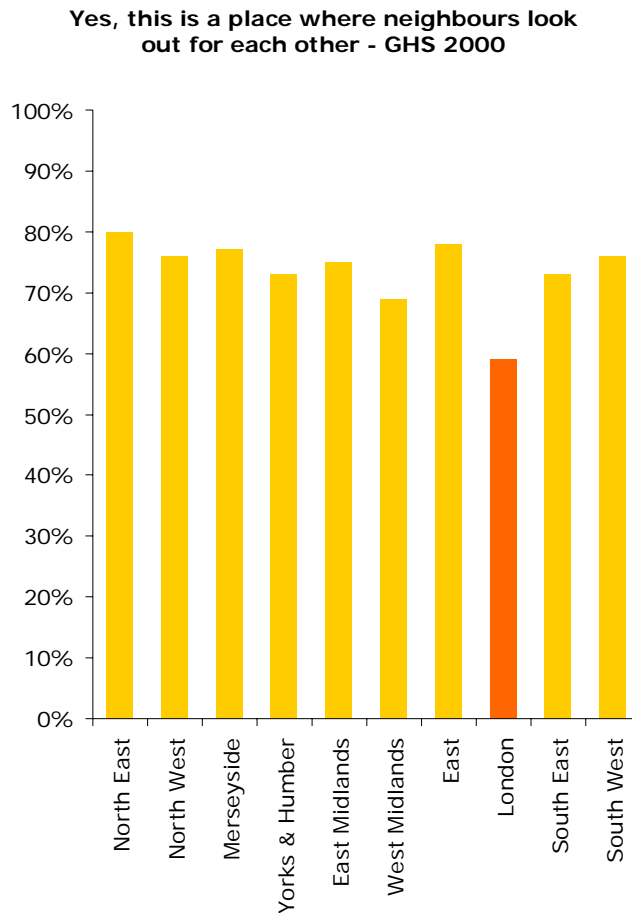
- There is a marked correlation between the incidence of social housing and joblessness and deprivation, with less than 50% of Inner London social housing tenants in employment.
- Slow processing of claims lengthens the time needed to move on and off housing benefit, increasing the risk associated with taking up work and moving off benefits.
- Blockages in the housing system may constrain labour mobility, locking some families into residential areas with poor prospects for advancement.

Mid-earners cannot afford high market prices but do not qualify for social housing, so are squeezed out of the centre



Source: indicative map based on ONS, ODPM, SU analysis

London's communities score relatively poorly on indicators of neighbourliness and social trust



- Compared to other regions, London scores relatively poorly on indicators of neighbourliness and social trust.
- Only 37% of Londoners feel that “generally speaking, most people can be trusted”, compared to an average of 44% across the whole of Great Britain.
- However, London does score well on other indicators such as acceptance, with only around 5% disagreeing that Britain’s multi-racial society is “a good thing”.

There are challenges facing housing in London that justify government interventions

- For housing in London in general:
 - » The complex interface between developers, land owners and the planning system can impose some barriers to development - so housing supply does not respond effectively to changes in demand, contributing to a shortage of homes and raising prices.
 - » The construction and use of housing places pressure on resources and the public realm, and generates demand for public goods - increasing the value of development that is sustainable and reflects the needs of local communities and the environment.
- Of particular relevance in the social rented sector:
 - » Social rents and the housing benefit system deliberately influence private housing decisions to achieve social equity aims, and some tenants have acquired effective property rights - but with the unintended consequence of long waiting lists for social rented accommodation in London, whilst existing tenants are relatively immobile.
 - » Land values in London have risen faster than construction costs, introducing an opportunity cost in maintaining the status quo - and leaving potentially considerable equity tied up in the public sector's housing assets in London, which could be released to fund regeneration.

Progress is already being made to meet the challenges facing housing in London

- Government has work underway that will address some of the challenges facing housing in London, including:
 - » Issues affecting the housing market in the UK are being reviewed, with work including the recent Barker Review of housing supply and the Egan Review of skills.
 - » The Sustainable Communities agenda sets out a commitment to creating and maintaining places where people want to live, work and stay.
 - » Changes to the planning system are designed to streamline the process and improve the use of planning obligations for sustainable communities.
 - » Reform of the housing benefit system is designed to ensure decent homes for people on low incomes, whilst increasing choice and making more efficient use of the housing stock.
 - » Other initiatives also work to increase choice for tenants, including choice-based lettings and incentives to increase mobility amongst households in the social rented sector.
 - » The Starter Homes Initiative specifically targets key worker groups to facilitate home ownership in areas where property prices are high.

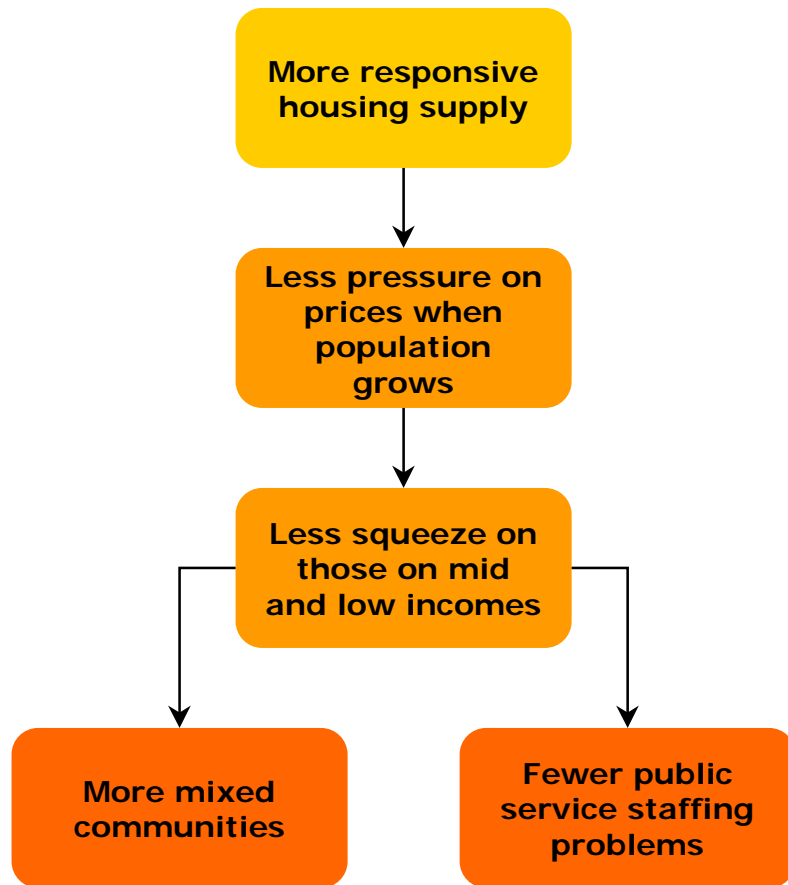
Further work on housing in London should progress as a natural extension of the government's communities plan

- ODPM have enunciated some of the key requirements for sustainable communities:
 - » *A diverse, vibrant and creative culture, encouraging pride in the local community and cohesion within it;*
 - » *A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes;*
 - » *Buildings, both individually and collectively, that can meet different needs over time and that minimise the use of resources;*
 - » *A safe and healthy local environment with well-designed public and green space.*
- They also caution that communities have many requirements aside from housing:
 - » *Investing in housing alone, paying no attention to the other needs of communities, risks wasting money.*

A vision for housing in London

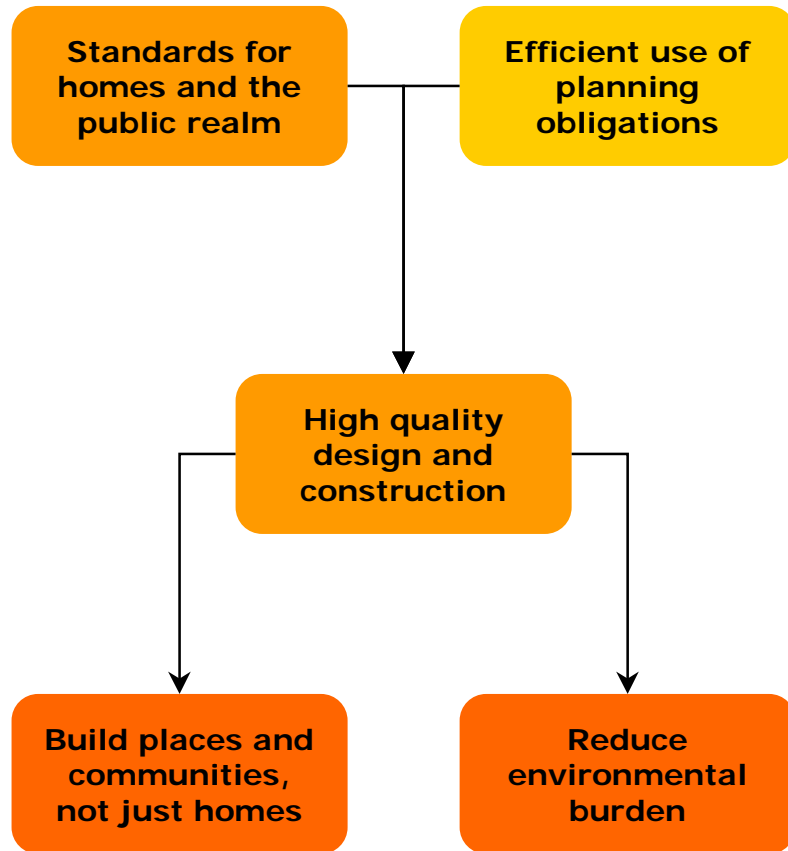
- London's transport, housing and commercial developments form a complex system, which should be developed in the context of a long-term spatial vision, not simply as a response to forecasts of population and employment growth.
- London should be an attractive and sustainable city, with infrastructure that supports a high quality of life for its residents, underpinning its ability to attract the best talent and supporting its position as a world-class economy and world city.
 - » London's housing market should be flexible enough to meet the needs of a changing population whilst maintaining a capacity to support those in need.
 - » Social rented accommodation should be allocated sustainably in line with the needs of residents and society, with opportunities for tenants to exercise choice and personal responsibility.
 - » The equity tied into London's housing stock should be used where possible to help balanced and sustainable communities to flourish.
 - » London should continue to invest in a high quality built environment, with mixed use sites and an excellent public realm helping to ensure development is sustainable.

In the long run, housing supply responsiveness should be tackled to raise flexibility and lower prices



- London strategies should build on current work-in-progress, including the Barker and Egan reviews.
- There are particular interventions that may address London's specific problems:
 - » more joint-working and talent-sharing between planning authorities
 - » greater use of public sector land or compulsory purchase to assemble sites for housing
 - » investment in flagship public realm and public services projects to catalyse development.

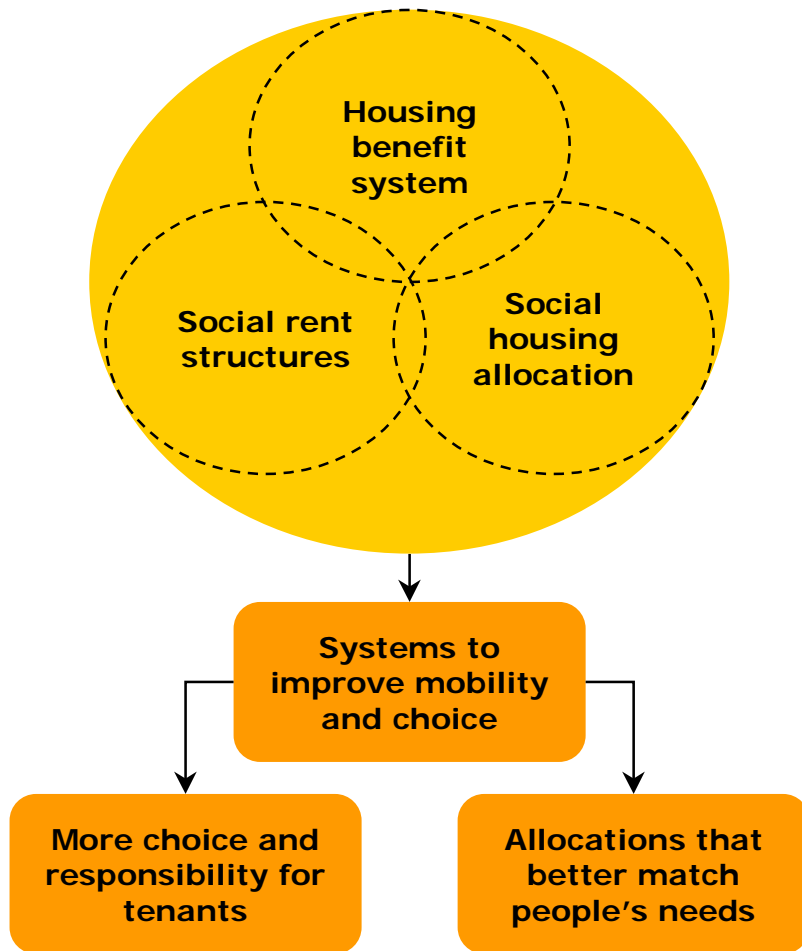
Developments should take place with high quality design and construction, and be sensitive to the environment



- London strategy should build on existing good practice and guidance from departments and housing bodies – like the Eco-Homes standard.
- Construction should take account of the full life-cycle costs of development, ensuring that avoidable future waste is not built in during construction.
- Planning obligations should be used to secure public goods for communities and address the external costs of developments. Delivering 'affordability' alone should be regarded as an interim objective for planning, with more structural housing market reform being preferable in the longer term.
- The mix of investments in a development site should ensure a high quality living environment and public realm, designed to support sustainable communities.

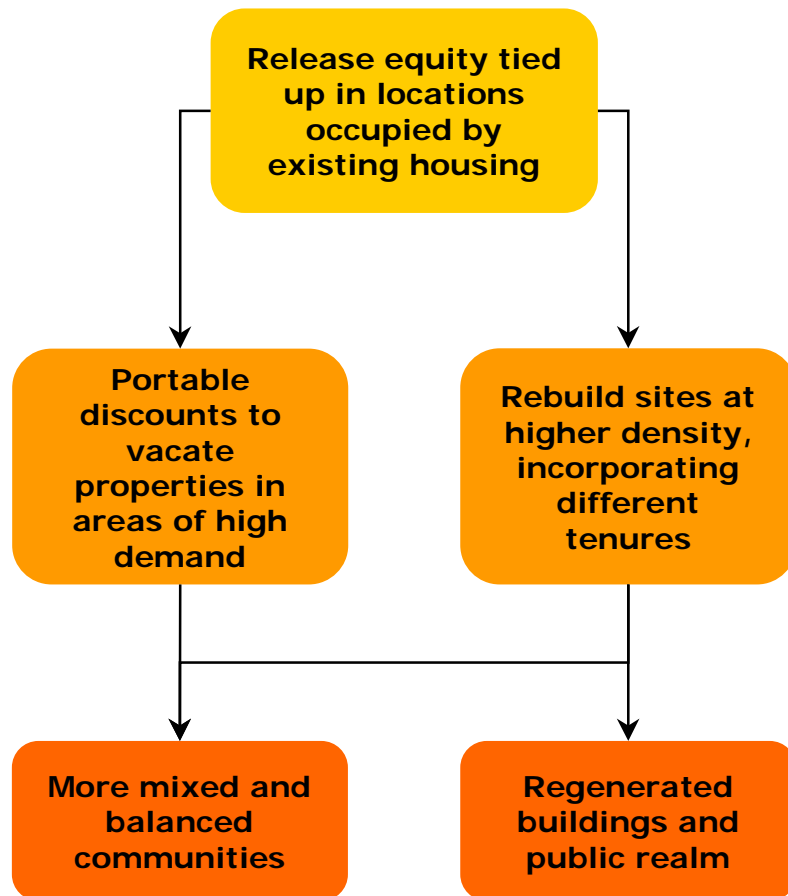
Reform in the social rented sector should deliver tenants greater choice and individual responsibility

3 areas for reform of incentive structure



- Pilot systems for flat-rate housing benefit and reformed rent structures will help government evaluate whether encouraging individuals “shop around” can help housing be used more efficiently.
- In the context of social rented accommodation, greater individual choice means giving tenants the opportunity to make the sort of tradeoffs faced by those in the private sector.
- Incentives for social tenants need to be matched with easier mobility and a larger geographical pool of housing to choose from, so that options present reflect real choices about where and how to live.
 - » Some such schemes are already in place, e.g. the ALG’s LAWN scheme to promote inter-regional mobility.

Government should seek opportunities to release some of the equity tied into the housing stock, to fund regeneration



- There is potentially considerable equity tied into the valuable land and central locations occupied by existing social accommodation in London.
- The market value attached to the location can be significantly greater than that required to construct the actual housing.
- With the support of local residents, this differential could be exploited to help fund additional house building and local regeneration.
 - » One option could help tenants who want to move away to vacate properties in high-value locations, by granting them a share of the surplus gained from sale.
 - » Another approach already being employed in parts of London might fund regeneration and reconstruction at higher densities by including additional private homes on site.

Housing - recommendations (1/2)

- We recommend that Government should:
 - 1. Build on the conclusions of the Barker and Egan reviews to help deliver a step change in housing supply in London.**
 - » This might include boosting capacity in local authority planning departments, or forming a central team with expertise to carry out difficult negotiations. This might also include encouraging bolder use of powers to assemble sites for development, and working to promote more high density and mixed use construction. Government should also consider ways to reduce reliance on temporary accommodation, for example by using funds to acquire additional homes.
 - 2. Continue to ensure high standards of design and construction, and to use planning obligations to build sustainable communities.**
 - » This would build on existing initiatives to require high environmental standards in new construction, and to reform and improve planning obligations. This might include consideration of new ways to extract planning obligations, e.g. tariffs or beauty contests. It might also consider the appropriate use of planning obligations in London, covering the balance between affordable housing and other requirements for communities, and the desirability of delivering affordable housing on site.

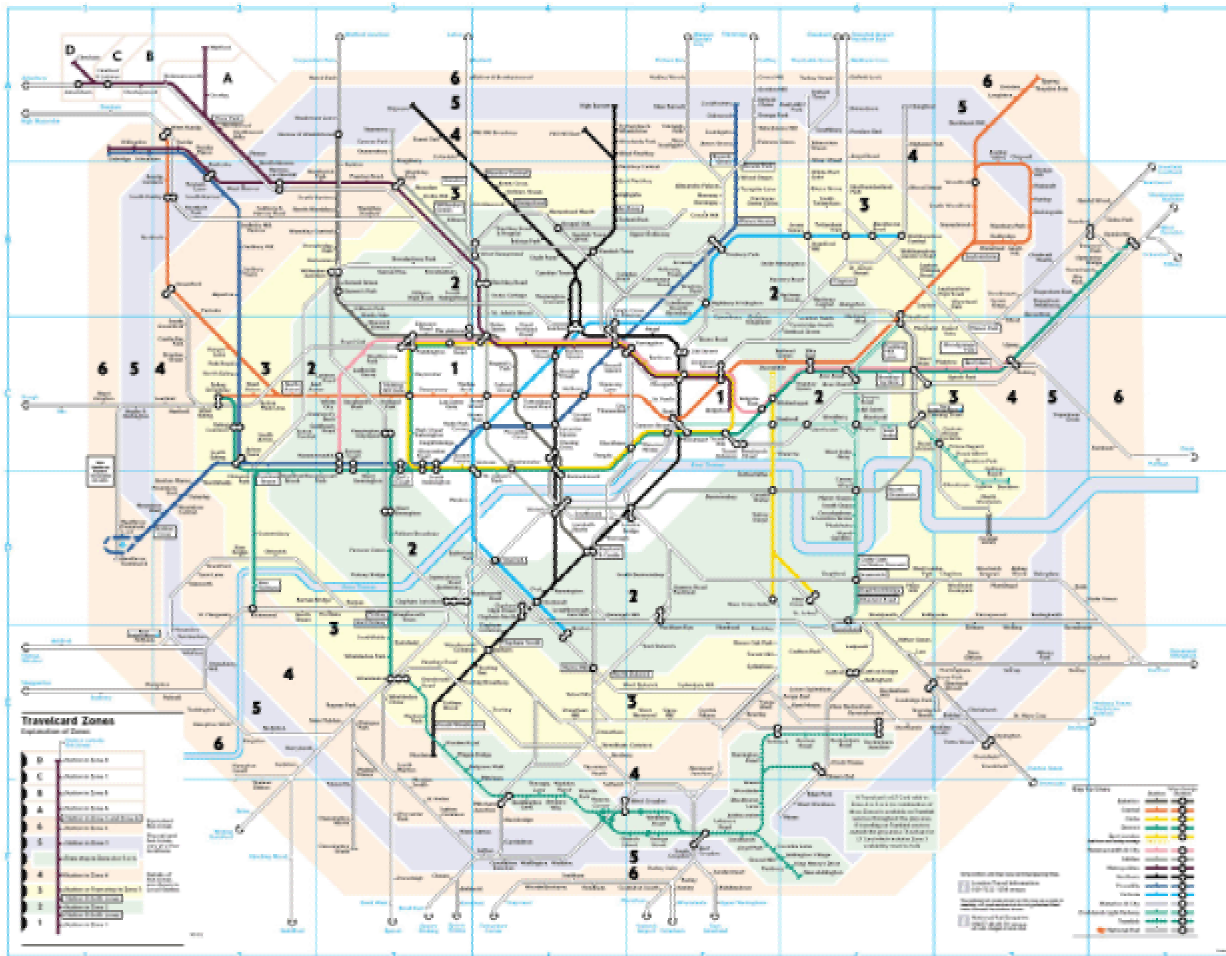
Housing - recommendations (2/2)

- We recommend that Government should:
 - 3. Continue and extend reform in the housing sector designed to allocate homes according to the needs of tenants and communities.**
 - » This might include developing choice-based lettings and other ways to offer social tenants more choice and responsibility. It might also include a wider application of schemes to help tenants move more easily out of London should they so wish.
 - 4. Explore options that could release some of the equity tied into the housing stock in London to fund more sustainable communities.**
 - » Realising some of the high potential value of Inner London property would allow imaginative 'win-win' options for tenants and the public sector. This might include considering how the equity tied into some homes could be used to assist tenants that want to move away from areas of high demand – for example through 'cash incentives'. This might also include increased support for regeneration schemes that release equity to fund local regeneration, e.g. by raising densities on sites to simultaneously mix tenures and raise private funds.

Contents

- 6. Summary: the three-minute London
- 10. London overall
- 25. Housing
- 45. **Transport**
- 69. Public services
- 95. Labour market
- 116. Structural issues
- 121. Summary: recommendations

London's rail network is extensive compared to other world cities - e.g. twice the rail route length of New York



- This network has allowed people to spread into less dense suburbs.
- The Central area is well served by a range of modes.
- Tube coverage is more extensive in the North and West.
- Surface rail coverage is more extensive in the South and East.
- The DLR extends services through Docklands and to the East.
- Croydon Tramlink serves the South

There has been a lack of investment in rail infrastructure for over 30 years.

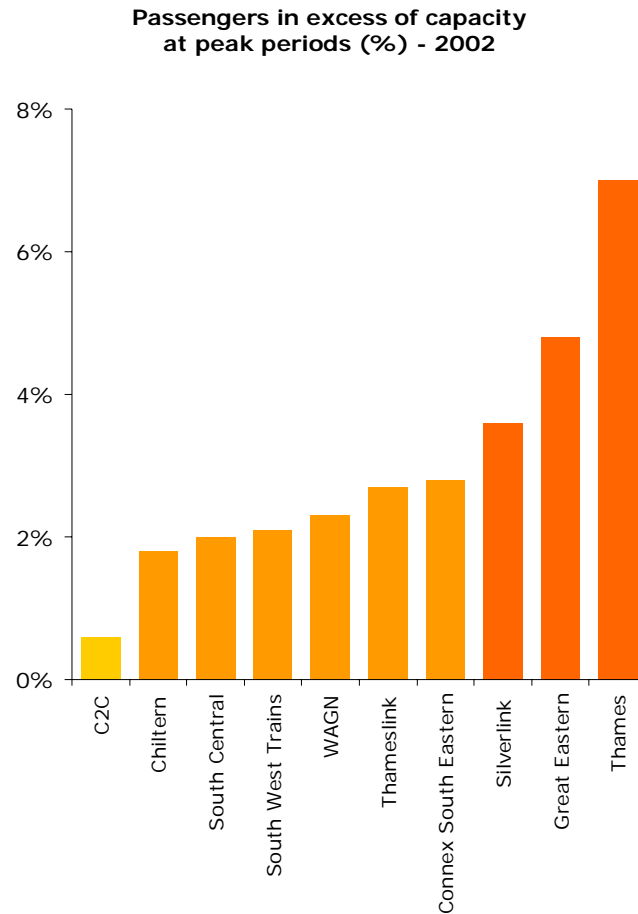
Tube

- During the 1990's London Underground investment in the total core business (excluding the Jubilee line extension) averaged £435 million a year
- Investment that did take place suffered from budgetary uncertainty and fluctuations.
- By 1997 LU had an estimated maintenance backlog of £1- 1.5.billion, which the PPP showed was a significant underestimate.

National Rail

- British Rail aimed to replace 500 miles of track each year across the UK just to stand still. In the run up to privatisation less than 300 miles were renewed each year. Under Railtrack this dropped to 200 miles a year. Network Rail has replaced over 850 miles of track in 2003-04.

Passengers using rail and tube services experience delays and overcrowding at peak times



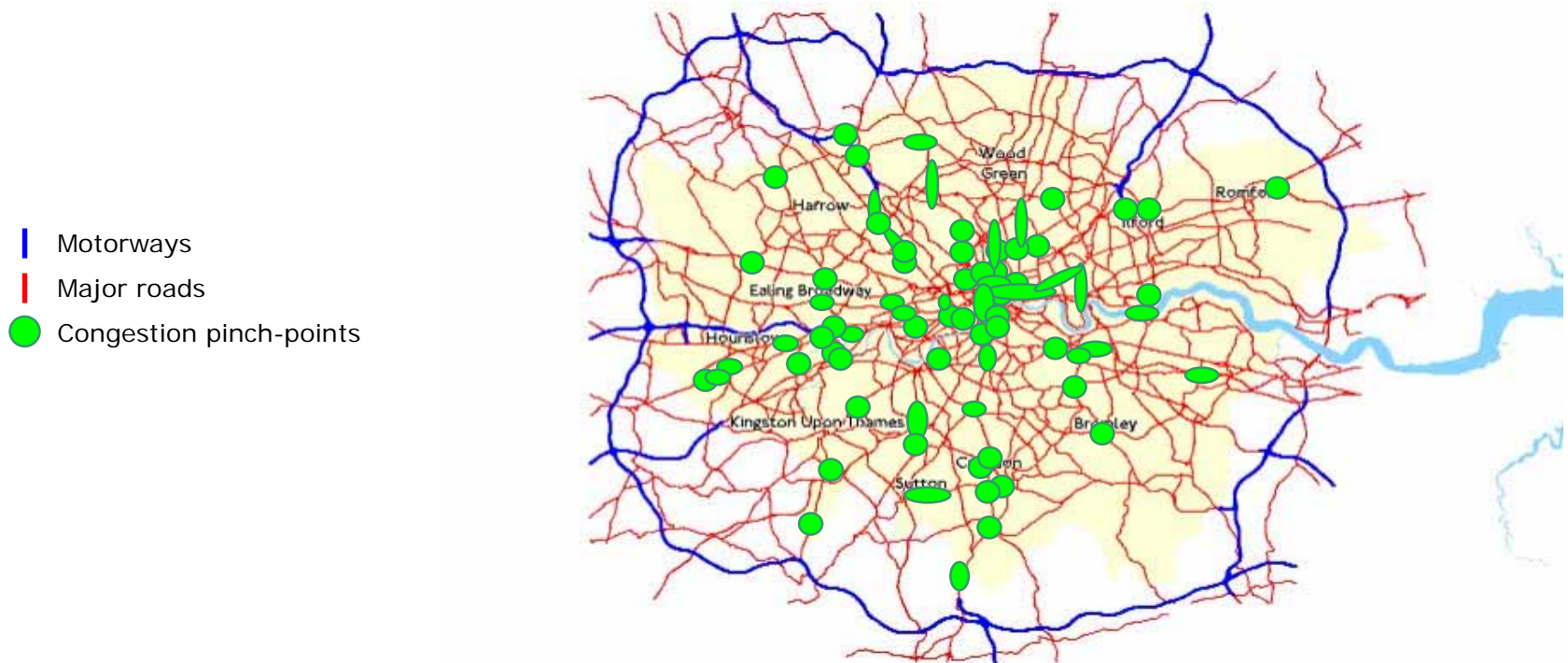
- In 2001, 26% of peak national rail services serving London and the SE arrived late (over 5 minutes), and overall passengers in excess of capacity was 3.6% - falling to 2.9% in 2002.
- The average scheduled journey time on the London Underground was 17% longer than scheduled in 2003.
- Four underground lines have sections classified as severely crowded: Central, Victoria, Piccadilly and Northern lines.

London has to cater for particular needs:

- Many workers choose to live outside London and travel in (27% of all commuters live outside London)
- Tourists also make extensive use of the system, with 75% of overseas visitors making at least one Underground trip a day - although most are not at peak times.

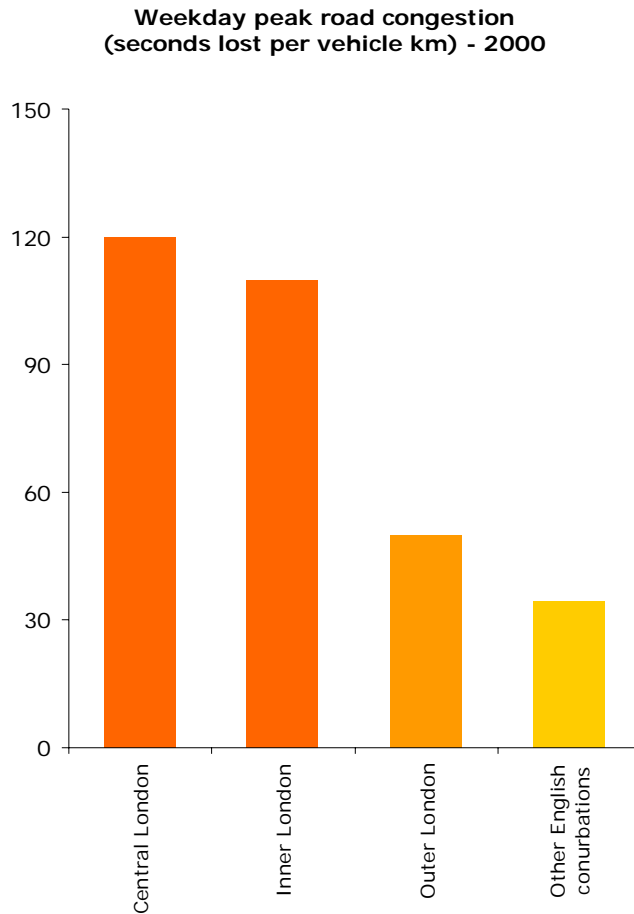
London's road layout is relatively old, with few expressways and congestion around town centres

- Plans to construct a network of urban expressways and bypasses have been regularly proposed e.g. by the Government (1930s) LCC (1940s) and GLC (1960s).
- Only parts of these plans were built due to a combination of cost and environmental concerns.



Source: Based on GOL, TfL

Road congestion in London is worse than in other UK cities



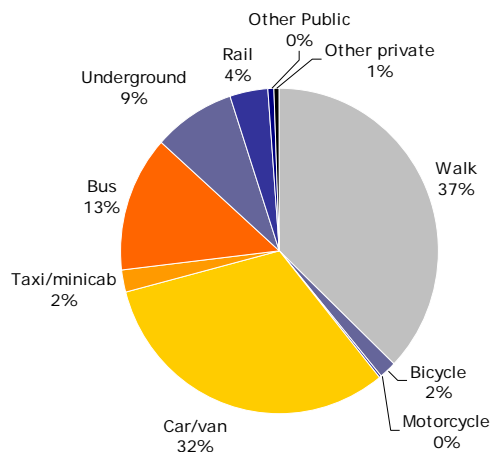
- Road congestion in London could cost up to £2bn per year in lost time and productivity.
- Compared to other UK cities the road network in Inner London is particularly dense and has a high concentration of traffic controls (roundabouts, traffic lights.)
- Average traffic speeds have fallen steadily over the last 50 years, and in Inner London are now half those in other English conurbations.
- Road congestion in Outer London is lower on average but concentrated around metropolitan centres.
- But congestion charging has cut congestion in the charged zone by 30%

Source: DfT, TfL, NERA

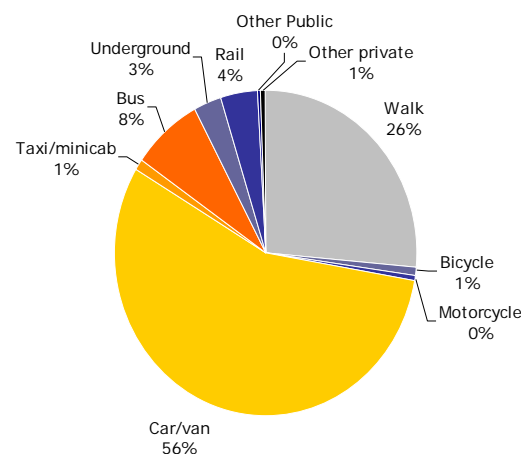
The vast majority of commuting trips into central London are by rail/underground, but across London as a whole the majority of trips in London occur on London's roads

- Car use is higher in Outer London where car ownership is higher, parking more available and public transport provision less dense.

**Travel by Inner London residents
(mode share by number of trips) - 1999/2001**



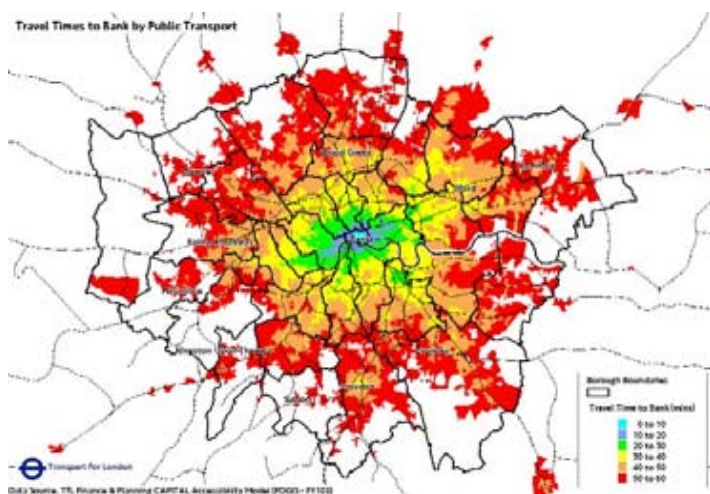
**Travel by Outer London residents
(mode share by number of trips) - 1999/2001**



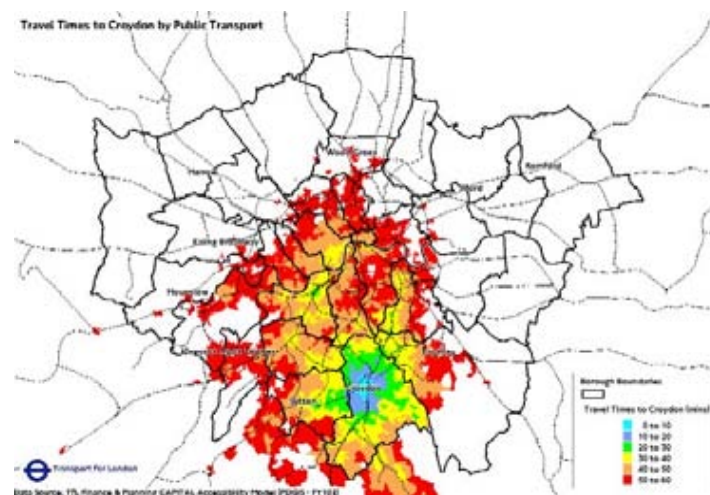
Source: DfT / NTS

London's public transport system facilitates radial travel. For historical reasons, orbital and through travel in London is less well provided for.

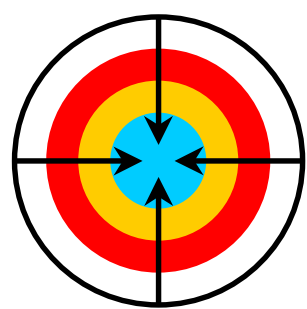
Travel Times to Bank by Public Transport



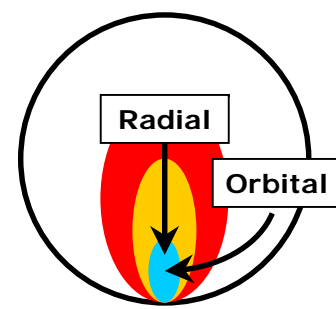
Travel Times to Croydon by Public Transport



Radial



Radial network makes travel to the centre easy from any direction.

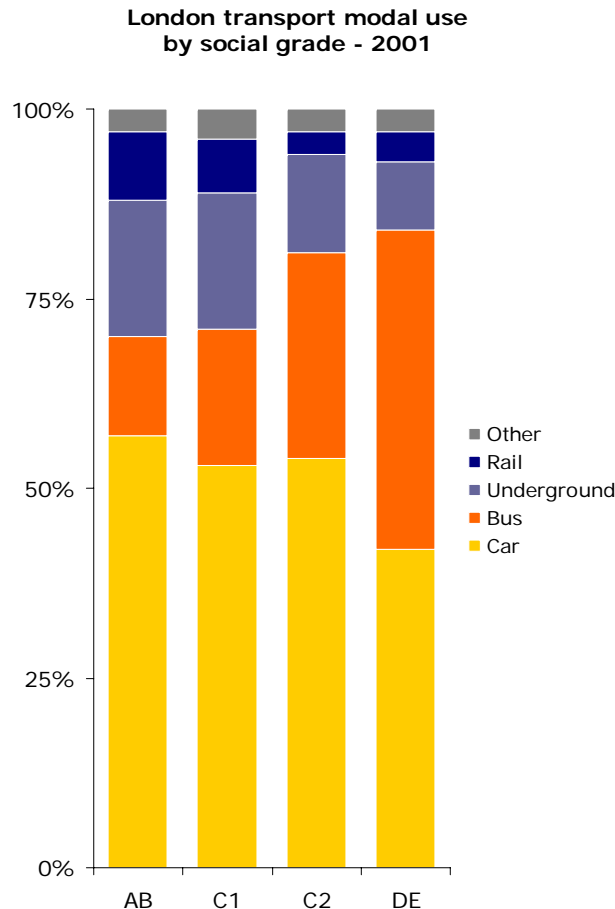


Outer London metro centres do have their own radial links.

However, as in many other cities, orbital travel to a destination in Outer London is awkward and takes more time by public transport.

Source: TFL

Variable transport coverage and traffic congestion affect different social groups differently



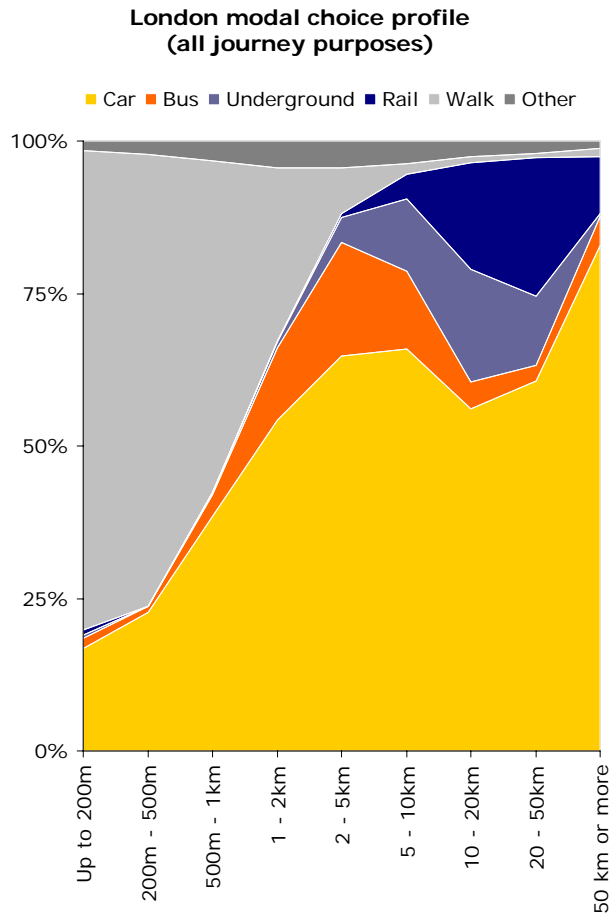
Those on lower incomes make more use of bus services.

- Bus routes are widespread and more affordable than rail or underground services.
- Bus is often the only public transport option on orbital routes outside Central London

Those on higher incomes are proportionately greater users of rail and underground services

- rail tends to serve radial routes at relatively higher fares, and is used more for commuting to higher grade jobs in Central London.
- despite the economic attractiveness and flexibility of cycling for many journeys, regular cycling in London is much more common in higher income groups

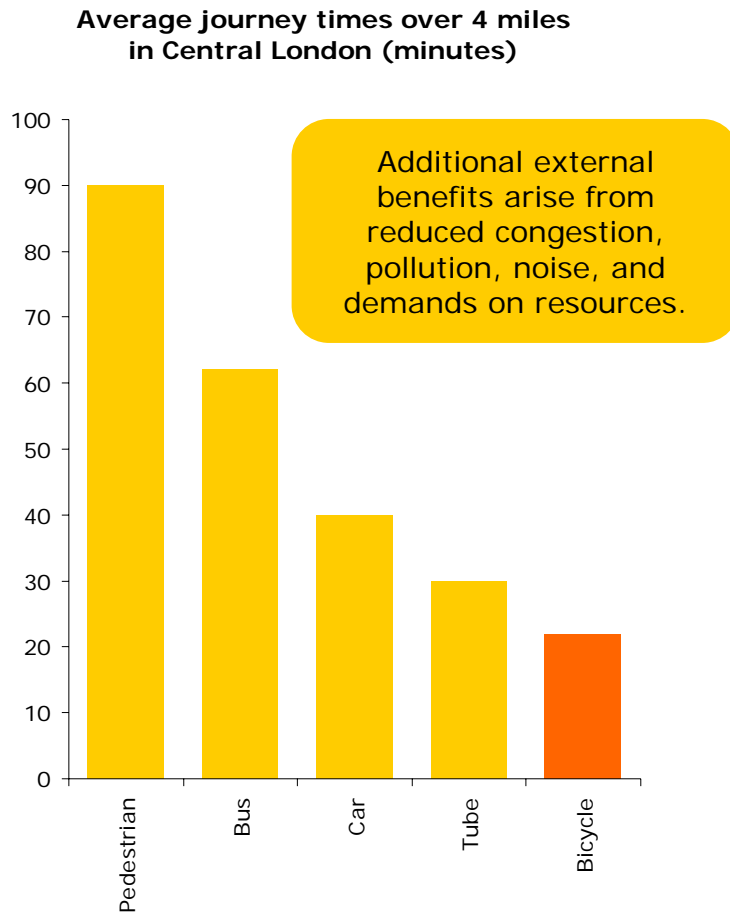
Though the car is dominant over longer distances, walking is an important mode for shorter journeys



- Walking is integral to travel in London, and many journeys that are taken by other modes have some walking component at either end.
- Walking requires investment in pedestrian infrastructure - good surface quality, connections, junctions, information and signage.
- Where walking infrastructure is good, there may be ways to help people feel safer walking to and waiting for public transport - providing good street lighting and security.
- At a more strategic level, 'walkability' can be built in to cities - by favouring dense, mixed-use development, and by providing local public services that reduce the need to travel.

Source: TfL (LATS 1991)

Cycling has great cost and time advantages for many journeys in London, but there are barriers to take-up



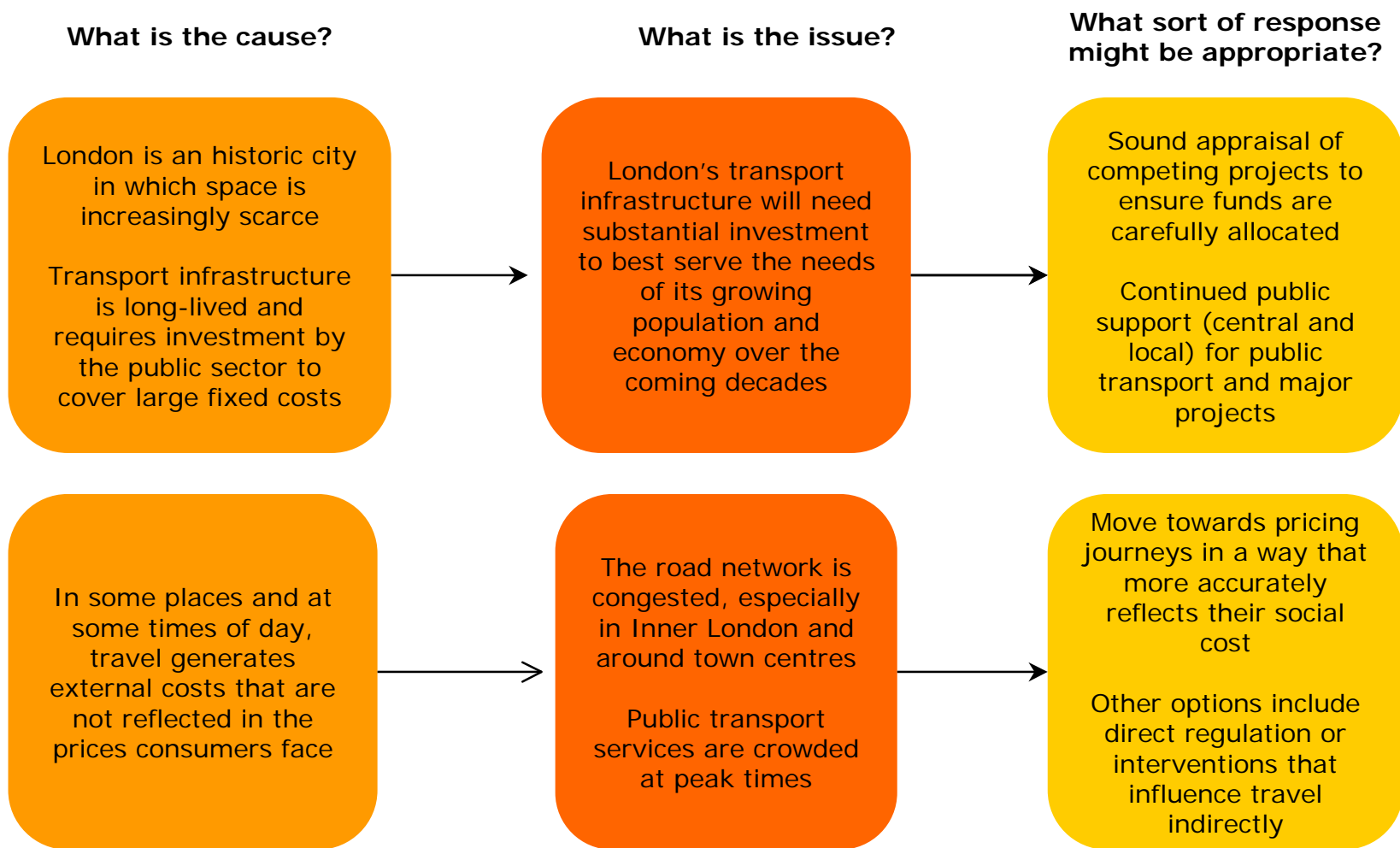
- Half of all journeys made in London are under 2 miles. 56% of car trips and 79% of bus trips are less than 5 miles – cycling is highly practical for many such journeys.
- Barriers to cycling are complex but most are surmountable (at a cost):
 - » information & routes
 - » perceived danger
 - » confidence & skills of riders
 - » journey comfort
 - » secure cycle parking space
 - » changing facilities at work
 - » employers' attitudes and culture
- Increasing peak time cycling may be a cost-effective measure to switch demand from other more congested modes.
- Copenhagen has 20% of journeys made by bicycle, and aims to achieve 40% of commuter journeys by bicycle by 2010 while halving the cycle accident rate.

Source: TfL (indicative only). London cycling rate refers to 1991 data and does not include the impact of congestion charging or development of the LCN.

Transport planning is increasingly sophisticated, but key challenges remain for modelling and appraisal in London

- DfT set the national framework for appraising new schemes. TfL in practice follows this but is not bound by it, and can take its own view on the weight attached to different criteria when deciding priorities.
- TfL is committed to good quality modelling and appraisal, and is highly regarded by other experts in the field.
- Transport modelling is increasingly sophisticated, but has important limitations:
 - » Limitations on the ability to model some aspects of behaviour can risk skewing decisions, as analyses of the relative merits of different schemes may be incomplete.
 - » Many models fail to incorporate land use responses, which are particularly important in an urban context where transport is often cited as a catalyst for regeneration.
- Similarly, there is scope for further development of appraisal tools:
 - » Measuring the additional benefits from combining transport with land use change, and the contribution of transport schemes to wider economic benefits, e.g. agglomeration.
 - » Ensuring that 'soft measures' or diffuse investments – e.g. cycling, walking, pedestrianisation or demand management – are considered as far as possible on equal economic appraisal terms with system extensions.
 - » Quantifying more of the external costs of transport schemes, e.g. effects on townscapes and communities - building on recent progress made on health and noise impacts, and recent advice issued on regeneration benefits.

The challenges facing London relate to the efficient allocation of investment and demand for existing assets



A vision for transport in London

- London should be an attractive and sustainable city, with infrastructure that supports a high quality of life for its residents, underpinning its ability to attract the best talent and supporting its position as a world-class economy and world city.
 - » London's transport infrastructure should continue to be developed in the context of a long-term vision and strategic framework, and backed by a robust business plan.
 - » London's transport infrastructure should support the needs and aspirations of its people, facilitating mobility and providing a consistent high-quality travel experience.
 - » London's transport infrastructure should be used efficiently, with fares and charges that reflect social, environmental and congestion costs so that users make well-informed choices about if, when and how they travel.

What is being done in London - Overall

The Government has introduced institutional reform

- The Mayor has been given direct responsibility for buses, taxis, the strategic road network, light rail and river services.
- Transport for London has been created following the amalgamation of 15 separate organisations.
- The Mayor has published an integrated Transport strategy for London.

Government is also investing much more in London's transport system

- 10-Year Plan for Transport provides a framework for tackling congestion and increasing choice for travellers, and includes around £25bn for spending in London over a 10-year horizon.
- The overall funding for TfL has almost doubled from £1183 million in 00/01 to £2,225 million in 2004/5.
- TfL now have the freedom to borrow (without Government approval) for capital investment in transport under the prudential borrowing rules. Mayor has agreed to borrowing of up to £400m in 2004/5, subject to affordability.

What is being done in London - Rail

Additional capacity has been added

Light Rail

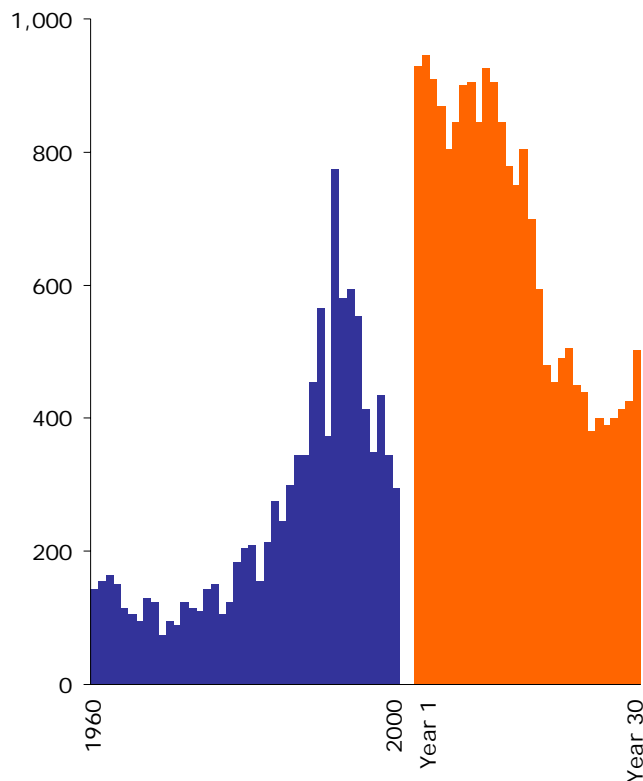
- Docklands Light Railway (DLR) opened in 1987 and extensions were added to Bank(1991), Beckton (1994) and Lewisham(1999). DLR now carries over 50 million passengers pa.
- The latest DLR extension to City Airport will open next year. TWA powers have been granted for a DLR extension to Woolwich Arsenal.
- Croydon Tramlink opened in 2000 and carried 18 million passengers by 2002.

Mainline Rail

- CTRL, a £5.2bn investment on the first major rail line to be built in over a century. Section one is already operational and section Two will open in 2007
- 2,025 new carriages ordered for Southern region at a cost of £2 billion
- £1 billion for power supply upgrade in the Southern region

What is being done - London Underground

Underground core investment
(£m at 2001 prices) - 1960-2000
and planned under PPP



- Jubilee Line extension to Stratford opened in 1999. The full line now carries nearly two and a half million passengers every weekday.
- Under the PPP, London Underground is responsible for running trains and stations, whilst three infrastructure companies undertake maintenance and upgrades on 30-year contracts with LU.
- The PPP will deliver c.£16bn to maintain and enhance the Tube infrastructure over the first 15 years.
- This will translate into a more reliable service for passengers with fewer delays and increased capacity.
- 200 stations will be modernised or refurbished by 2010, and 324 additional trains will be running by 2014.
- Over the duration of the contracts, c.80% of the Underground's track will be replaced.

Source: DfT / PWC
(note core investment since 1960 excludes new lines and extensions;
planned under PPP does not include spend by LUL or existing PFI contractors)

What is being done in London - Buses and Roads

Buses - Mayor has used his powers to invest heavily in the bus network and has transformed the services

- Bus patronage has increased by 31% since 1999 - the highest number of passengers since the 1960s.
- Bus mileage is now higher than at any time since 1959.
- Around 2,600 new buses entered service in London between July 2000 and May 2002.
- London bus occupancy is twice that of other metropolitan areas.

Congestion Charge

- A world leading scheme introduced by the Mayor resulting in traffic reductions of 16% in the central zone and congestion down by 32%, lower than at any stage since the mid-1980's.

London Traffic Control Centre

- Manned by the police and TfL personnel, monitors traffic and co-ordinates responses to congestion.

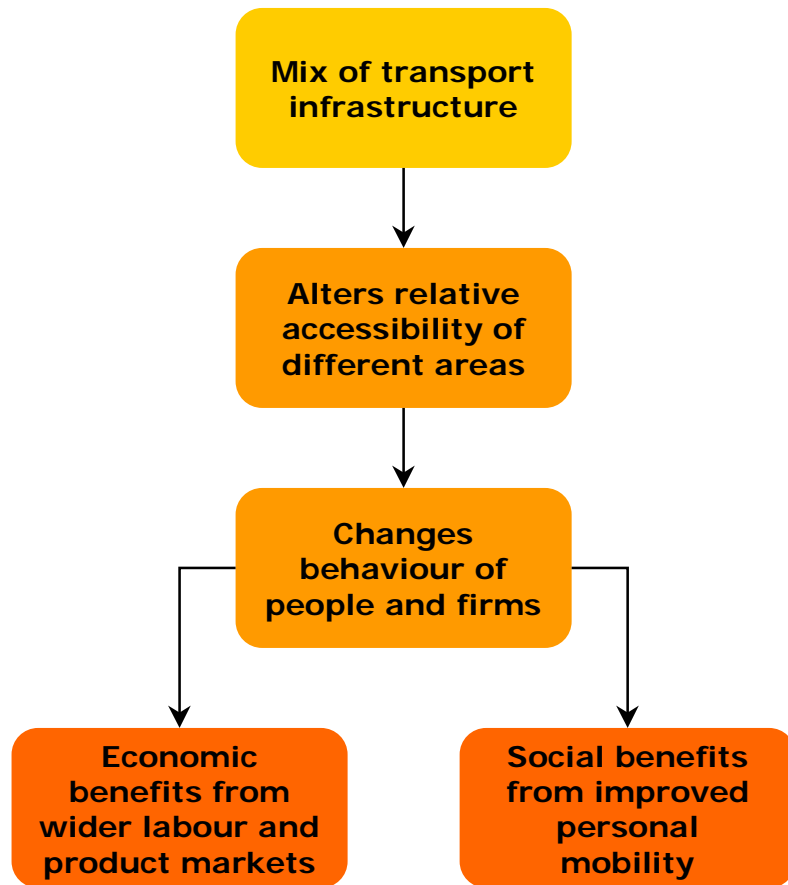
The Traffic Management Bill

- Introduces new measures for Boroughs and TfL to manage road works more effectively.

What is being done in London - All Modes

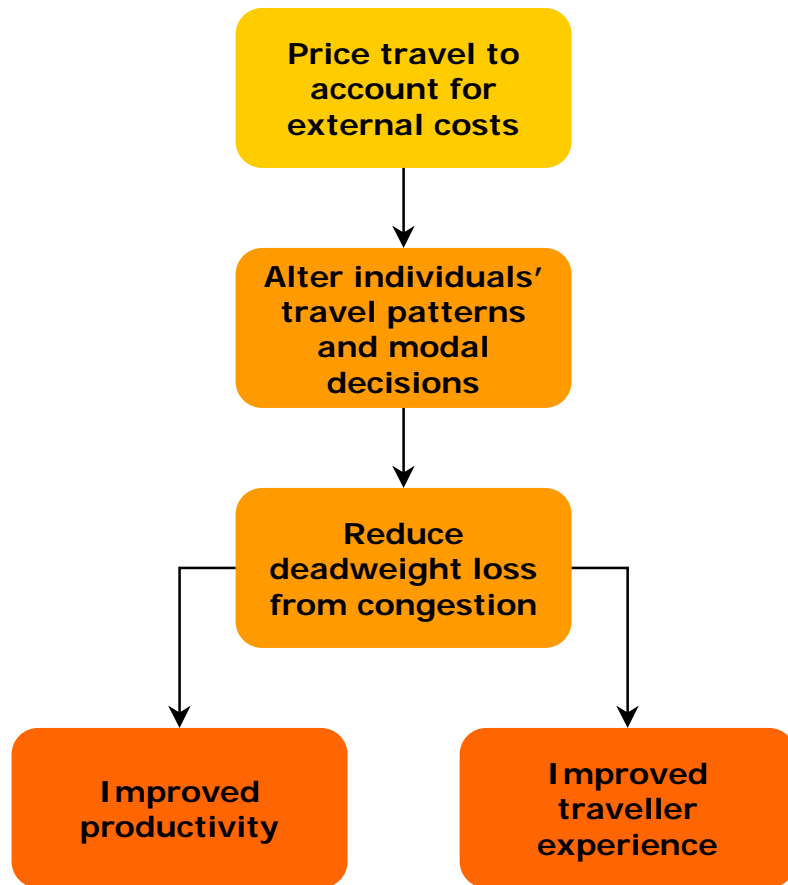
- London is the only major city in the world to have achieved a modal shift away from the car. During the last four years public transport usage has increased by more than 16%, whereas car travel has fallen by 4%.
- The Transport Operational Command Unit - a joint initiative between London buses and the Metropolitan Police to help police buses and bus routes is making the transport system safe and keeping traffic moving.
- The introduction of Oystercard - a smart ticketing initiative that reduces queuing, aids the introduction of cashless buses and the scope for more flexible ticketing. More than 1.2 million Oystercards have been issued.
- Ongoing work at a national level is investigating the potential for using more sophisticated pricing systems over the longer term.
- Government is working with travel generators (businesses, schools, attractions etc) to promote greater use of travel plans that encourage individuals to make greater use of more sustainable modes of travel.
- Progress is being made on integrating transport development and land use planning, and appraisal techniques have been updated to reflect the key economic, environmental and social impacts of projects.

Planners should seek to establish the best mix of transport infrastructure given London's history and current situation



- In London, the Mayor has responsibility for transport strategy and the allocation of investment in key projects (except for rail).
- The Mayor and Government should continue to work together to provide infrastructure that meets the needs of London's economy and people, now and in the future.
- Already sophisticated modelling and appraisal techniques should continue to be improved, for example to incorporate more land-use change effects.
- London's historical organic development means that smaller marginal changes can often offer the best solutions. These can be facilitated by better co-ordination between agencies and authorities.

The scale of congestion and crowding in London increase the potential value of managing demand



- London has begun pricing road use in the central area, and could consider extending the scheme if it would be beneficial and feasible with current technology.
- There may be benefit of moving to more sophisticated systems, the feasibility of which are currently being studied.
- Benefits on public transport could be captured by increasing price differentials between peak and off-peak periods.
- Government could encourage greater use of travel plans.
- Gains might also be made by increasing flexibility for individuals:
 - » offering alternative modes of travel
 - » encouraging more flexible working

Transport - recommendations (1/2)

- We recommend that government should:
 - 1. Continue to be as clear as possible about its contribution to transport in London, and the tools available to the Mayor to fund and implement his transport strategy.**
 - » The Mayor has prepared a transport strategy for London, which leads development of the city's infrastructure and transport services. Government has set the funding framework for the Mayor in the 10 year plan, and should continue to do so with as much clarity as possible.
 - » Government should also be as clear as possible about its plans for heavy rail projects in the capital. This clarity should help the Mayor and TfL develop effective transport and spatial strategies within the confines of affordability.
 - » Government should explore options for funding more of the investment in London's transport infrastructure through alternative funding mechanisms.

Transport - recommendations (2/2)

- We recommend that government should:
 - 2. Complement the existing approach to transport modelling and appraisal with a systematic approach to researching best practice and new techniques.**
 - » Research should continue to build up a wide and robust evidence base, drawn from experience elsewhere and through experimentation. This would help to develop modelling & appraisal techniques and complement the NATA, which already helps policymakers make the difficult judgements required for transport schemes in an urban setting.
 - » Work should be subject to independent peer review, and lessons learned in the London context carried over to other UK cities and regions as appropriate.
 - 3. Continue to support the use of pricing and other tools to influence travel choices in London.**
 - » Government should continue to work with TfL to exploit the full potential of the Oyster smartcard ticketing system, and to improve the quality and accessibility of travel information.
 - » Government should also work with TfL to engage with employers and other travel generators (e.g. schools, shopping centres) to raise awareness of the external impacts of the travel they generate, and to encourage sensible planning of when and how people travel.

Contents

- 6. Summary: the three-minute London
- 10. London overall
- 25. Housing
- 45. Transport
- 69. Public services**
- 95. Labour market
- 116. Structural issues
- 121. Summary: recommendations

London's public services exhibit both extremely good and very poor performance

Excellent performance

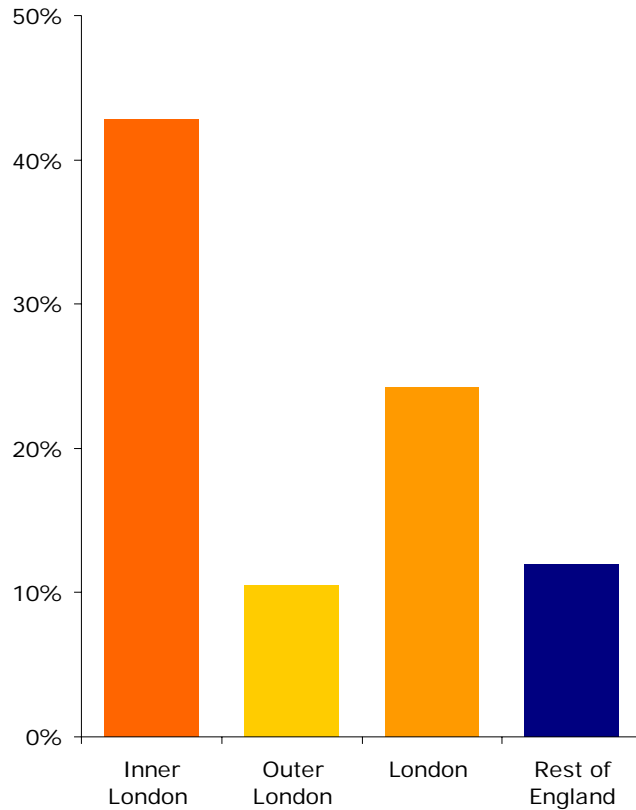
- London is a global centre of excellence in Higher Education and teaching hospitals
- Schools add more value at Key Stage three-four than in the rest of the country
- Hospital waiting times are on a par with other regions
- Household crime is generally lower in London than in other urban areas
- A high proportion of Inner London boroughs are rated as excellent

Poor performance

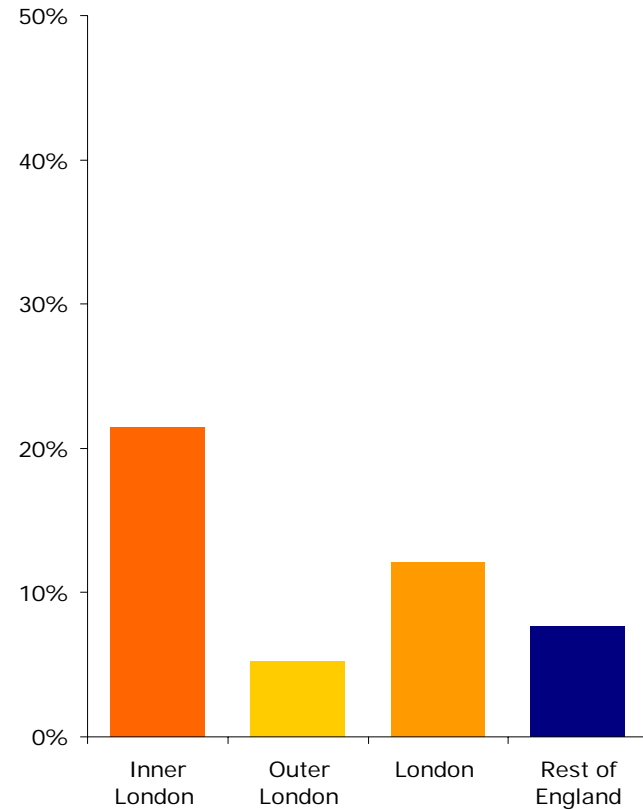
- Absolute attainment in Inner London schools is amongst the lowest in England
- Access to primary care in London is poor
- Accident and Emergency Services are over stretched
- Violent crime in London is consistently higher than in other urban areas
- A high proportion of Inner London Boroughs are rated as poorly performing

There is a high degree of polarisation in London's public services, contributing to polarisation in outcomes for London's people

**Authorities rated
"Excellent" (%) - 2002**



**Authorities rated
"Poor" (%) - 2002**



Source: Audit Commission

There is some evidence of a link between poor local authority performance in parts of Inner London and deprivation, though this is not solely a London issue

LA performance and deprivation



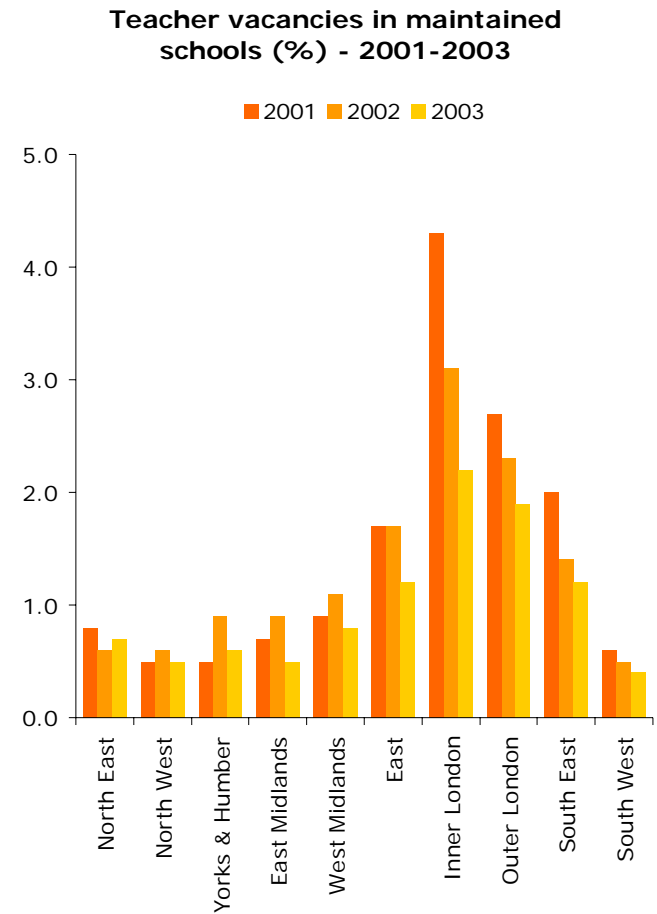
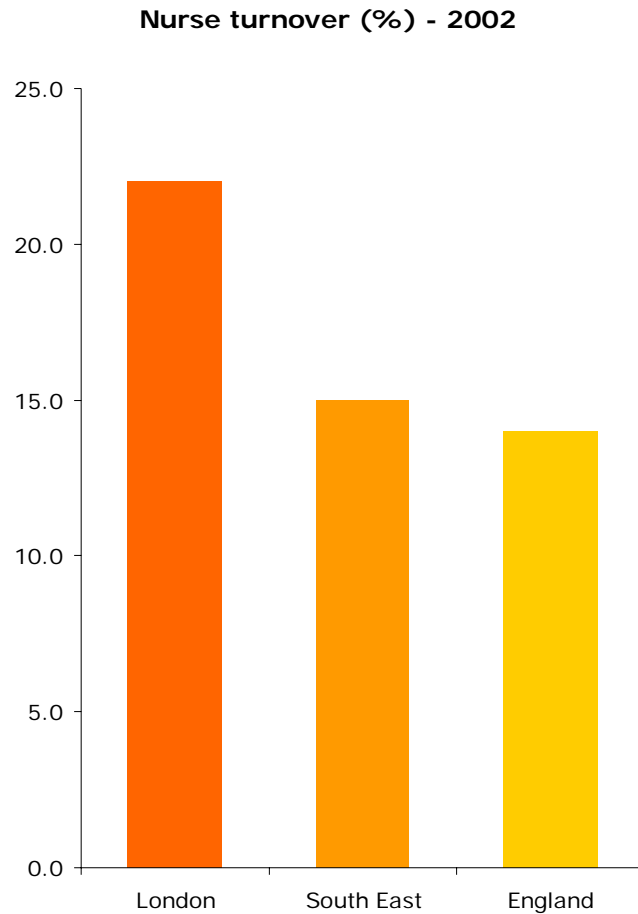
- Deprivation and disadvantage as a result of low socio-economic status influences performance.
- E.g. Within education, pupils entitled to free school meals (FSM) progress more slowly than non-FSM pupils in *each* subject for *each* key stage.
- Deprivation is a national issue and is recognised in funding formulae and through Area Based Initiatives (ABIs).
- Variation in performance within deprived and non-deprived communities suggests other factors also pose challenges to performance, and London faces additional challenges unique to the capital.

Recruitment and retention is a key driver (as well as a consequence) of success and failure in London's public services



- Recruitment and retention problems are a strong distress signal for public services and can be both a cause and consequence of poor performance
- Recruitment and retention problems may arise for a variety of reasons, poor management/leadership, challenging client group, negative perceptions and ethos of services, poor infrastructure, etc
- London's strong demand for highly skilled employees allows the highly skilled greater choice in employment sectors/organisations with the best conditions, rewards and incentives
- London's extensive transport networks and the compactness of the city allows the workforce greater choices of localities in which to work, which can result in workforce poaching by highly performing services, e.g. high performing schools develop good reputations and attract teachers from nearby poorly performing schools

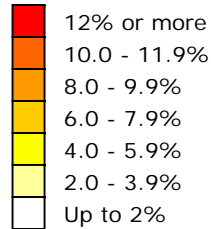
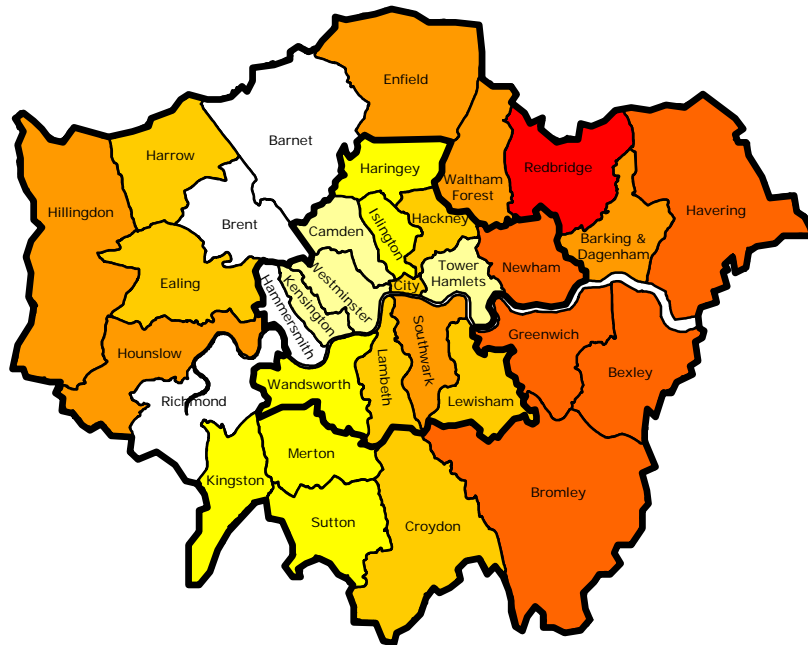
Many London services face significantly higher staff turnover and vacancy rates than elsewhere, resulting in reduced staff continuity



Source: DH, DfES. Vacancies measured as a percentage of teaching posts in nursery, primary, secondary and special schools.

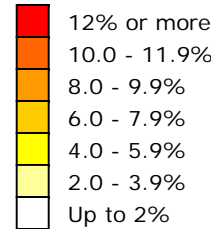
Workforce turnover varies between boroughs and between key workers suggesting factors other than London pay weightings affect recruitment and retention

GP vacancy rate (%) - 2003



Figures include vacant posts arising from the establishment of new PMS posts which are unlikely to be filled by now. Data for PCTs, so City & Hackney, Merton & Sutton grouped.

Qualified nursing staff 3-month vacancy rate (%) - 2003

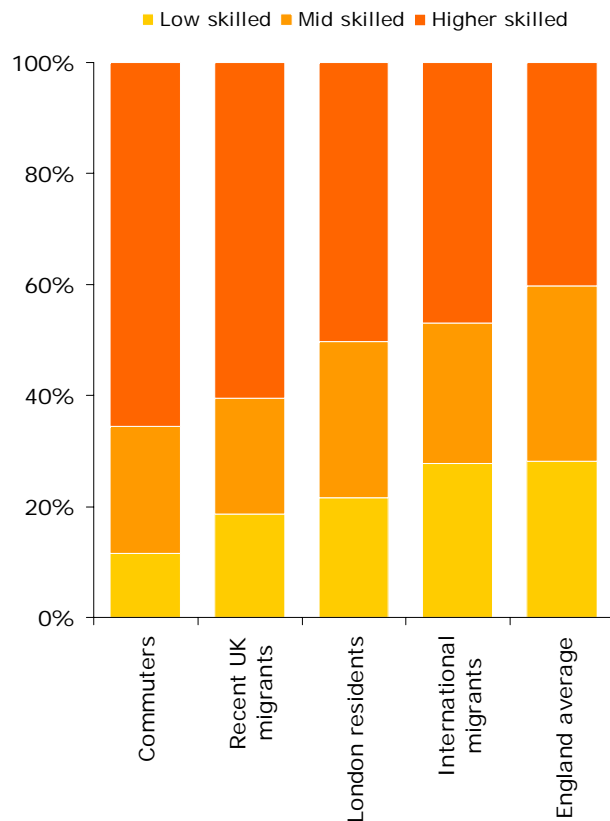


Includes qualified nursing, midwifery & health visiting staff. Data for PCTs, so City & Hackney, Merton & Sutton grouped.

Source: DH, GLA

London's need for high skilled workers is met by a mobile population of commuters as well as new and established London residents

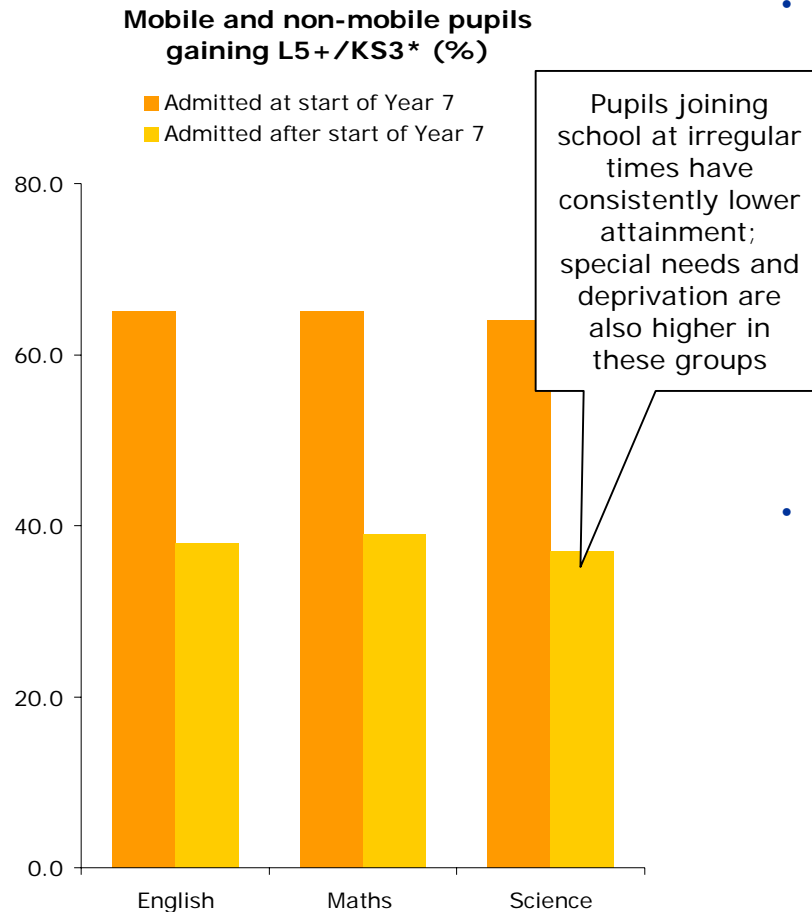
London population groups and employment types - 2002



- There are around 3.5 million employed London residents - taking about 75% of the 4.5 million jobs in London. Commuters take the remainder of jobs
- Nearly 70,000 of London's employed residents are recent migrants from the rest of the UK who lived outside the capital in the previous year
- Over 300,000 of London's employed residents arrived from overseas within the last five years

Source: ONS, SU analysis. International migrants arrived in last 5 years, recent UK migrants in last year. UK migrants figures subject to revision.

Within the education system, high pupil mobility affects the performance of both mobile and stable students



- Mobility as a challenge for education services:

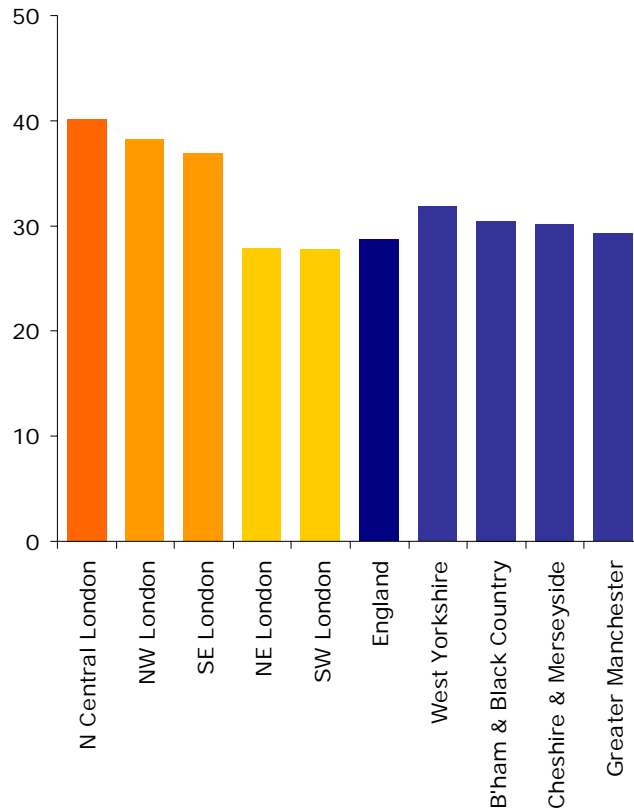
- » Teacher and pupil mobility disrupt classroom teaching and sap resources.
- » School timetables and resources are more complex to manage.
- » High mobility increases scope for children to be 'lost to the system' when moving between services and boroughs.
- » Funding does not take full account of mobility and the impact it has on school performance.

- International evidence:

- » Minneapolis Kids Mobility Project (1998) concluded that mobility compounds the underachievement of children already facing multiple risk factors.
- » Chicago Study (1995) showed mobile students likely to be 4 months behind peers - this increased with age: by 6th grade could be a lag of up to a year.

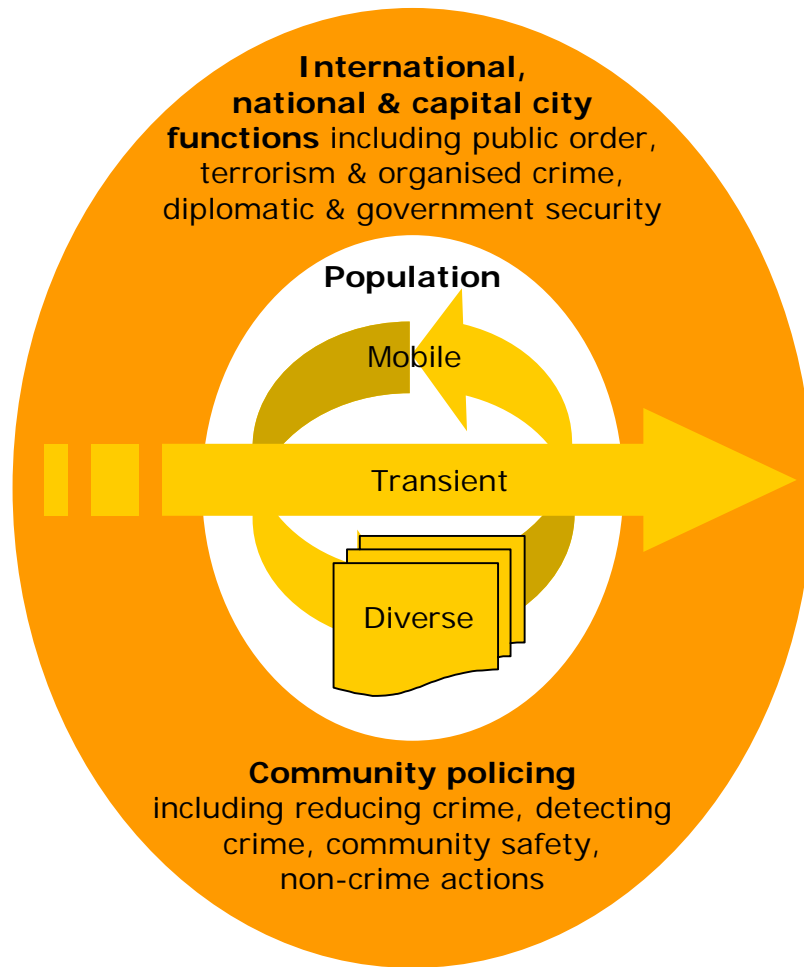
Access to primary care in London is poor and accident and emergency services are over-stretched

A&E attendance rates (per 100 population) - 2001/02



- Mobility as a challenge for health services:
 - » Low proportions of the population are registered with GPs, resulting in inappropriate use of A&E services (often the first port of call, even for minor ailments).
 - » Limited access to primary care.
 - » Lack of service continuity presents difficulties in targeting screening programmes and monitoring health conditions.
 - » Funding does not take account of costs arising from greater numbers joining and leaving services (which must occur regardless of how long customers stay).

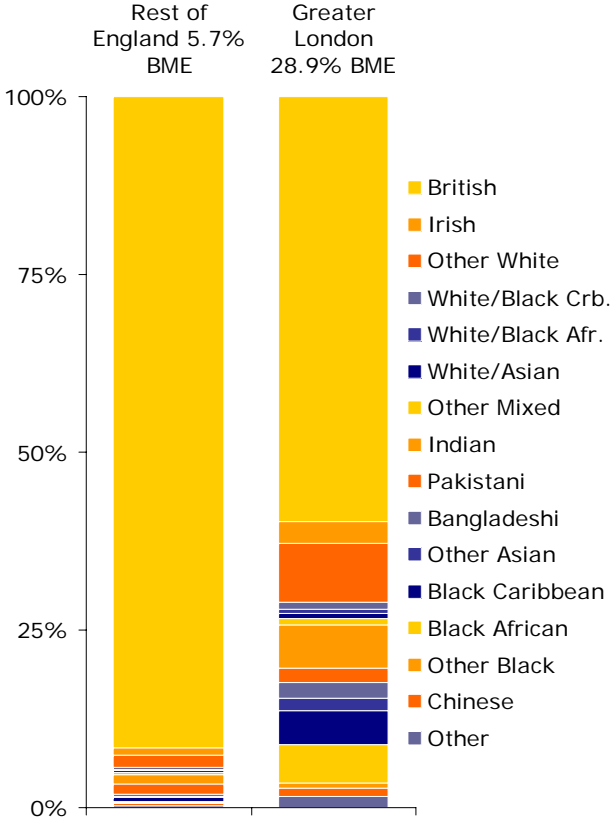
Daily mobility and residential churn in London add to the complexity of policing



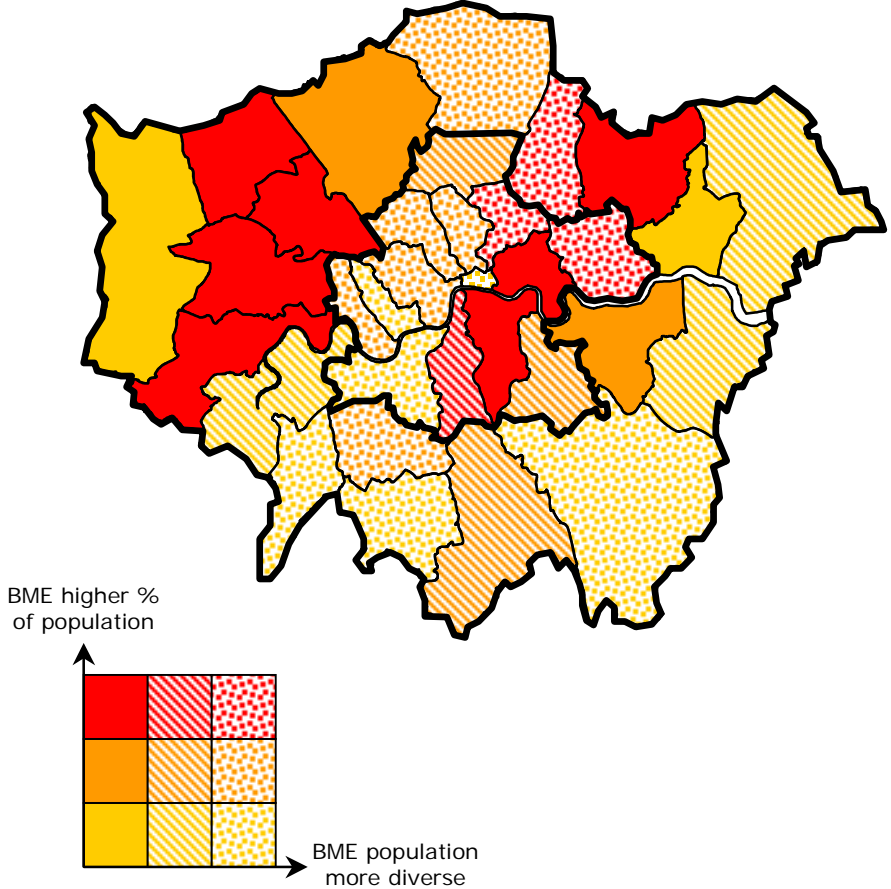
- Mobility as a challenge for police services:
 - » Residential churn enables criminals to evade detection or enforcement (residents, housing officers, schools, etc are less able to identify criminals).
 - » Mobile communities tend to be less engaged in the welfare of their areas, creating a greater challenge for Police seeking to increase performance through community engagement.
 - » Mobility and daily transience brings new potential victims and criminals into the city, presenting new crime opportunities.

London's population is highly diverse and the patterns of diversity are more complex than elsewhere in the UK

Ethnic composition of London and the rest of England - 2001



Patterns of ethnic diversity in London



Source: ONS, SU analysis

Diversity is a clear strength for London

- London is home to:
 - » People of at least 91 different nationalities.
 - » Communities speaking a total of 300 languages.
 - » A multitude of cultures and faiths.

- A diverse population is a key strength:
 - » The mix of people in London is rated as one of the 10 best things the city by its residents.

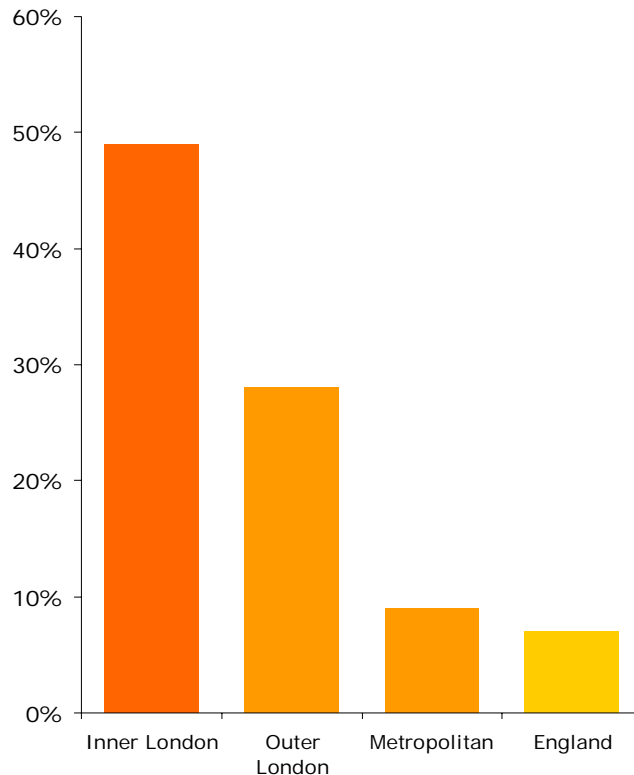
- Diversity as a driver of London's success:
- Cultural factors:
 - » London provides outstanding educational/cultural opportunities for a wide mix of cultures and faiths
 - » Well established diverse communities give mutual support and provide faith/cultural services (e.g. food specialists, places of worship, etc)
- Skills mix
 - » Over 300,000 of London's employed residents arrived from overseas within the last 5 years
 - » Of international migrants in employment, 47% are in High skilled employment, 25% in mid skilled and 28% low skilled

Diversity is also a driver of variations in performance

	Education service	Health service	Police service
Language	In Inner London over 49% of schools have over 40% of pupils who do not speak English as their first language	Higher cost of care in different languages	Difficulties presented by translation needs and costs
Community engagement	Parental involvement in schools varies between ethnic groups	Variations in access to services Difficulties in raising awareness of risks/treatments	More challenging for police to build relationships with communities (investigation & detection more difficult)
Cultural sensitivity	Children taken out of mainstream schools to faith/language schools; stereotyping (based on ethnicity, religion, culture, origin, etc)	Limited takeup, e.g. women's health & screening programmes; generic public health campaigns less effective; stereotyping	Perceived and actual police prejudice and racial stereotyping (e.g. based on ethnicity, religion, culture, origin, etc)
Variation in needs and outcomes	Different patterns of attainment amongst ethnic groups; variation in employment and progression outcomes between groups	Variations in clinical needs of different groups	BME groups over-represented as both victims and suspects; types of criminal activity drawn along ethnic lines

Language is a recognised challenge to effective engagement of diverse communities and meeting diverse needs in the delivery of public services in London

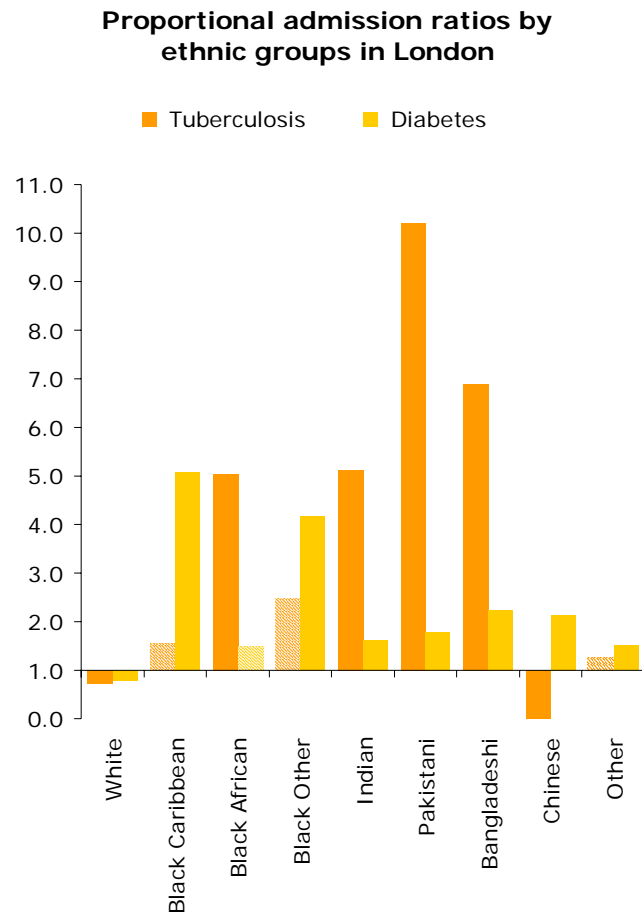
Primary schools where more than 40% of pupils have English as a additional language (%) - 2001



- English language skills are well associated with increases in the likelihood of employment, as well as greater earning potential and progression for those already in work.
- "Use of English language itself is possibly the most important means of diverse communities participating in a common culture".*
- Benefits system places restrictions on access to free ESOL training, creating disincentives for study.
- Widespread anecdotal evidence and initial conclusions from the DWP ESOL Strategy Study, and OFSTED report September 2003, suggests the volume of demand for English Language training provision in London far outstrips supply.
- Inadequate monitoring of demand, needs analysis and wide variations in quality of English language training provision.

Source: DfES, HO. * "The New and the Old"

London's health services face distinct challenges in meeting the needs of a diverse population



- Some patterns of ill health are more prevalent in particular ethnic groups (with some prevalent only in first generation migrants and others apparent also in later generations):
 - » coronary heart disease
 - » diabetes
 - » mental health problems
 - » tuberculosis
 - » HIV and AIDS
- Unemployment and deprivation are considered drivers of health outcomes and these factors disproportionately affect some ethnic groups
- Problem drug use is high in London (c.65,000 or 23% of UK's Problem Drug Users)
 - » high rate of use crack cocaine amongst some minority ethnic groups is a challenge to traditional treatment services

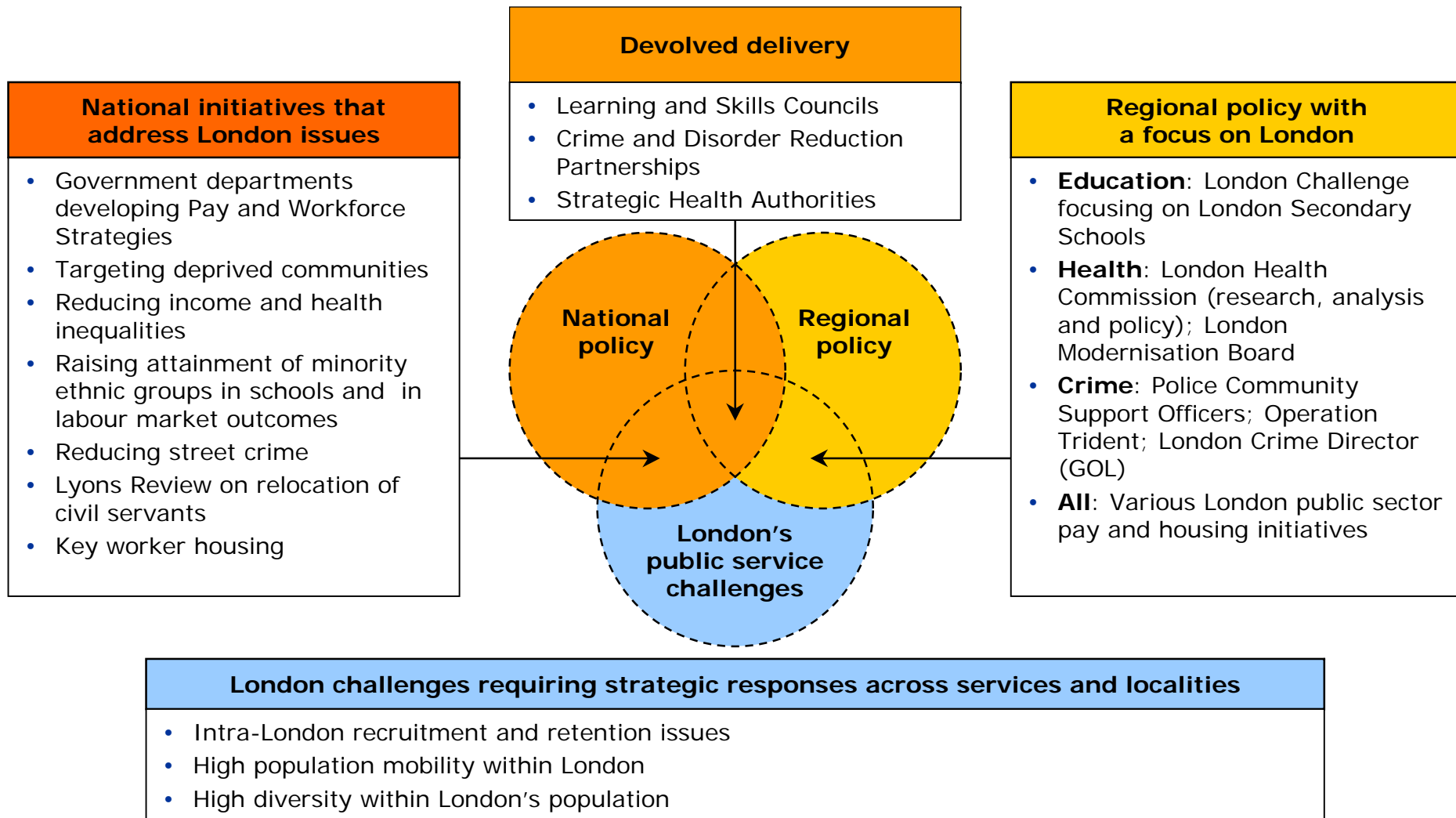
Source: LHC. Lightly shaded bars denote ratios insignificantly different from unity.

Nearly half the foreign nationals and an estimated two-thirds of recent migrants to the UK live in London, making the impact of immigration a clear challenge for London

Migrants make significant positive contributions to society, particularly evident within the London workforce. However they can also have needs and pose challenges which are different to those of longer term residents (e.g. language, healthcare)

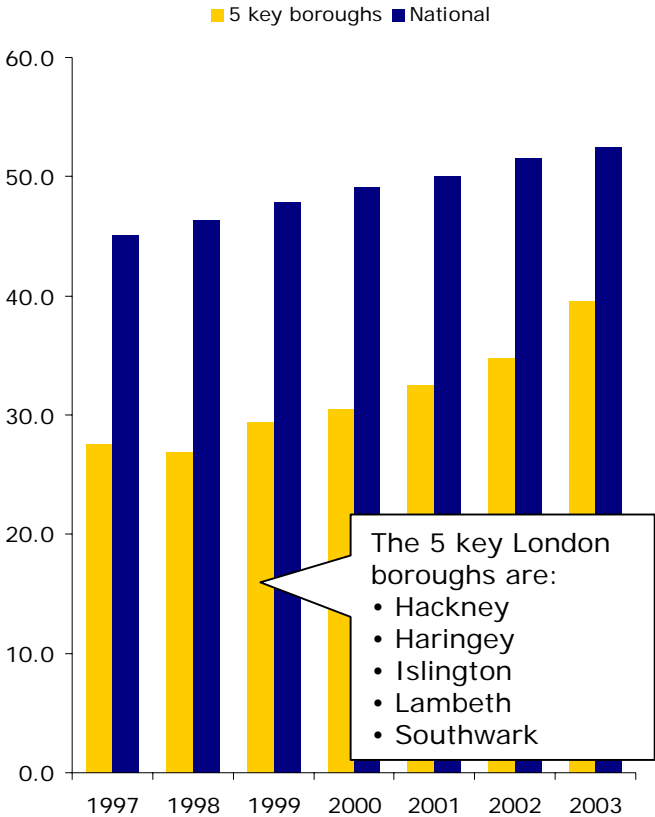
- Impact of migrants on public services:
 - » Most categories of migrant are not identified by service providers as an issue
 - » Asylum seekers/refugees are only significant for public services where concentration coincides with an area where public services are already overstretched - a particular challenge for some areas of London
 - » In those areas, migrants' particular demands can put strain on the capacity of services
- Ad hoc arrangements are developing to meet migrants' needs, in some case within mainstream services and sometimes by establishing a service targeted at asylum seekers/refugees
- Difficulties migrants face in accessing the services include:
 - » A lack of access to English language courses
 - » A lack of information on arrival about service and social norms
 - » A lack of documentation establishing rights to work and to access services
 - » Delays in access to services
 - » Services that do not meet their needs

Government is responding to London's public service challenges through national and regional policy – but further focus on London's unique challenges is needed

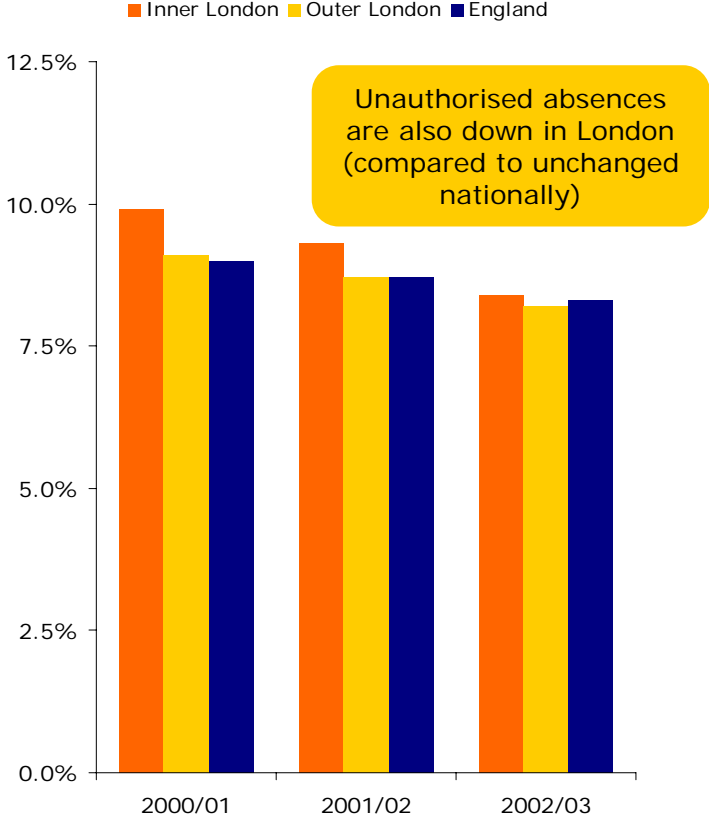


Case study: DfES developed a range of tools to improve performance in London's schools, where performance in key boroughs is now rising and absentee rates falling

Pupils achieving 5 or more GCSEs at A*-C (%) - 1997-2003

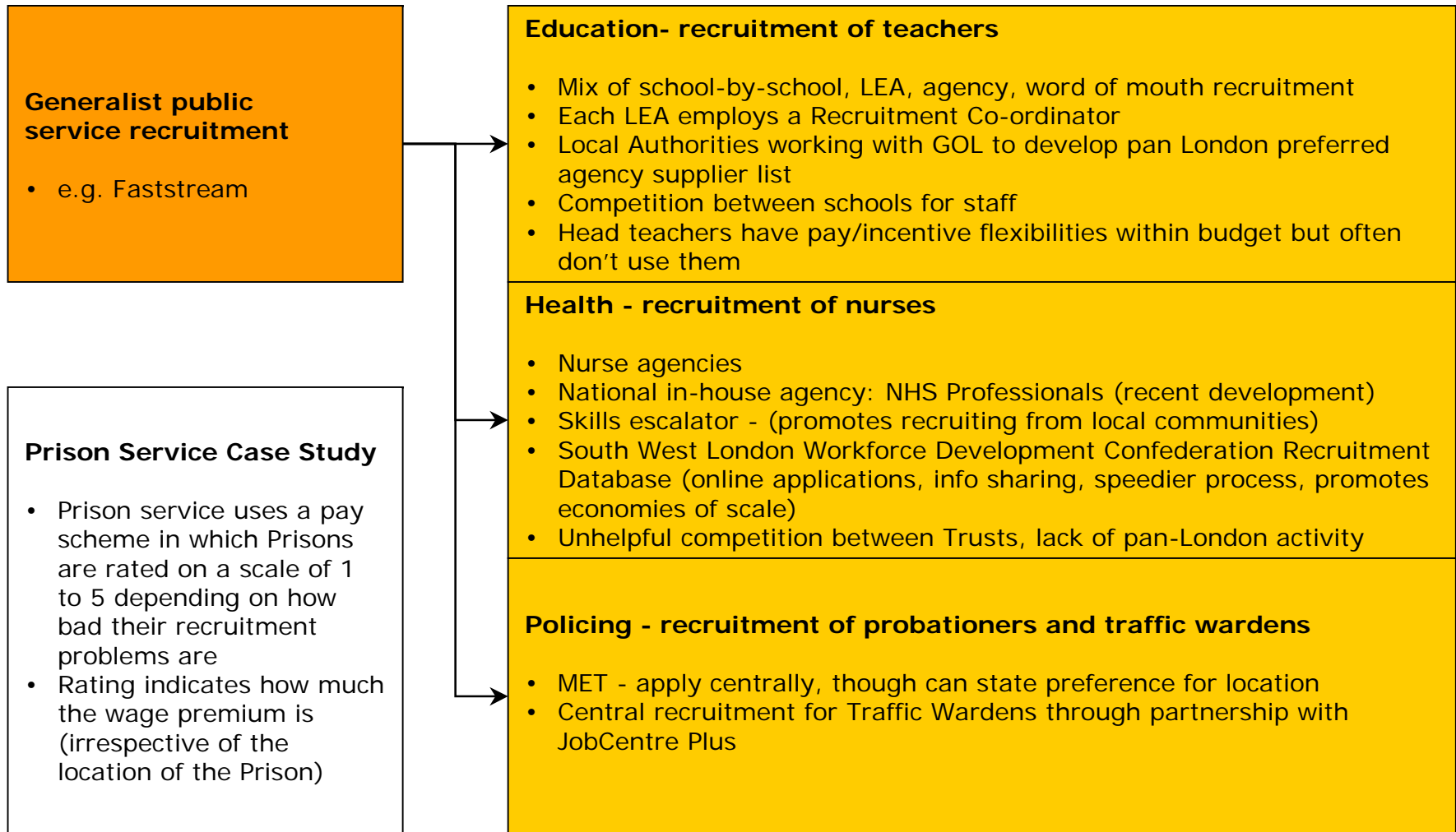


Pupil absence in secondary schools (%) - 2000/01 - 2002/03

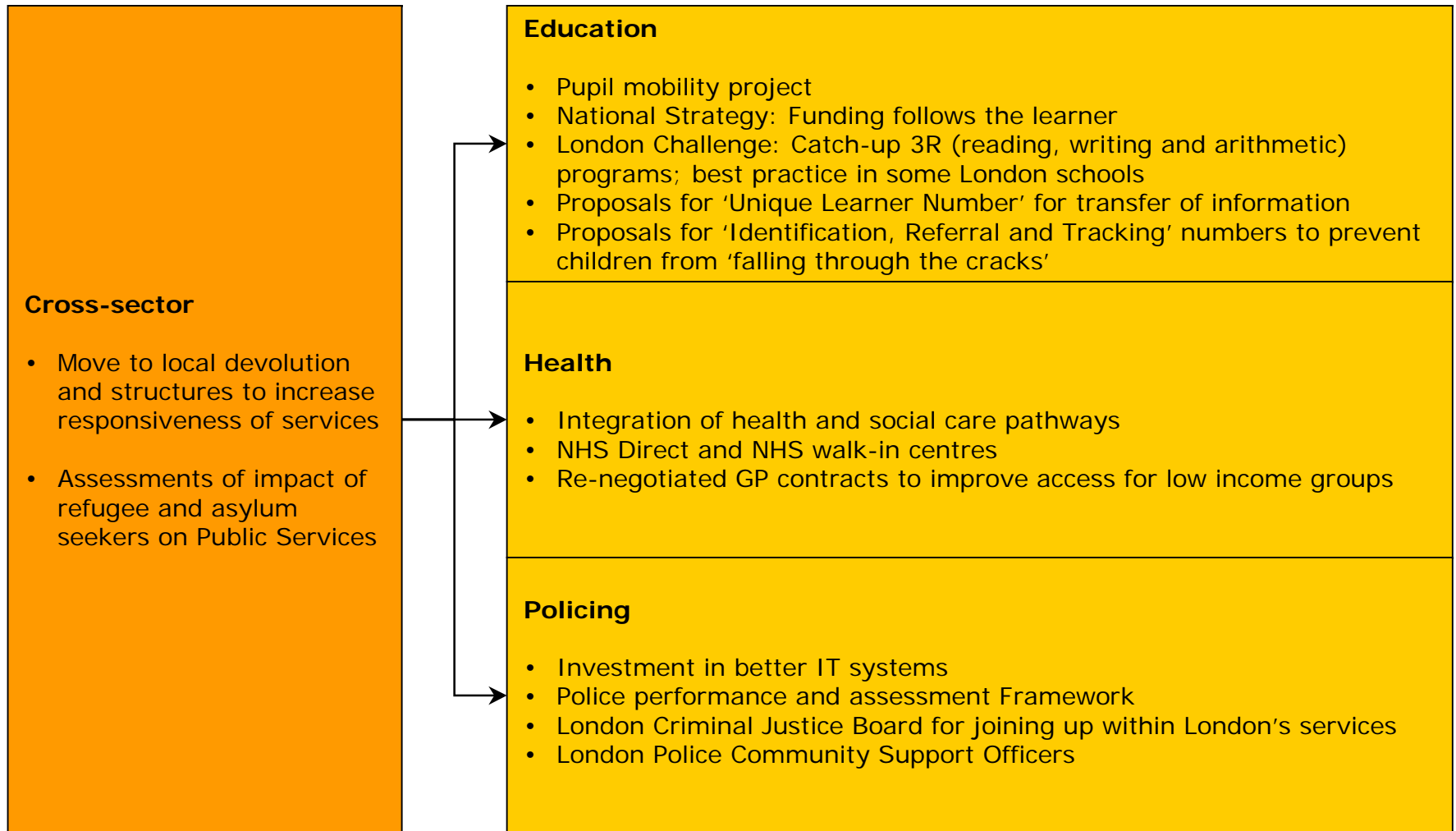


Source: DfES

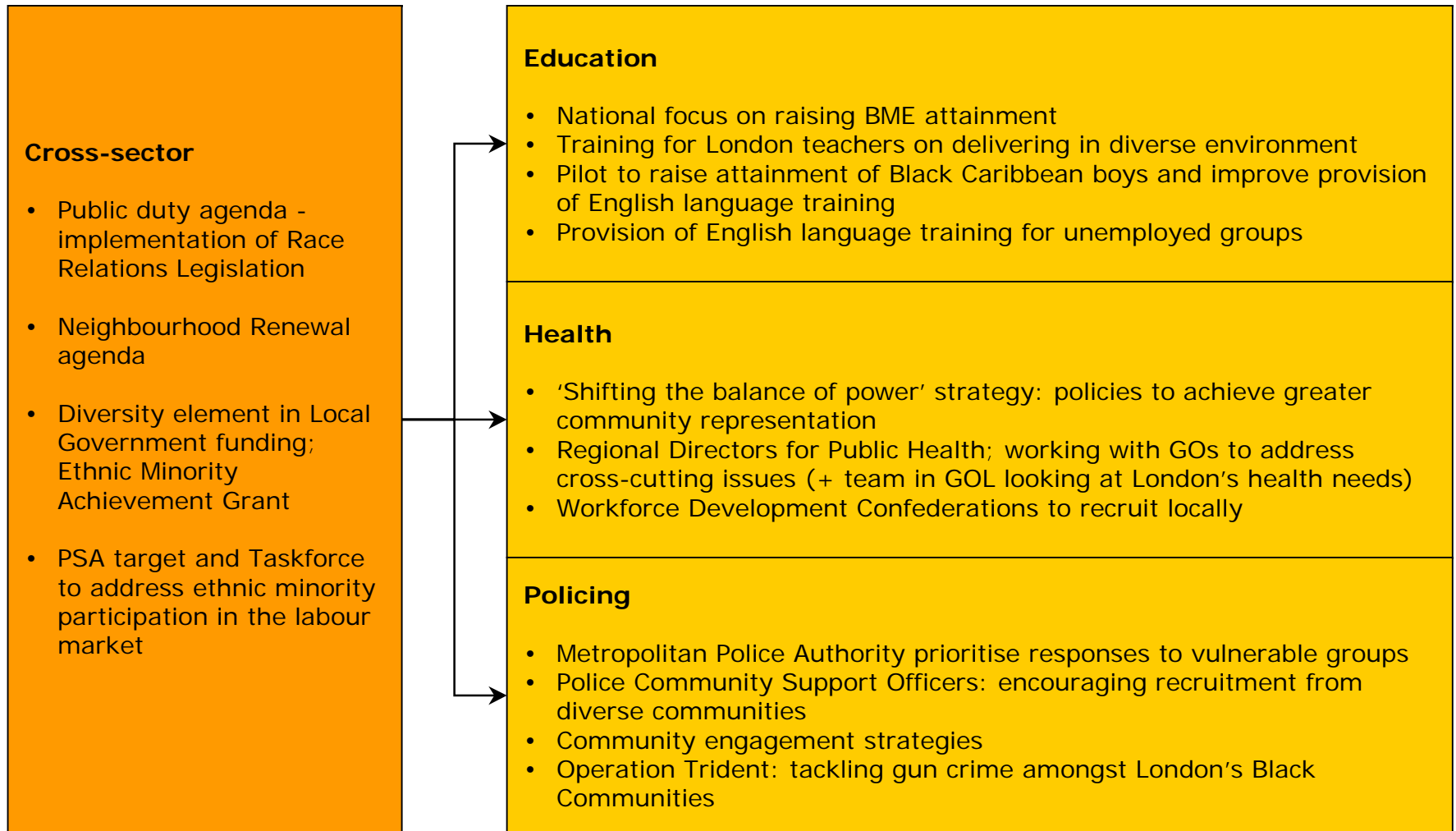
London public service recruitment practices vary across service sectors



Many Government policies address the issue of mobility but not always directly and many are not yet embedded



There is government commitment to addressing issues related to diversity



But there is further scope for addressing London's challenges and promoting more equitable outcomes

Recruitment & retention	High mobility	High diversity
<ul style="list-style-type: none">• London pay weightings/bands fail to encourage targeting incentives to posts of greatest challenge• Room for further encouragement to use existing recruitment and retention flexibilities• Need for more robust workforce data to underpin intelligent strategies (which avoid dead-weight costs)• Room for greater efficiencies and wider area based recruitment processes	<ul style="list-style-type: none">• Room for greater recognition of the costs of high mobility• Wider deployment of innovative approaches to work with mobility e.g. 'drop-in' screening programmes, etc• Need for greater local co-ordination as high numbers of people transfer regularly (for child protection especially)• Continuing temporary to permanent accommodation schemes	<ul style="list-style-type: none">• Enforcement of Race Relations Act (2000) & Public Duty agenda• Development of a wide pool of knowledge for workers to engage with diverse populations• Scope for co-ordination and capacity building of English language training• Scope for re-considering migrants' entitlements to public benefits and ensuring that migrants know their rights and responsibilities

Public services in London

- London's public services operate within a unique environment.
- As well as dealing with the challenges of deprivation, the effects of socio-economic status and the need for regeneration, London services must cope with the additional challenges posed by the city's dynamic labour market, high population mobility and high diversity.
- To some extent these factors are also national issues, but their magnification in London make them both key success criteria and key challenges for the provision of public services in London.

Public services - recommendations (1/2)

- We recommend that government should:
 - 1. Further recognise the unique London challenges which place a strain on services over and above the challenges faced elsewhere, for example by:**
 - » Assessing and tracking the costs of high population mobility and diversity and evaluating the case for feeding these factors into funding formulae.
 - » Consider further scope for developing 'social contracts' (attached to rewards for providers' successes), to promote responsibility to support other providers under strain.
 - 2. Further develop workforce plans, ensuring mechanisms are in place to ensure quality & stability in both leadership and staffing. This should focus in particular on the services and localities with greatest need, for example by:**
 - » Ensuring all pay and workforce strategies have a London component that addresses London-specific recruitment and retention challenges.
 - » Considering services' capacity to dismiss poorly performing leaders.
 - » Ensuring enforcement of the Race Relations Amendment Act (2000) and the Public Duty Agenda.
 - » Considering development of a London wide pool of knowledge, experience and resources for public service workers to engage with London's diverse population.

Public services - recommendations (2/2)

- We recommend that government should:
 - 3. Take action to ensure London's services are organised to 'go with the grain' and manage high mobility and diversity, for example by:**
 - » Progressing proposals for a national framework for local information sharing to ensure children do not become 'lost to the system'.
 - » Progressing Home Office recommendations to establish clear policy objectives in relation to providing public services to migrants; ensuring migrants know their rights and responsibilities, ensuring provision of specialist, mainstreamed or voluntary services to achieve policy objectives.

 - 4. Take action to tackle some of the preventable challenges presented by aspects of mobility and diversity at source, for example by:**
 - » Considering formation of a body to develop ESOL strategy and oversee ESOL delivery in London, taking into account government's multiple aims and strengthening London's capacity to meet the capital's language provision needs.
 - » Considering how to overcome current disincentives for intensive ESOL study, e.g. benefit disincentives which limit language study to less than 16 hours per week, and access to ESOL for spouses only after a year of residence
 - » Continuing expansion of 'temporary to permanent' housing schemes which offer a more stable environment in which homeless households can put down roots in a community.

Contents

- 6. Summary: the three-minute London
- 10. London overall
- 25. Housing
- 45. Transport
- 69. Public services
- 95. **Labour market**
- 116. Structural issues
- 121. Summary: recommendations

Labour market pressures

What is the issue?

London has high rates of inactivity, a growing population, and declining demand for low-skilled work – threatening to increase London's excluded workless population.

What is the cause?

Too many Londoners face personal or London-wide barriers to competing effectively in London's labour market.

Gains to work can be lower in London creating disincentives to (formal) work.

What sort of response might be appropriate?

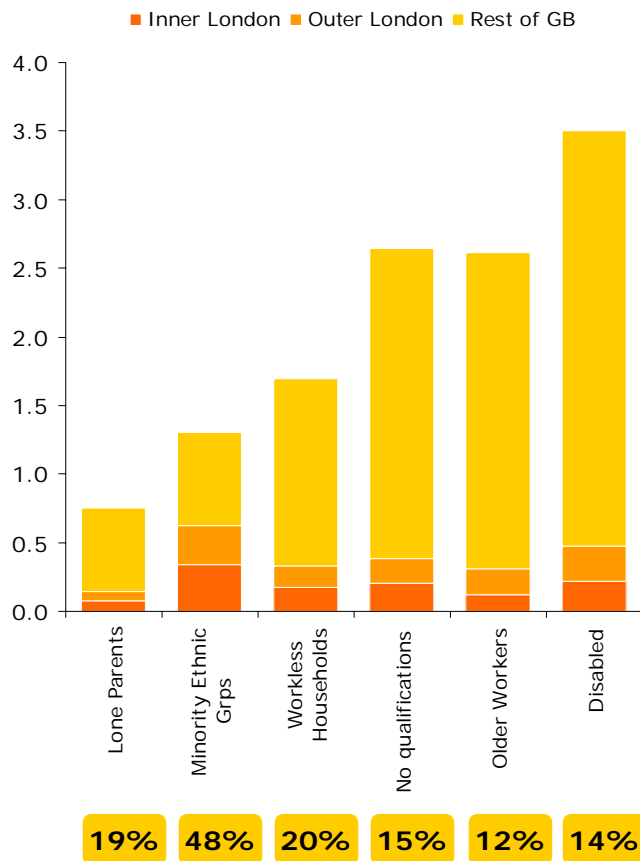
Understanding why people do not work and tailoring services to their needs.

Addressing structural barriers to work, for example childcare.

Preventing unfair illegal working.

London contains a large proportion of workless adults in vulnerable groups - so tackling their problems in London is essential in order to achieve national objectives

Workless population by PSA target groups, London and rest of GB (millions)



- London contains around 13% of Great Britain's working age population.
- Overall London contains nearly a fifth of the workless population who are in at least one of Government's PSA target groups - groups considered to be vulnerable to disadvantage in the labour market.

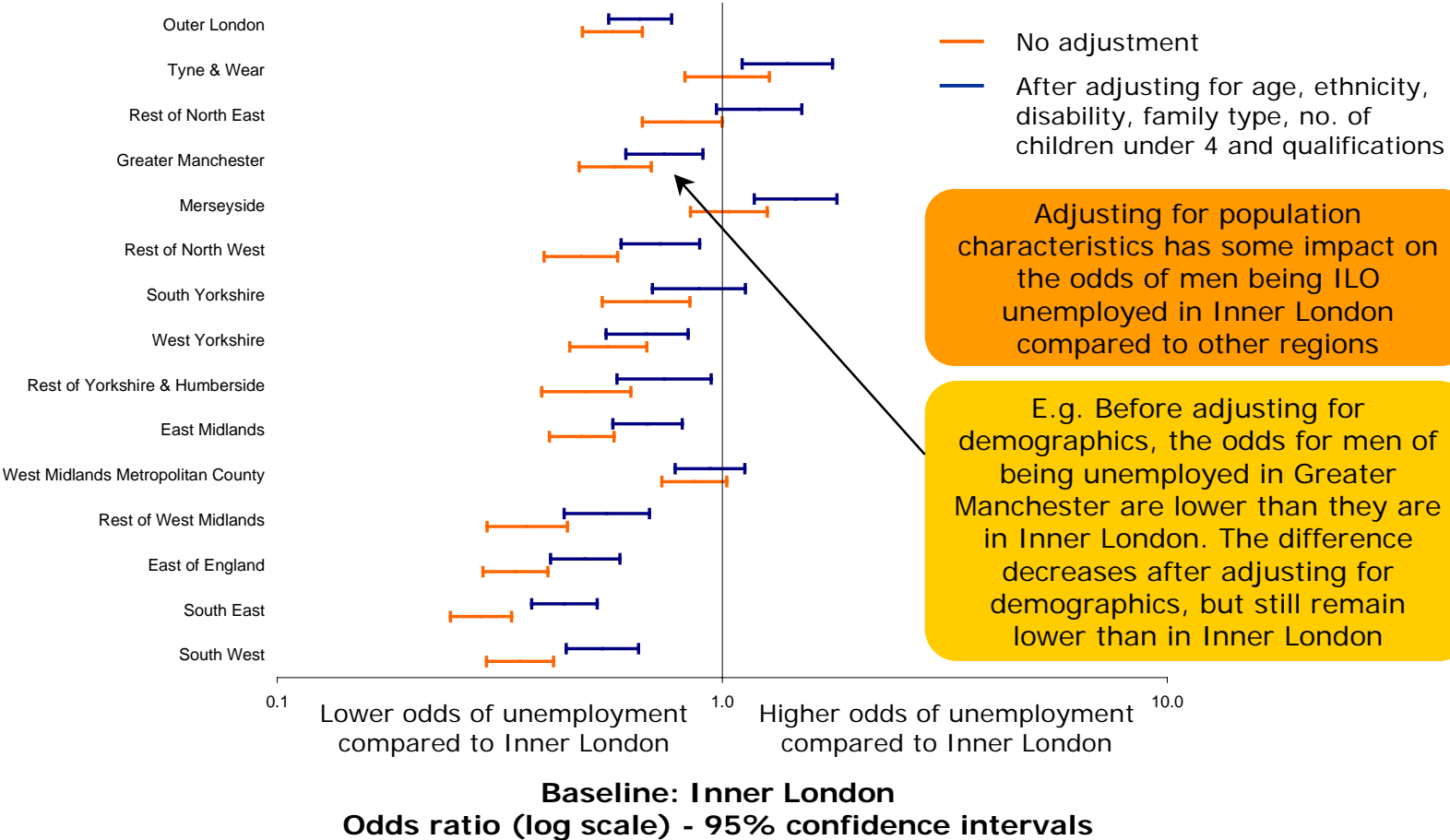
Source: DWP. Excludes Northern Ireland.

London's high rates of worklessness appear to result from both its population mix - and also a 'London Factor'

- London contains a larger proportion of groups who have traditionally been at risk of suffering disadvantage in the labour market. This contributes to the high worklessness rate in London.
- However even after controlling for these population characteristics, we found there were still higher odds of being workless in London than in many other places in the country. This suggests there is also a 'London factor' – conditions in London which make it even less likely that someone will be willing or able to move into work.
- This suggests two prongs to policy which aims to tackle worklessness in London
 - » Ensure that current national programmes and interventions by the employment service are delivered in a way which is effective for the needs of London's population. The larger challenge in London due to the larger proportion of the population who are at risk of suffering disadvantage in the labour market suggests that London employment service may need additional capacity to deliver
 - » Tackle additional London factors through London-specific policies. Hypotheses for 'London factors' which we explore in this document include lower financial gains to work, lower availability of childcare, greater competition etc...

The distinctive profile of London's population contributes to London's high unemployment rate

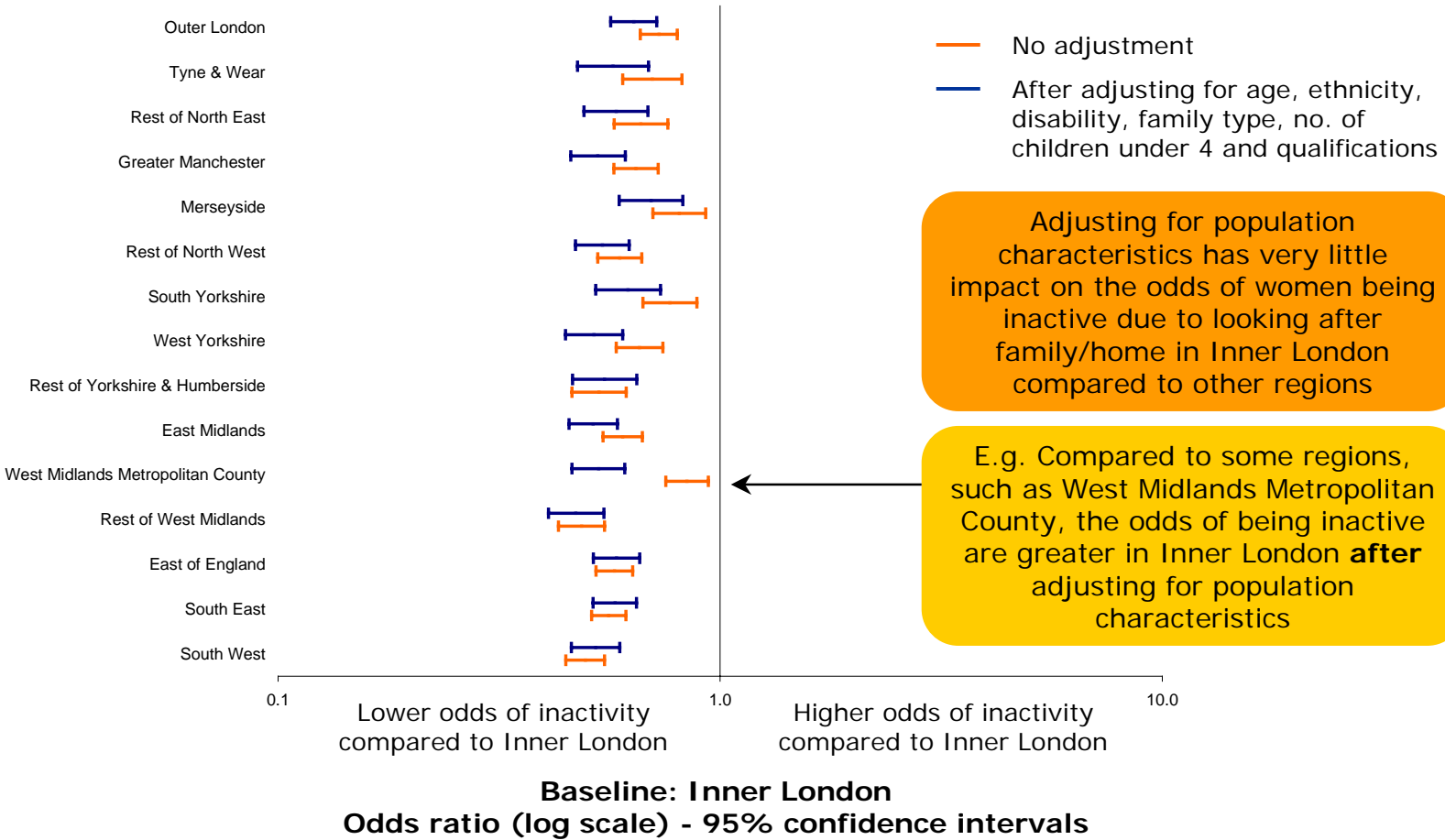
**Odds of being unemployed (male) relative to Inner London
(before and after adjusting for demographics)**



Source: SU/DWP analysis using annual Local Area LFS 2001/02.

Even after adjusting for many population characteristics, the likelihood of women being inactive remains high compared to elsewhere

Odds of being inactive (female) relative to Inner London (before and after adjusting for demographics)



Source: SU/DWP analysis using annual Local Area LFS 2001/02.

A potential framework for tackling poor labour market outcomes in London

Tackle structural problems

Ensure good service delivery

1

Supply side:
Tackle barriers to work specific to the **socio-demographics of London's workless populations.**

2

Demand side:
ensure there are adequate interventions with public and private employers to **prevent discrimination and promote good practice.**

3

Ensure there are **sufficient financial 'gains to work'** after taking account of in-work costs, cost of childcare and potential informal earnings and **stable transition** from benefits to work.

4

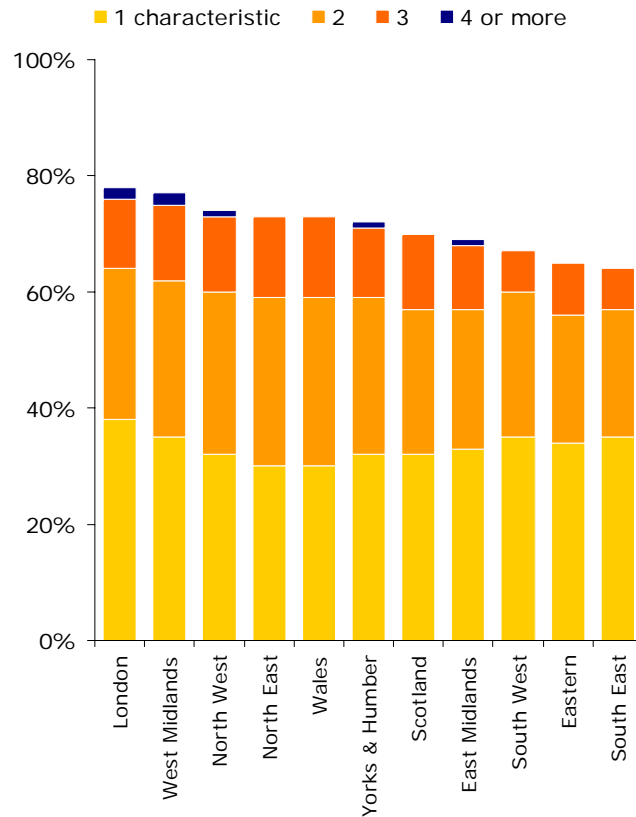
Ensure **individuals have capacity to work** in their skills and qualifications.

5

Ensure **effective employment service** to support people to find work.

London's workless are more likely to have at least one characteristic making them vulnerable in the labour market

Workless population with vulnerable characteristics (%) - 2002



- A workless person in London is more likely to have at least one characteristic which makes them vulnerable in the labour market.
- In addition London contains:
 - » estimated 23% of the UK's drug dependent adults
 - » a quarter of all cases of homelessness
 - » a fifth of all households on local authority waiting lists
 - » half of all rough sleepers in England
 - » at least three quarters of the UK's asylum seekers

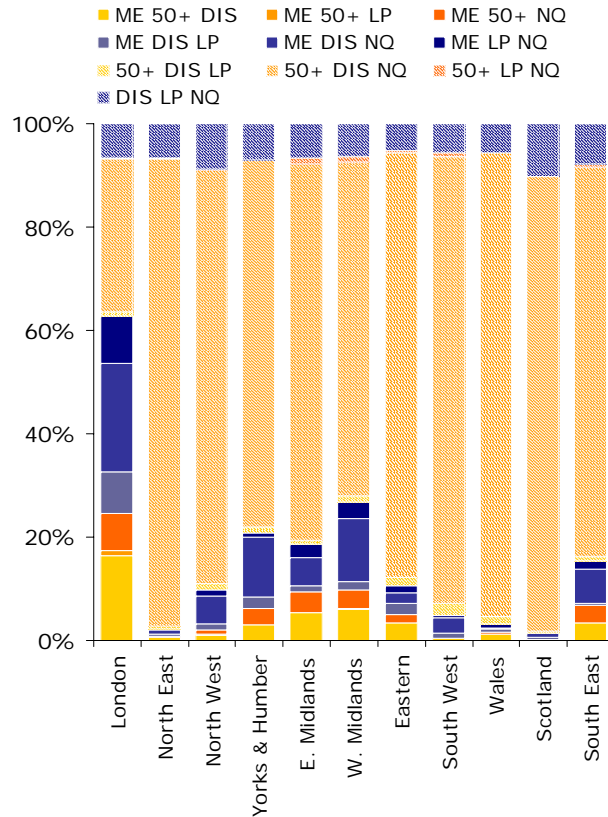
PSA target groups used as a proxy for these characteristics:

- Minority ethnic
- Lone parent
- No qualifications
- Aged 50+
- Disabled

Source: DWP, GLA, "Social & Economic Circumstances of Adults with Mental Disorders"

The workless in London face a greater variety of combinations of barriers to work, compared with the pattern in the rest of the country

Workless population with 3 barriers to work by combination (%) - 2002



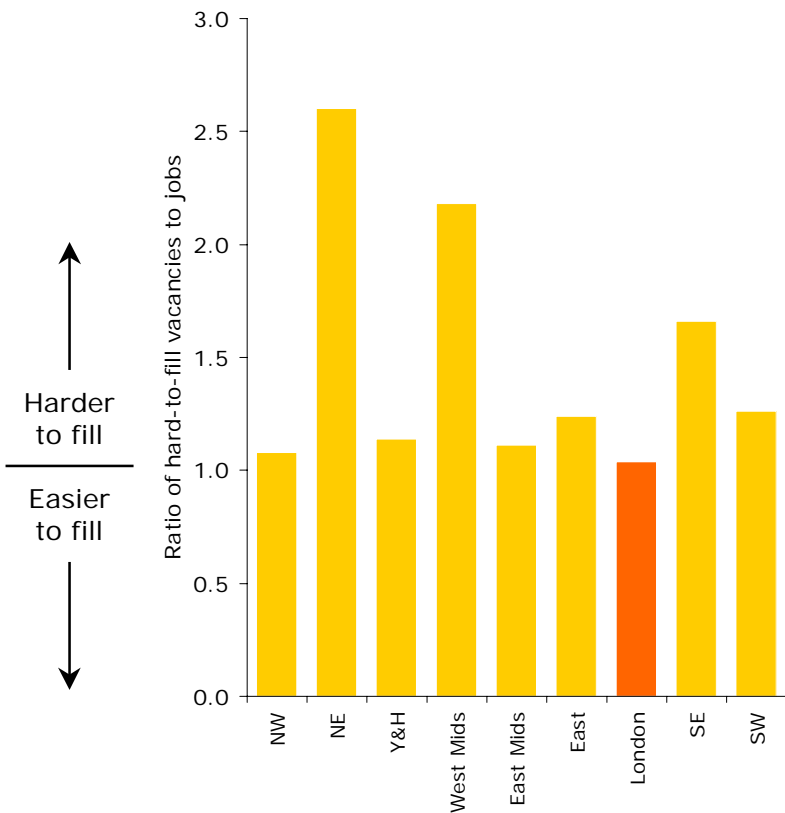
LP = Lone Parent
 NQ = No qualification
 ME = Minority Ethnic
 50+ = Age over 50
 DIS = Disabled

- The variety of combinations of barriers is chiefly due to the larger proportion of minority ethnic groups in London - recent SU analysis suggested that nationally many of the minority ethnic population face increased difficulty finding work
- The varied combinations of barriers suggests a need for more tailored solutions for each individual, or an adaptable strategy for tackling worklessness - for instance greater use of specialist help

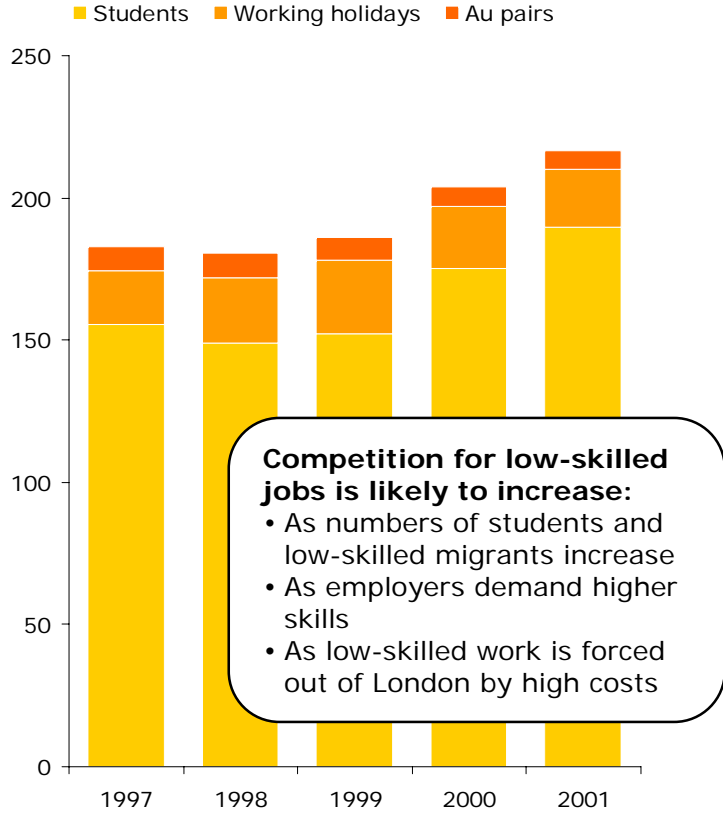
Source: DWP, SU. PSA target groups used to proxy barriers to work.

Employers find it easier to fill low-skilled vacancies in London than elsewhere as there is a wide pool of labour competing for jobs

Hard-to-fill lower skilled vacancies (weighted) by region - 2001



Estimated legal non-UK workforce available to London employers (thousands)* - 1997-2001



Source: ONS, HO, SU analysis. * UK inflow figures multiplied by 56% (share of immigrants in London/SE).

Constructive working between Jobcentre Plus and the public sector, London's major employer, is critical in order to find sustainable jobs for London's workless

- The public sector is London's largest employer, employing 1 in 5 people. But it is also a heavy user of temporary contracts, and recruits from abroad where it perceives there to be a lack of local skills.
- Public services stand to benefit from partnerships with Jobcentre Plus:
 - » provides access to a wider pool of potential employees
 - » can be good value for money
 - » Recruitment through local communities can help public services' respond to local diversity
- Public sector employers may need to review entry criteria and recruitment processes in order to recruit more effectively from harder to help client groups.
- Jobcentre Plus should respond to employer needs and show high job matching rate (future plans include public sector account managers).
- Many examples of successful existing partnerships. E.g.
 - » the NHS escalator programme, or Ambition programmes focus on sustainable (and mid/high skilled) employment
 - » Jobcentre Plus and Local Authorities have agreed an Accord, including joint working through local strategic partnerships and placing Local authority vacancies via Jobcentre Plus

The partnership between Metropolitan police and Jobcentre Plus both helped public sector recruitment and found work for the disadvantaged

1. Metropolitan Police Challenge

- Increase Traffic Police Community Support Officers by around 450 people. But big ad campaigns had failed in the past...

2. Jobcentre Plus (JCP) response:

Lessons from the private sector:

- Police tells clients about the job directly in a different community centre each week
- Application forms available on the spot. Police staff advise how to fill them out.
- Next day clients return with the forms. Selected applicants receive a formal interview in the Jobcentre itself

3. Tailoring applications & extending pool of applicants

- Communications officer roles usually require 5 GCSEs. JCP developed a 4 week training course for clients without the minimum qualifications.
- People completing the course were guaranteed an interview

Outcome for Metropolitan Police

- Ahead of schedule to achieve target.
- Help towards diversity targets.
- Cost savings and efficiencies:
 - » process streamlined from 12-24 weeks to less than a week
 - » interview success rate for communications officers raised from 20% to 80%

Outcome for Jobcentre Plus

- c.500 people moved into work
- Around 60% were long term unemployed; 60% from minority ethnic groups; many with no qualifications. Employment sustainable: 20 months on, nearly everyone is still in post.
- Potential to develop a similar scheme for NHS

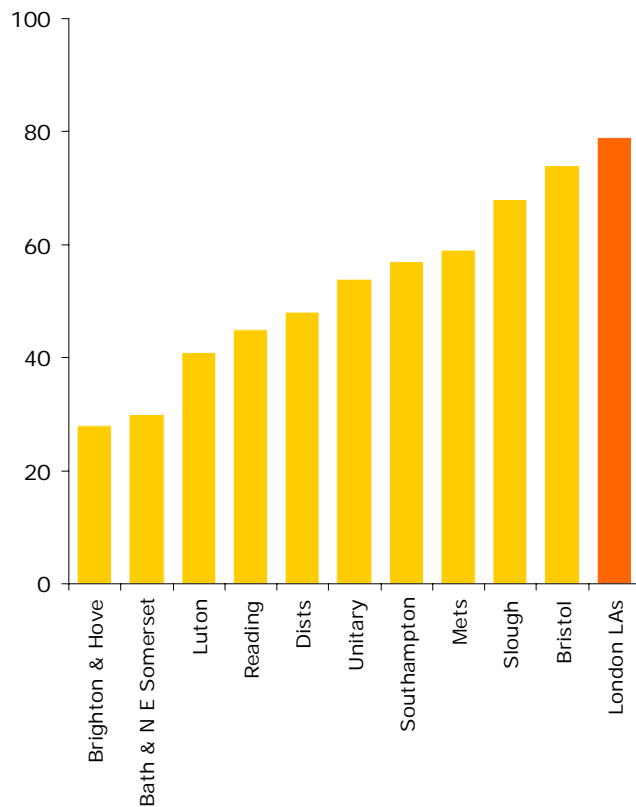
Outcome for clients

- Full information about a high paying job and help with application
- For traffic police roles: no need to travel to Hendon for interview
- For communications roles: possible to apply with strong likelihood of success even without necessary formal qualifications

Source: Jobcentre Plus

Slow housing benefit processing creates a barrier for people wishing to move into and out of work

**Days to process a new HB claim
(high cost areas) - 2001/02**



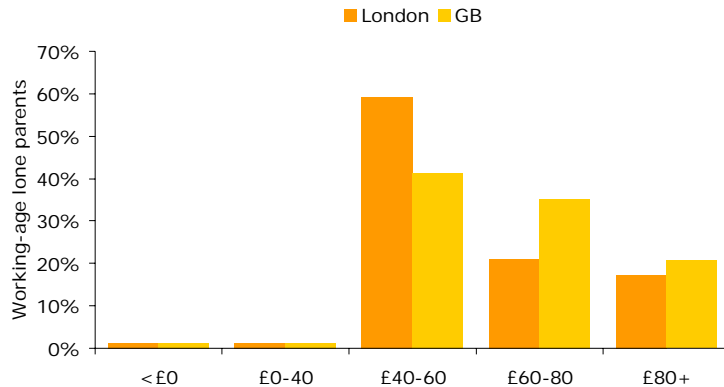
- On starting work, a claimant's housing benefit is stopped and reassessed. But long processing times in London can result in over two months without housing benefit income. This represents a significant risk for an individual in London due to the high housing costs.
- Perception of slow processing times – based on historic or reputed performance - can be as important as actual processing times in people's assessment of risk
- Slow processing is a particular barrier to someone taking on non-permanent work - a feature of London's economy and for London's large number of self-employed people and freelancers
- Transitional benefits (which continue into the initial months of work) are available, but awareness of them is low.

New housing benefit reforms are designed to simplify and speed up delivery, easing the transition to work.

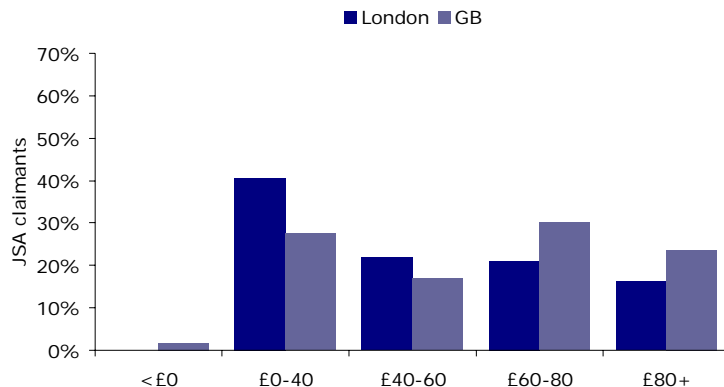
Government has also introduced LA performance measurement, inspection, support teams and practical and financial help with training, staffing and IT.

Gains to work are lower in London than elsewhere in the country

Gains to work for lone parents in London and GB



Gains to work for JSA claimants in London and GB



- Higher housing costs raise levels of Housing Benefit for out-of-work households and therefore reduce gains to work over a wider income range.
- Once London's higher in-work, travel and childcare costs are taken into account the financial incentive to work in London is even less. GLA and CESI* analyses confirm this finding.
- From October 2004 a national pilot awards an extra In-Work Credit of £40 per week to lone parents who get jobs of more than 16 hours a week for the first year they are in work.
- 2003 Pre-Budget Report announced all London parents will be eligible for this credit from April 2005.

Source: DWP. Charts assume minimum wage, 30 hrs/week and neglect London's higher in-work costs. * CESI "Making Work Pay".

Lack of accessible and affordable childcare is an important barrier to work, particularly for lone parents

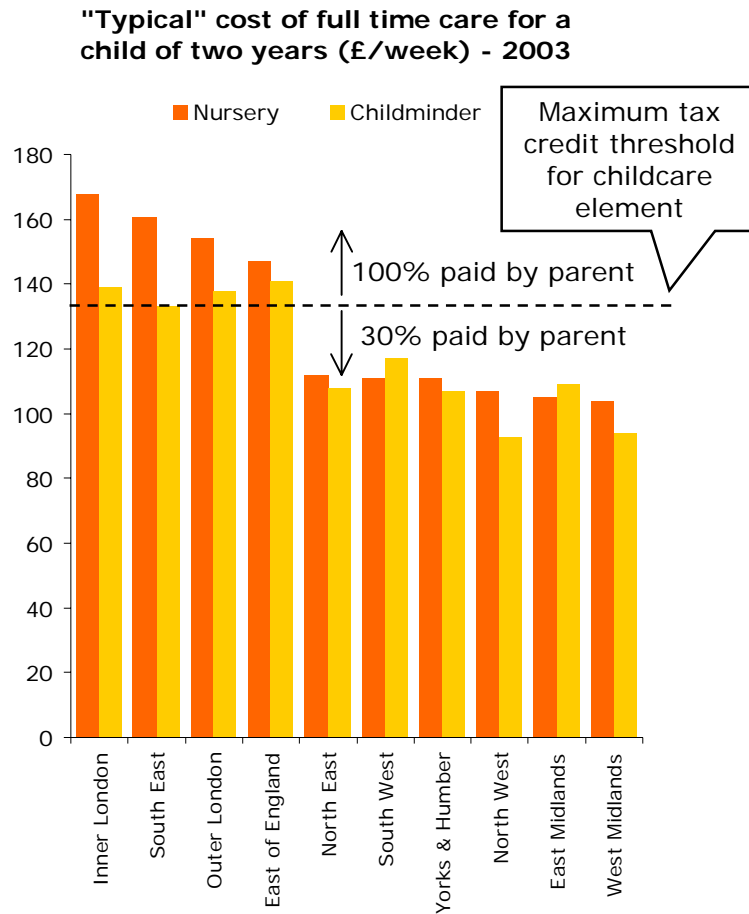
Reasons why women of working age in London are prevented from working (%)

	All women of working age	Lone parents
Lack of suitable jobs	18.2	11.5
Unable to afford childcare	18.0	28.3
Unable to find suitable childcare	10.5	13.3
Caring for relative or friend	12.3	11.9
Illness	18.2	9.0
Other	22.8	26.1

- **Lack of affordable, accessible childcare is the most important barrier to work for lone parents on Income Support.** * Sufficient supply is essential, but also the parents' willingness to entrust their child to others
- **Childcare in London is typically 15-30% more expensive** (up to £40/week more). Up to 95.5% of these costs can be recovered from the State by low income families. For some people the perception of childcare costs as a barrier to work reflects low awareness of in-work benefits
- Research by a New Deal for Lone Parents pilot project highlighted the **added logistics problems** of organising childcare: "...the biggest issue for working mothers with young children was organising and planning the triangular journey involved in leaving home, dropping off children at childcare providers or schools, and travelling to work at another location... even more difficult in areas... such as London."

Source: GLA, Daycare Trust, SU, LDA. * NEP "Work Works"

Despite the higher cost of childcare in London, the national tax credit rate and national thresholds apply

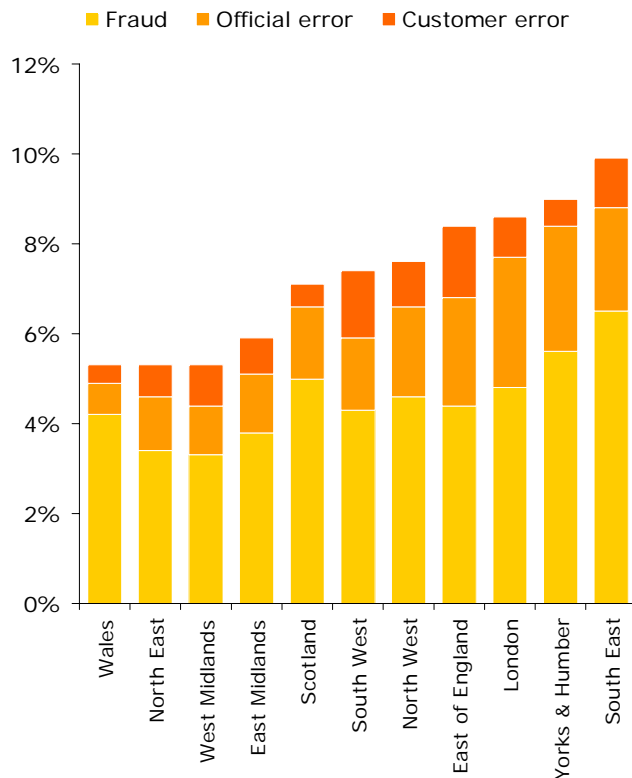


- Up to £135 of childcare cost is eligible for tax credit for one child (£200 for two children). Government subsidises up to 70% of childcare costs below this threshold, depending on income.
- The Government reimburses a greater proportion of childcare costs for those receiving these benefits (up to 95.5%). Low awareness of in-work benefits may cause parents to overestimate the cost of childcare if they returned to work.
- London parents are likely to be paying more themselves. Assuming 70% reimbursement through the tax credit for illustration: a parent buying a nursery place in Inner London would pay £73 per week themselves, compared with the average £36 paid by parents elsewhere in the country.
- Additional tax credit is not available for more than two children - which is likely to disproportionately affect some minority ethnic groups who on average have larger families.

Source: DWP, SU analysis, Daycare Trust. Graph does not reflect the amount paid by low income parents eligible for Working Tax Credit.

London has a high incidence of benefit fraud - suggesting there are gains to be made in the informal economy

Fraud & error - monetary value lost against Jobcentre Plus programme spend (%) - 2002



- The informal economy creates a financial incentive not to find low-paid legal employment.
- Accurate and speedy benefit processing is necessary to remove the incentive for frauds or taking on undeclared work.
- **London's high rate of fraud & error suggests a combination of a high level of fraud and less effective processing.**
- Jobcentre Plus plans to increase processing efficiency e.g. through new IT and moving processing to 'centres of excellence' outside London.
- Improvements have already come from requiring claimants' partners to attend Jobcentres. Paying benefits directly into bank accounts and providing faster management feedback may also reduce fraud & error further in the future.

Provision of job-focused English language teaching in London is insufficient, given the city's large foreign-born community

- London is home to a large proportion of the UK's foreign language speaking population - two thirds of London's minority ethnic groups and a fifth of the white population were born abroad. ~ 21% of people in Inner London speak a foreign language at home.
- However there is inadequate provision in London for the large demand for English Language teaching (ESOL) and need for improvement in course quality:
 - » The Strategy Unit estimates that the supply of teaching hours would have to more than double in London to meet current demand
 - » Research found long waiting lists and "severe shortage of ESOL tutors"
 - » Ofsted strongly criticised course quality
- Benefit rules currently prevent over 16 hours study per week. Currently people are required to have three years' residence before qualifying for free ESOL classes (with the exception of refugees. Spouses must be resident for 1 year).
- Some work is underway to understand ESOL need and improve content. E.g. Jobcentre Plus tools to identify and record a client's level of need; the LSC and GOL are scoping London's ESOL need as part of FRESA*; ESOL Pathfinder projects; development of curriculum.
- However ESOL is a concern which spans departments and London bodies: it is part of DfES's basic skills strategy, the Home Office's citizenship plans, DWP's work goals and one of FRESA's flagship projects. A combined approach by all interested departments and bodies is likely to yield a more coordinated, and more effective strategy.

Helping those with multiple barriers to move into work requires a holistic and coordinated approach by several agencies and Government departments

Health & social services: e.g. Potential to fast track people where health is a 'critical path' barrier to work.

In schools: qualifications, career advice and motivation prevent problems developing

Training: language programmes and training tailored to local job opportunities

The hardest-to-help clients face multiple barriers,

e.g. combinations of:

- poor mental health
- drug addiction
- language barriers
- lack of skills
- lack of peer work ethic
- childcare responsibilities
- ex-offender

In prison: 'end to end' support system for offenders leaving prison

Drug treatment: substantial intervention needed from police and health services

Employers: particularly in the **public sector**

Voluntary sector: e.g. to build trust and provide information

Local Authorities: have a key co-ordinating role

"I have to be a social worker to these boys, like a mother"

Brent Action Team consultant on helping clients with multiple barriers to work to find jobs

Labour market - recommendations (1/2)

- We recommend that government should:
 - 1. Gain greater understanding of who makes up London's workless population to inform policy making.**
 - » e.g. understand better the extent to which London's low employment rate is affected by severe problems such as drug use, mental ill health etc the impact of culture and gender, and their interaction, on inactivity rates in London - in order to set realistic goals for increasing London's employment rate; use appropriate interventions for different groups; prioritise resources.
 - 2. Work with public and private employers to increase disadvantaged groups' access to job opportunities.**
 - » In particular the public sector should lead the way as a socially responsible employer, which provides sustainable opportunities for hard-to-help groups in London.
 - 3. Ensure that there is sufficient financial incentive for people in London to look for work and a stable transition from benefits to employment.**
 - » Through a range of measures such as creating a stable transition from benefits to work through housing benefit reform; targeted tackling of the informal economy; or greater support of affordable childcare.
 - » The December 2003 Pre-budget report set out new measures to improve availability and affordability of childcare and a childcare review announced in 2003 is due to complete in early 2004 to inform the Spending Review.

Labour market - recommendations (2/2)

- We recommend that government should:
 - 4. Ensure that people have the skills and abilities to work, particularly English language skills.**
 - » E.g. Government should incentivise providers and funders to realise the goals laid out in the Framework for Regional Employment & Skills Actions (FRESA). through coordinated targets; ensure small organisations have the capacity to provide help to those who need it; develop a coherent ESOL strategy amongst all relevant Government departments and London bodies which will seek to increase availability of high quality ESOL training and remove barriers to uptake amongst those groups it identifies as having priority need
 - 5. Continue to improve the quality of the state employment service in London: strengthen management capability and flexibility, incentivise cross-service co-operation, strengthen links with employers.**
 - » Jobcentre Plus' vision for London is likely to improve performance. Going forwards there is more scope to use competition; be flexible in how it reaches hard to help clients, using partnerships, outreach and specialist expertise; build employers' trust and partnerships with recruitment agencies and a full range of London's large and small businesses.

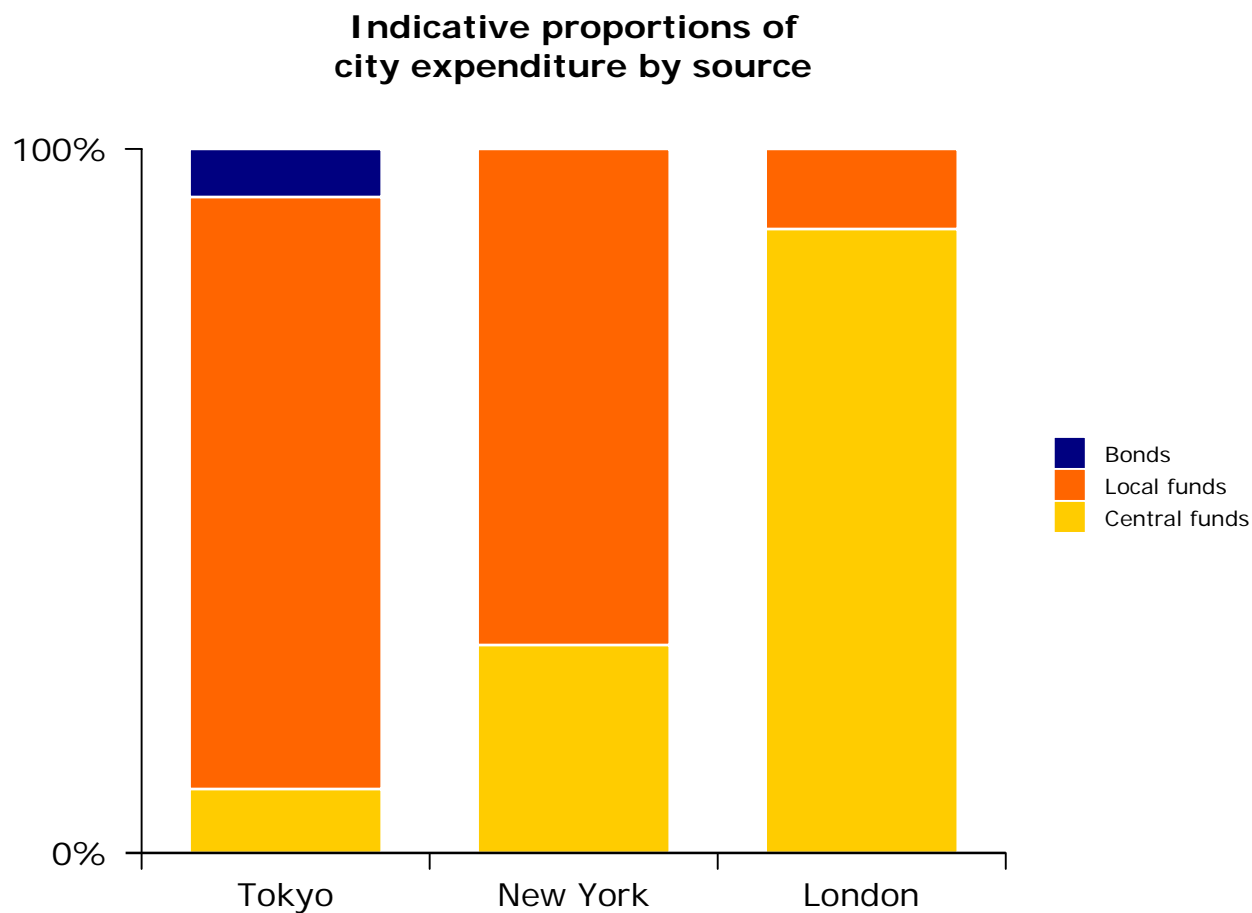
Contents

- 6. Summary: the three-minute London
- 10. London overall
- 25. Housing
- 45. Transport
- 69. Public services
- 95. Labour market
- 116. **Structural issues**
- 121. Summary: recommendations

Responsibility and powers are distributed across the tiers of London government, reflecting the local regional and national importance of London

	Local government functions	Mayor's functions	Central government functions
Infrastructure Transport, housing & planning	Local roads, planning and social housing	Spatial strategies, major roads, congestion charge	National roads and rail, main investment decisions and regulation
Skills Education, training & employment	LEAs have responsibility for pupils and schools	LDA review of skills needs	Overall policy and strategy, main funding decisions, Job Centre Plus, 5 LSCs, FE & HE sectors
People Diversity, mobility & transience	Social services, environment, neighbourhood renewal, libraries, culture	Mainly consequential impact	Immigration, funding decisions, overall policy
Economy Regulation, regeneration & development	Local programmes & strategies	LDA development strategy, Mayor as "figurehead"	National economic policy - tax and regulation, and spending decisions
Service provision Education, health, welfare, crime, etc.	Local services - refuse, libraries, etc.	Police, fire and emergency services	Main core services (health, welfare, etc.) and major influence on local services

New York and Tokyo, comparable world cities, raise more funds locally than London – but the GLA Act has given London greater autonomy over its central funding



Source: Indicative chart based on ONS, NY IBO, Tokyo Govt, SU analysis

London's governance

- The Greater London Authority Act (1999) was a major advance to London's governance arrangements. Police, fire and emergency planning are also governed by boards appointed by the Mayor. The GLA and functional bodies have responsibility for developing London strategies for:
 - » Air quality
 - » Biodiversity
 - » Culture
 - » Economic development
 - » Noise
 - » Transport
 - » Spatial development
 - » Waste
- These are formidable developments, and require time to work through and for the strategies to be implemented. Thus there is a good case for caution about revisiting the London governance settlement soon after the GLA Act. New York's governance arrangements have changed little since 1898 - over the same period, London's governance has had six major changes.
- Government has demonstrated a commitment to regional devolution and localism, to bring government and public services closer to the people they serve, and to improve choice, accountability, efficiency and flexibility. Any future evolution of London's governance arrangements should be in the context of achieving broader objectives for public sector reform, civil and democratic renewal.

Contents

- 6. Summary: the three-minute London
- 10. London overall
- 25. Housing
- 45. Transport
- 69. Public services
- 95. Labour market
- 116. Structural issues
- 121. **Summary: recommendations**

Summary of recommendations (1/3)

- **London overall**

- » Understand and sustain London's attractiveness, in its widest sense, to the knowledge-based, creative and increasingly international workforce and visitors that underpin London's global competitiveness.
- » Develop a strategy for managed international economic migration and tackling illegal immigration, building on current programmes.
- » Continue the government's drive to address inequality through decent housing, neighbourhood renewal and work-first approaches to social inclusion.

- **Housing**

- » Take steps to improve the responsiveness of housing supply – the conclusions of the Barker and Egan reviews will be especially pertinent to London.
- » Continue to ensure high standards of design and construction, and to use planning obligations to build sustainable communities.
- » Continue and extend reform in the housing sector designed to allocate homes according to the needs of tenants and communities.
- » Explore options that could release some of the equity tied into the housing stock in London to fund more sustainable communities

Summary of recommendations (2/3)

- **Transport**

- » Central government should be as clear as possible about its contribution to infrastructure in London, and the tools available to the Mayor to fund and implement his transport strategy.
- » Complement the existing approach to transport modelling and appraisal with a systematic approach to researching best practice and new techniques for urban transportation.
- » Use pricing and other tools to manage travel demand in London.

- **Public services**

- » Recognises the unique 'London' challenges which place strain on public services, over and above challenges faced elsewhere.
- » Develop workforce pay and recruitment plans to establish quality and stability in the leadership and staffing of London's public services, particularly in the services and localities of greatest need.
- » Configure services and infrastructure within London are organised to 'go with the grain' and manage high mobility and diversity, for example NHS drop in centre or 'unique Identification, referral and tracking for children.
- » Tackle some of the preventable challenges presented by aspects of mobility and diversity at source – especially by improving English language skills.

Summary of recommendations (3/3)

- **Labour market**

- » Gain greater understanding of who makes up London's workless population to inform policy making.
- » Work with public and private employers to increase disadvantaged groups' access to job opportunities.
- » Ensure that there is sufficient financial incentive for people in London to look for work and a stable transition from benefits to employment
- » Ensure that people have the skills and abilities to work, particularly English language skills.
- » Continue to improve the quality of the state employment service in London: strengthen management capability and flexibility, incentivise cross-service co-operation, strengthen links with employers.

- **Structural issues and governance**

- » Allow the devolution arrangements introduced in 2000 time to become fully established and functioning, and for the GLA to deliver on the strategies it has developed.
- » Recognise the regional tier and London's specific characteristics in developing the government's ongoing agenda of public service reform, devolution and civic renewal.

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