Analysis of Geographical Disparities

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Introduction

The Levelling Up White Paper, published in February 2022, sets out in stark detail the extent and persistence of regional and local disparities in the UK, across a wide range of social and economic factors. It also outlines a long-term strategy for change to address these disparities, which has subsequently been reaffirmed in the Levelling Up and Regeneration Act and the Statement of Missions published alongside this. These collectively lay a path for reducing gaps in outcomes and opportunity across the country, ensuring that all people in the UK have access to economic prosperity and the conditions for high wellbeing regardless of where they live.

Since the publishing of the Levelling Up White Paper, significant steps have been taken to drive forward the levelling up agenda, including new devolution deals, investment zones, levelling up partnerships and a long-term plan for towns. The lasting impacts of the Covid-19 pandemic and increases in the cost of living have put an additional strain on society, people and the delivery of public services and make levelling up all the more crucial.

Geographical disparities and the six capitals framework

The Levelling Up White Paper sets out the capitals framework which captures the main drivers of economic and social outcomes in places and geographical disparities. The framework is defined by six capitals: human, physical, intangible, financial, social and institutional. While each capital is individually important as a driver of growth, their significance derives from their interdependence and interaction with other capitals as part of a mutually-reinforcing system. These six capitals cross-cut the public, private and civil society sectors. This underscores the importance of partnerships between sectors when growing local economies.

Places with high endowments of all six capitals benefit from a virtuous circle of agglomeration. They are home to skilled and healthy people with high quality jobs and have access to outstanding schools and globally competitive universities. They have good roads, trains and fast internet. Residents live in high quality housing, close to quality green or blue space. Funding is available for local businesses to invest and innovate, and communities are bound together by good relationships and a strong sense of belonging. Local leaders are able to build on these foundations to deliver improvements for their local community.

By contrast, where endowments of these capitals are weak or depleted, people are unable to work due to ill health, places are unable to attract or retain talent, businesses are less likely to invest and innovate, civic institutions tend to lack capacity and capability, and pride in local communities is depleted. This vicious and self-reinforcing cycle in some places has seen a depletion of skills, businesses, finance and culture, with communities and town centres declining for decades. These cumulative forces – in some places positive, in others negative – have widened geographical disparities in the UK over time. Without policy action, they will continue to do so.

Levelling up is about aspiring for every place in the UK to have a high endowment of all six capitals, so that people do not have to leave their community to live a good life. It means taking action to replenish the capitals where they are weak or depleted, transforming vicious circles into virtuous ones. With opportunity spread more equally across the UK, people in places that were once struggling would then fulfil their potential, living longer, healthier and happier lives. With each part of the UK achieving its potential, the economy as a whole would be both larger and more equal.

Utilising the six capitals framework this paper examines the geographical disparities across the UK focusing on each one of the outlined capitals in turn. Following the definitions of the capitals in the Levelling Up White Paper, a set of metrics available on a sub-national level for each capital has been selected and presented as a proxy measure for its stock and geographical distribution. While some data sources are currently only available at a regional level, the paper presents local data where possible – it is important to recognise that disparities within regions can be even more significant than disparities between regions.

Human capital

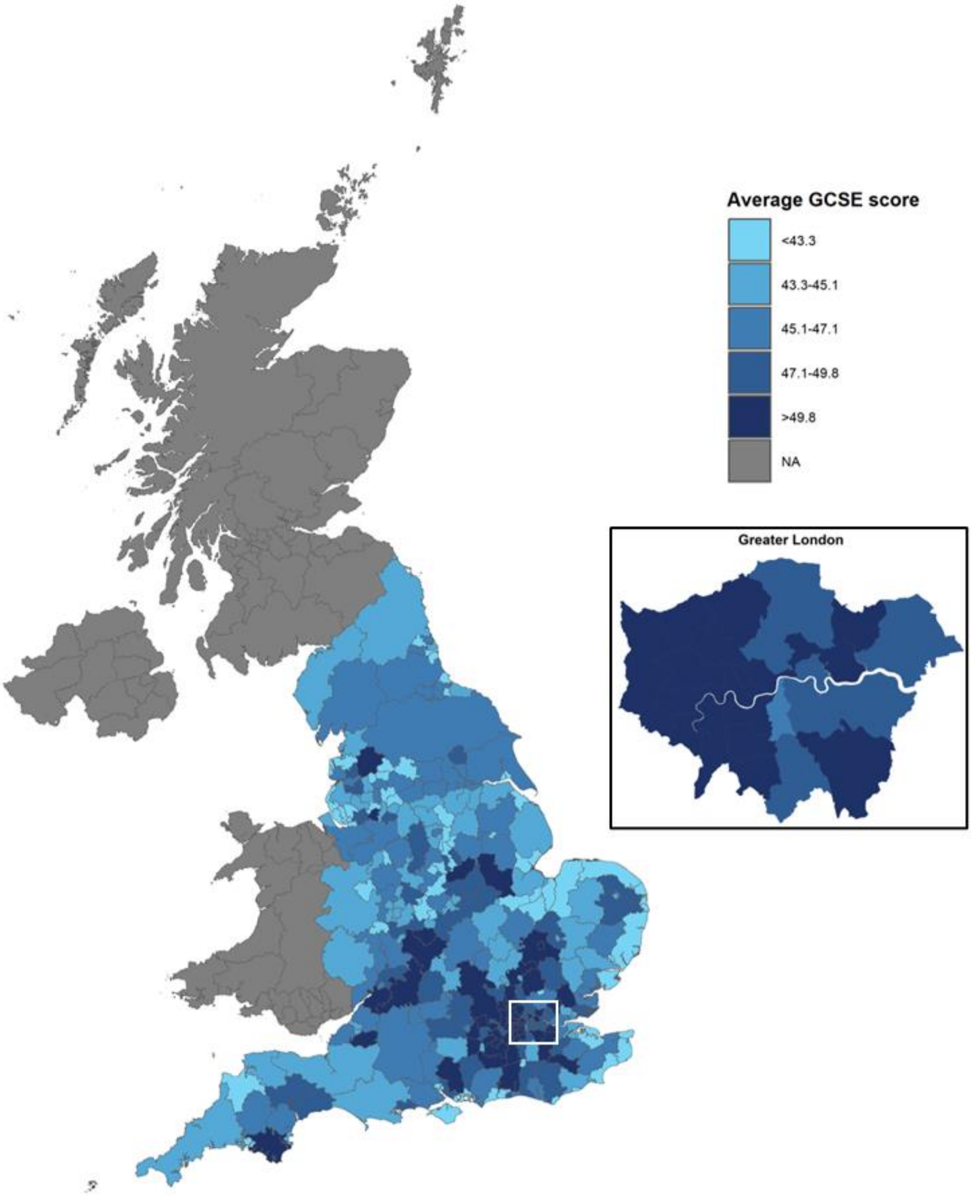
Human capital is defined as the stock of knowledge, skills, competencies, health and other attributes embodied in people that are acquired during their life and used in the production of goods, services and ideas.

Human capital drives economic growth through providing workers with the health, resilience, knowledge and skills to do their job effectively, thereby improving their productivity. It also plays an important role in innovation, through the development of new ideas, and the production of new products and services. But more importantly, human capital improves our social well-being, since people who have the skills and knowledge to secure good jobs are more likely to be happy, healthy, and engaged in their communities.

Average GCSE score[1]

Figure 1.1 High GCSE attainment is concentrated in local authorities in and surrounding London

Average GCSE achievement of pupils in up to 8 qualifications for local authorities in England, 2022/23



GCSE attainment is measured by averaging the total GCSE scores of all students in Key Stage 4 living in a local authority in up to eight of their qualifications. Each qualification is scored on a scale

[1] GOV.UK, [Key stage 4 performance, for local authorities in England, 2022/23]

of 1 to 9 (9 being the highest possible score for an individual qualification) which means the maximum value for a student across eight qualifications is 72.

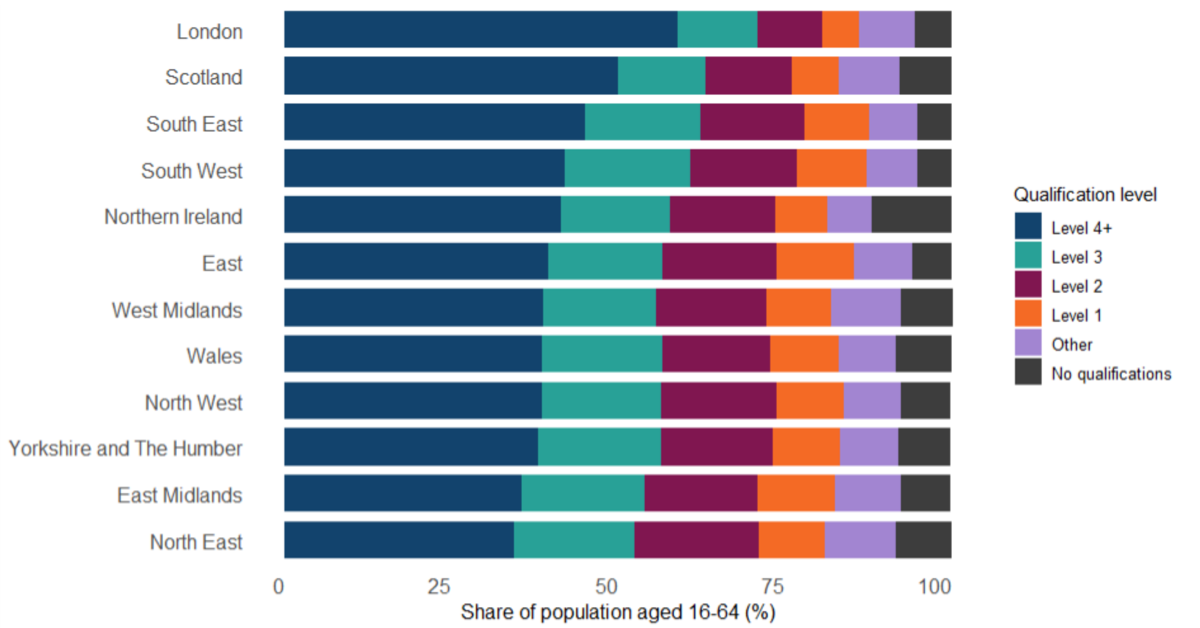
The map shows that GCSE performance is higher in London, with an average score of 50.7, than the rest of England, albeit with some variation between individual London boroughs. Performance in the surrounding regions trails the London average only slightly, with an average score of 47.3 across all local authorities in the South East and 46.4 in the East of England. Pupils residing in nearby local authorities including St Albans, Wokingham and Epsom demonstrated a higher average GCSE score than 85% of the local authorities in London. While performance in the North and Midlands is lower than London and the South East overall, this is not a uniform trend - for example, performance in Rushcliffe in the East Midlands and Trafford in the North West is higher than 80% of the local authorities in London.

Blackpool, in the North West, is the local authority with the lowest average GCSE attainment, and the North East continues to demonstrate below average performance when it comes to qualifications, including GCSE scores shown above and the proportion of the population with Levels 2, 3 and 4 qualifications seen in figure 1.2 below.

Highest level of education achieved[2]

Figure 1.2 London has the largest share of the population with Level 4+ qualifications

Proportion of population (aged 16-64) with different qualification levels across the UK, 2021



The analysis of skills distribution across the UK reveals notable disparities in educational achievement. London continues to stand out from the rest of the UK with nearly three quarters of the population (aged 16-64) holding Level 3+ (A level equivalent) qualifications. In London, more than half of the population (aged 16-64) hold Level 4+ qualifications, i.e. higher than an A level. Scotland and the South East follow with 50% and 45% of the population holding Level 4+ qualifications. While Northern Ireland has around the average share of population with level 4+ qualifications, it faces a distinct challenge

[2] ONS. Annual Population Survey: Highest qualification level achieved for all people aged 16-64 across the UK. NOMIS. 2021

compared to other parts of the UK, with 11.8% of 16-64 year olds having no qualifications, the highest in the UK.

Labour market statistics[3]

Figure 1.31 The unemployment rate is the lowest in Scotland, Wales, Northern Ireland and the South West

Percentage of unemployment (aged 16-64) for local authorities in England, Scotland and Wales, and an average for Northern Ireland, 2022/23

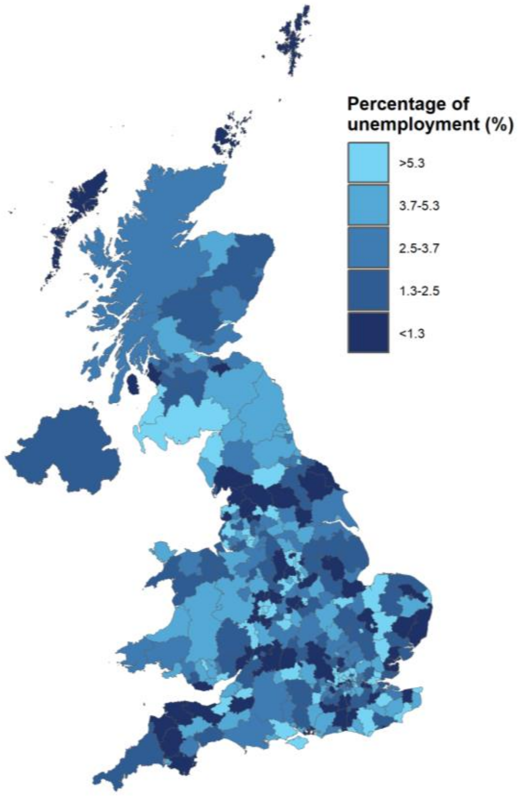
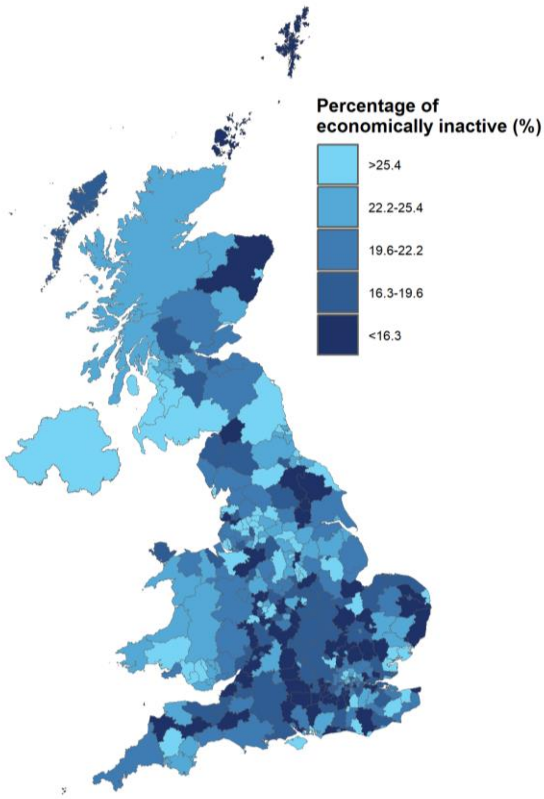


Figure 1.32 The proportion of economically inactive population is the lowest in the south of England and London

Percentage of economically inactive (aged 16-64) for local authorities in England, Scotland and Wales, and an average for Northern Ireland, 2022/23



There are disparities in unemployment rates and inactivity amongst local authorities within and between regions and nations. Unemployment rates are the lowest in Northern Ireland (2.4%), Wales (3.5%), Scotland (3.3%), and the South West of England (3%). London continues to have an unemployment rate higher than the UK average – half of the capital's boroughs have an unemployment rate greater than 4% – with the highest share of unemployed population after the West Midlands.

[3] ONS. Annual Population Survey: Unemployment rate (aged 16-64) and Percentage who are economically inactive (aged 16-64, by local authority for England, Scotland and Wales, and by country for Northern Ireland. NOMIS. April 2022 – March 2023

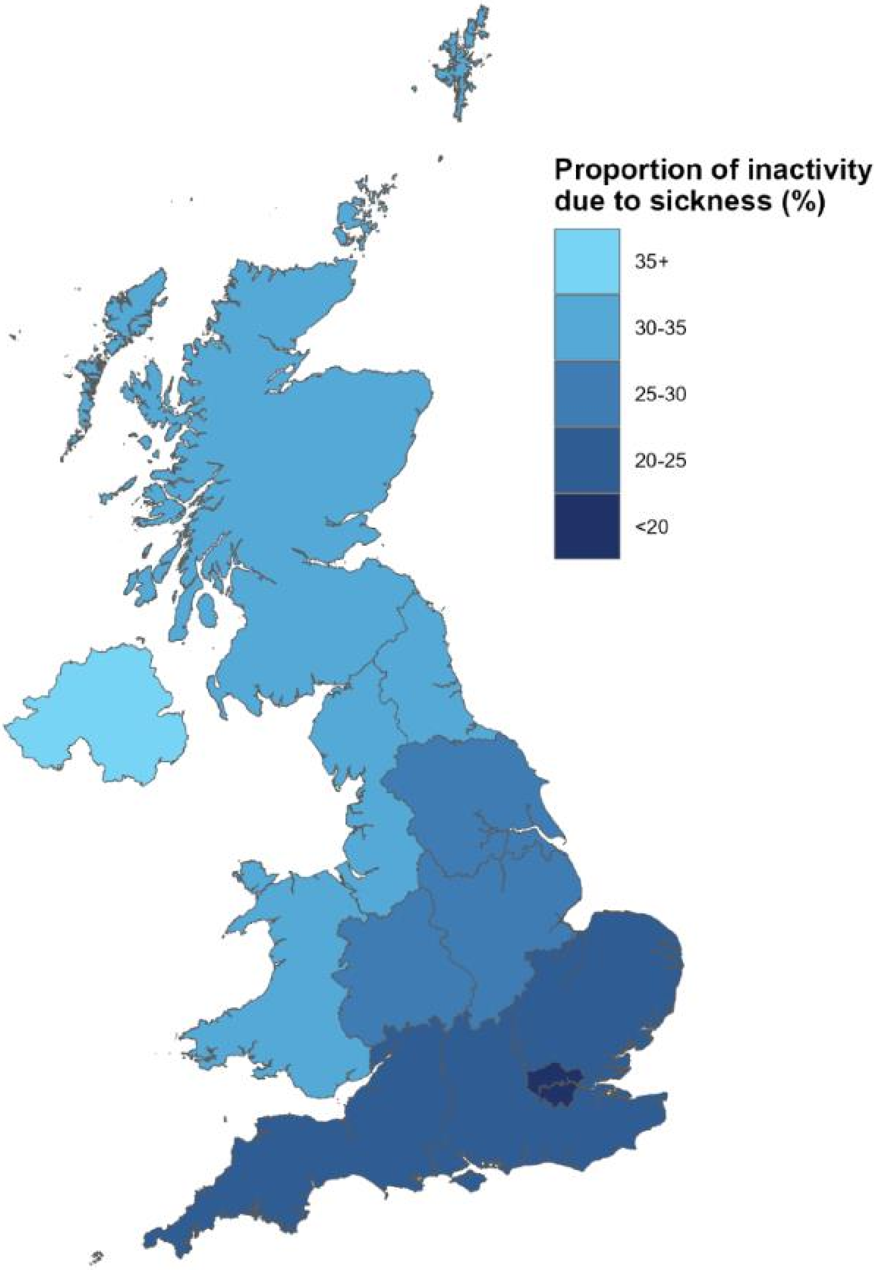
Northern Ireland has the lowest unemployment rate compared to the rest of the UK, but has one of the highest proportions of economically inactive population (aged 16-64). Figure 1.4 below shows that long-term sickness is a key driver.

The South East of England has the smallest proportion of the population (aged 16-64) who are economically inactive at 18.8%, followed by the East of England with 18.9% and South West with 19.3%. London follows with a regional average of 21.2% of the population economically inactive. The North East has the highest share of economically inactive 16-64 year olds in the UK, with all local authorities in this region having a share greater than 15%.

Economic inactivity due to long-term sickness[4]

Figure 1.4 The south of England, and particularly London, has the lowest proportion of people that are economically inactive due to long-term sickness

Proportion of economically inactive (aged 16-64) due to long-term sickness across the UK, 2022/23



[4] ONS. [Annual Population Survey: Percentage who are economically inactive (aged 16-64) by Reason across the UK.](#) NOMIS. April 2022– March 2023

There are clear regional disparities in economic inactivity rates, with Scotland, Wales, Northern Ireland and the north of England seeing the highest levels of economic inactivity. The proportion of economically inactive adults due to long-term sickness generally increases as you go further north in the UK, as well as in Wales and Northern Ireland. The proportion falls below 25% in South East England and below 20% in London - suggesting that long-term sickness is less of a driver of economic inactivity in these regions compared to other areas.

Long-term sickness is an important factor in explaining high rates of economic inactivity across all parts of the UK but the burden of long-term conditions is not equally felt across society.

People living in economically poorer areas typically experience multiple risk factors which often result in multiple long-term conditions[5] and spend on average more years of their shorter lives living in ill health[6]. For example, prevalence of obesity in Year 6 children is twice as high in the most deprived areas compared to the least deprived[7] and the prevalence of smoking in the most deprived areas is 16% compared to 9% in the least deprived[8]. Overall, people on the lowest incomes are four times more likely to have multiple long-term conditions[9]. And since the start of the pandemic, the proportion of people economically inactive due to long-term sickness has disproportionately grown in the areas with the highest economic inactivity[10].

Physical capital

Physical or tangible capital is the physical capital stock that enables the more efficient production of goods and services, including housing, other buildings and structures, machinery and equipment and transport equipment.[11]

Taking a holistic view of housing, transport and digital connectivity can help us understand more about the enablers and barriers associated with the production of goods and services. An improvement in the distribution and affordability of housing can allow people to have more freedom when deciding where there live. Though transportation is not included in the national account definition, it is an important form of physical capital because it reduces "distances" between places. Improvements in public transport will allow areas to become better connected, improving the movement of people, good and services. Finally, digital connectivity is more important than ever in improving the efficiency of people working online, whether working from a dedicated workplace or from their own homes.

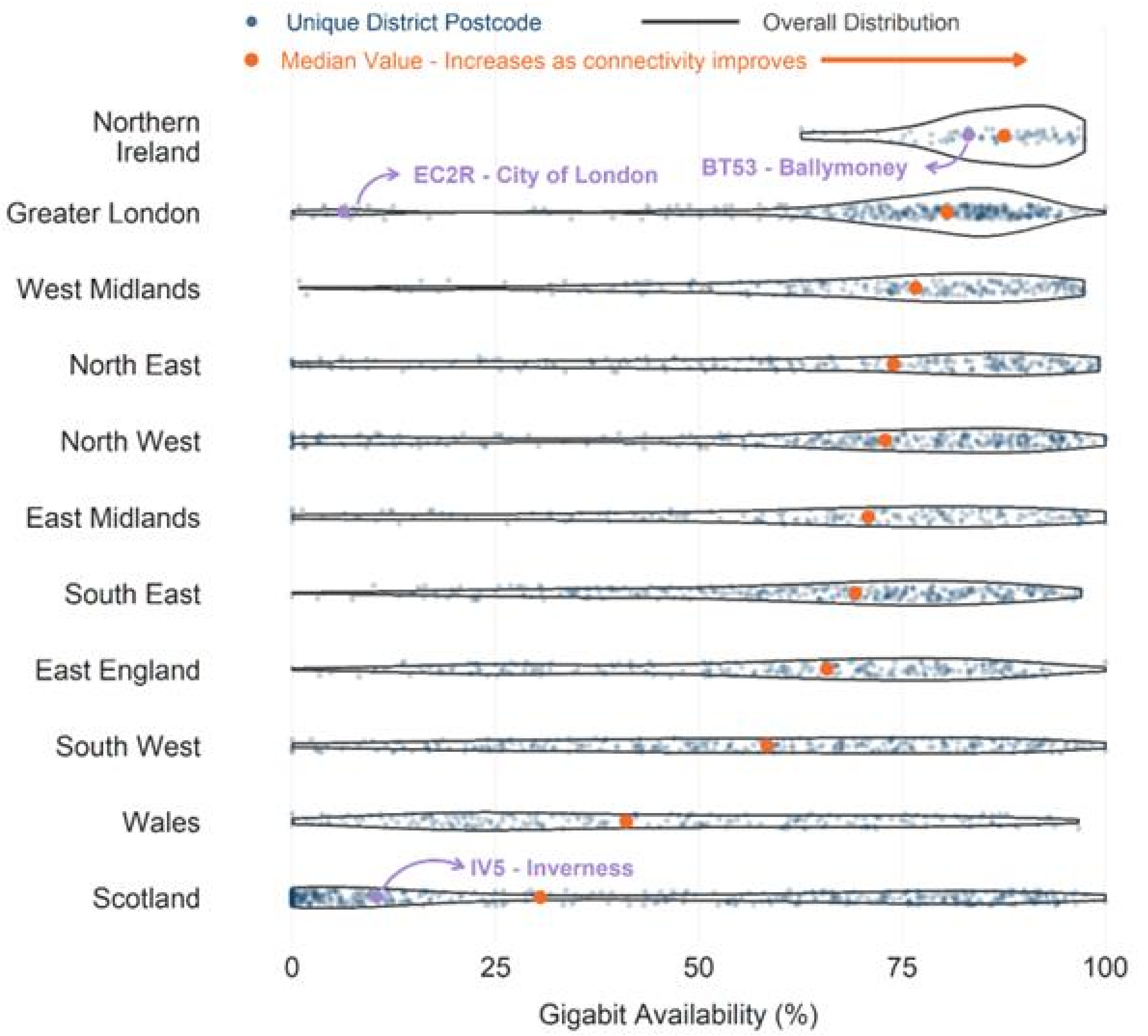
[5] Loef M, Walach H. The combined effects of healthy lifestyle behaviors on all cause mortality: a systematic review and meta-analysis. Prev Med. 2012;55(3):163–70.
[6] The Health Foundation. Health Equity in England: The Marmot Review 10 Years On. 2020
[7] NHS. Health Survey for England. 2021
[8] Office for Health Improvement and Disparities. Local Tobacco Control Profiles. 2022
[9] Ingram E, Ledden S, Beardon S, et al. Household and area-level social determinants of multimorbidity: a systematic review. J EpidemiolCommunity Health 2021;75:232–241.
[10] ONS. Annual Population Survey: Percentage who are economically inactive (aged 16-64) by Reason across the UK. NOMIS. April 2019 – March 2023

[11] While housing stock is included in this definition, it does not feed directly into the wider production of goods and services but into the production of imputed rental for housing services, which is included in gross domestic product (GDP).

Availability of gigabit internet [12]

Figure 2.1 In all parts of the UK except Northern Ireland there remain areas with poor gigabit availability

Gigabit availability across the UK by district postcode, 2023



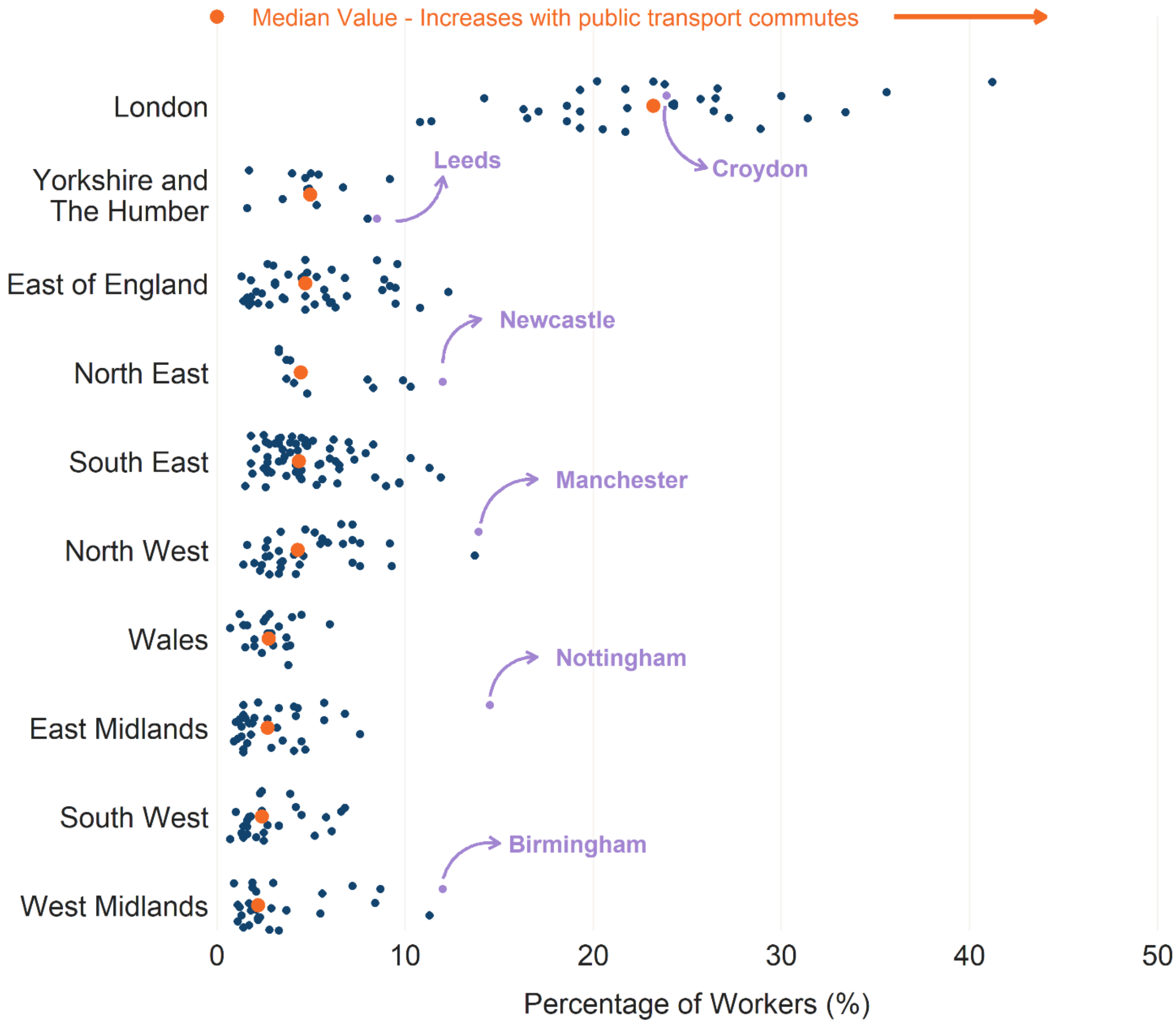
The availability of gigabit (> 1Gbit/s) internet speeds varies greatly both between and within different parts of the UK and is typically lower in rural areas across the UK. Both Wales and Scotland have particularly poor gigabit availability due to a high proportion of rural areas. Conversely, Greater London also has a notable proportion of postcodes with less than 25% gigabit availability. Northern Ireland has the highest gigabit availability when compared to the rest of the UK, despite a significant number of rural areas. Overall, England and Northern Ireland have better gigabit availability than Scotland and Wales.

[12] Ofcom. Connected Nations 2023 Report. 2023.

Use of public transport [13]

Figure 2.2 People Living in London use public transport to commute far more than in any other city and/or region

Percentage of workers who commute by public transport across the UK by local authority, 2021



The graphic above illustrates that people in London rely far more heavily on public transport when commuting compared to any other regions in England or Wales. For example, people living in the hinterlands of London still rely heavily on public transport to get to work (24% of people in Croydon commute via public transport) when compared to the hinterlands of other major UK cities (just 8% of people in Oldham commute via public transport). Within each region except for London, the local authorities with the highest percentage of people commuting via public transport are consistently the large cities within that region and the lowest use of public transport is observed in the predominantly rural areas. Further analysis of travel time shows the average minimum time to reach the nearest large

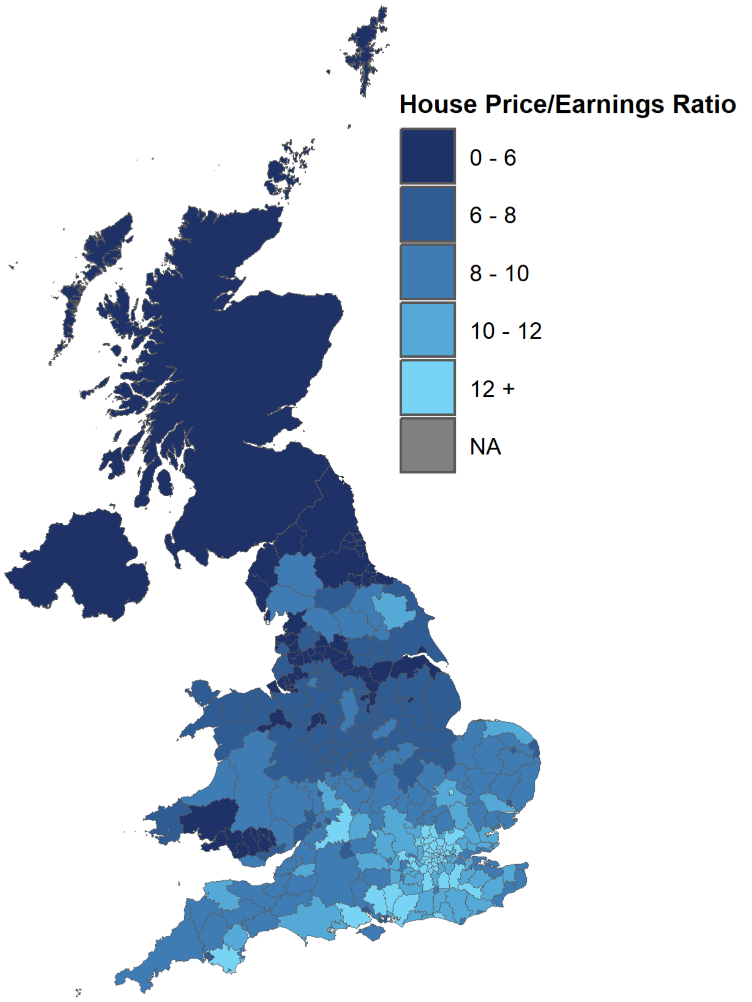
[13] NOMIS. Method used to travel to work. 2021.

employer by foot or public transport is 51.9 minutes in predominantly rural areas compared to 24.5 minutes in urban areas[14]

House price to wage ratio [15]

Figure 2.3 The house price to wage ratio is higher in the south of England, particularly in and around London

House price to annual earnings ratio for each local authority in England and Wales, and an average for Scotland and Northern Ireland, 2022



Across England and Wales, houses are typically more affordable in the North of England, Wales and the Midlands, with median house prises in a given local authority rarely exceeding ten times the median salary. In contrast, median house prices in the South of England rarely drop below ten times the median salary. Housing is least affordable in London, where house price increases have significantly exceeded wage growth. As such almost every Local Authority within London has a house price to annual earnings ratio above 12. Scotland and Northern Ireland typically have more

[14] Internal Defra analysis

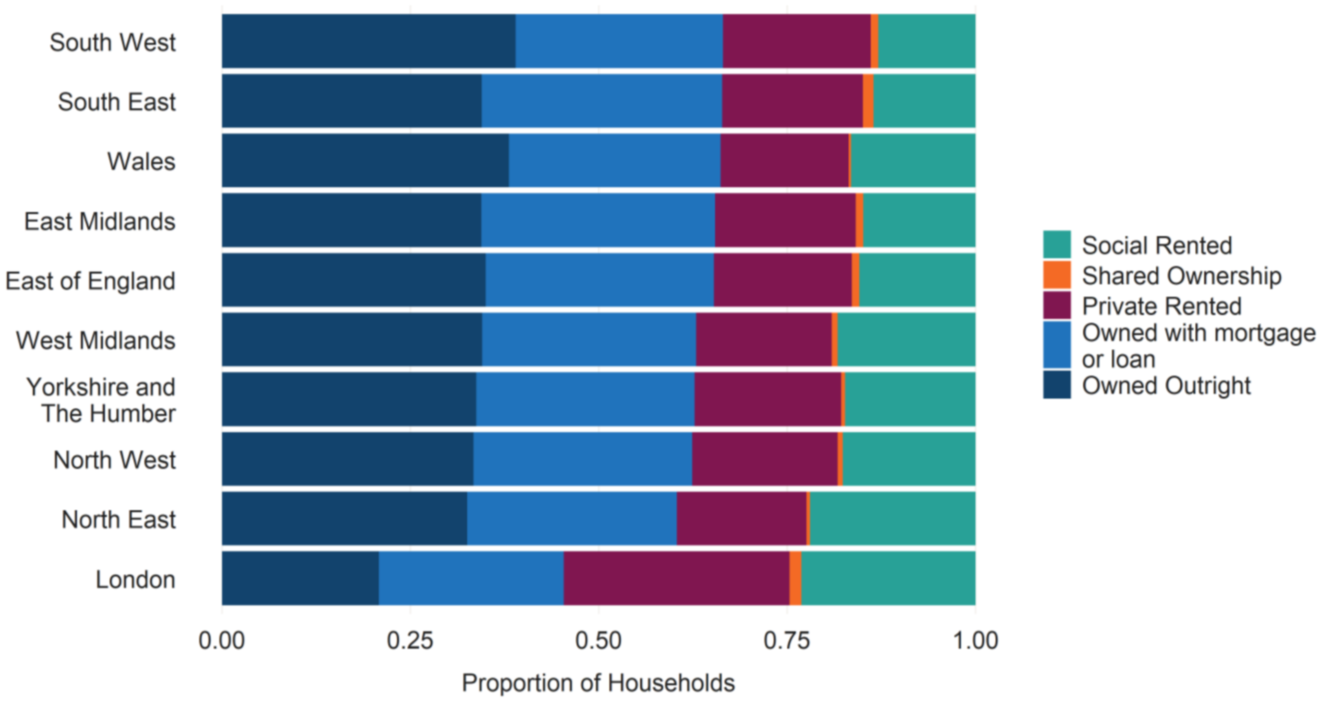
[15] ONS. House price to residence-based earnings ratio. 2022.
ONS. Housing purchase affordability, UK. 2022

affordable houses, indicated by a lower house price to annual earnings ratio compared to England and Wales. However, it is likely that the aggregation of the data to a country-wide level is masking certain areas of unaffordable housing, for example in and around Edinburgh. With an average of 8.88 in predominantly rural areas the house price to earnings ratio is lower than all areas of London, but this is slightly higher than the average of 8.07 in predominantly urban areas[16].

Housing tenure [17]

Figure 2.4 Household tenure distribution is consistent across England and Wales, with the exception of London

Classification of households by tenure, 2021



Apart from London, the distribution of household tenure is reasonably consistent across England and Wales. Home ownership (both outright and with a loan) makes up roughly 60% of households, with the remaining 40% made up of an equal split of privately and socially rented properties. In rural compared to urban areas people are more likely to own the place they live in. In London, rates of home ownership are lower at 45%. Between 2011 and 2021, there has been an increase in private rental of between 10-20%, and a decrease in ownership with a mortgage or loan of around 10-20%.

Intangible capital

Intangible assets, also known as knowledge capital, are defined as assets without a physical or financial embodiment, such as software and databases, research and development (R&D), mineral exploration, artistic originals, design, training, market research and branding. The move towards a services and knowledge-based economy has seen the steady rise in the importance of intangible assets

[16] Internal Defra analysis

[17] ONS. Tenure, Census 2021. 2021.

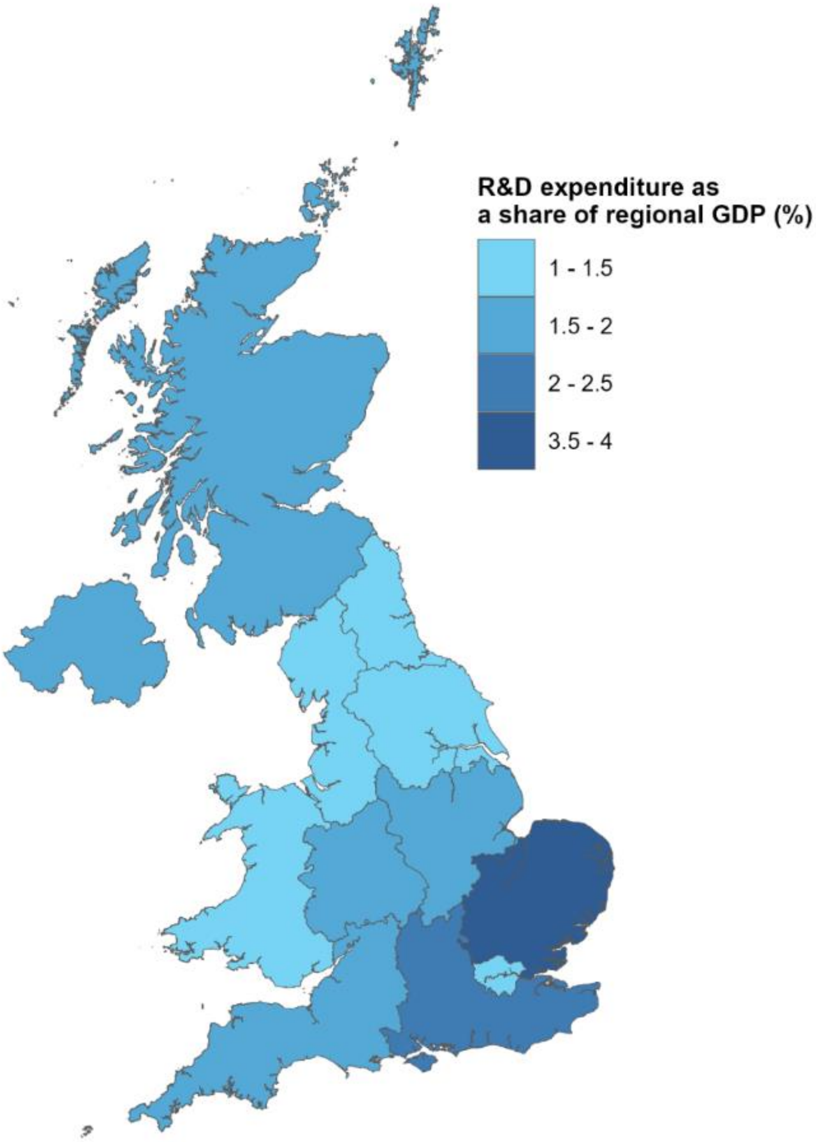
across developed economies, with spending on intangibles now surpassing spending on physical assets.

Since R&D is a key driver of the accumulation of intangible capital, in this section we focus on the regional distribution of R&D expenditure, its sources and the resulting number of patents per 100 thousand population.

R&D intensity

Figure 3.1 Research intensity is the highest in East of England

Gross Domestic Expenditure on R&D as a share of GDP across the UK, 2019



Total Gross Domestic R&D Expenditure in the UK equalled £38.5bn in 2019.[18] It is concentrated in the South East (19.5%), East of England (17.9%) and London (16.5%). However, when we account for the size of the regional economy, East of England stands out with 3.6% as the region with the highest research intensity measured by Gross Domestic R&D Expenditure as a share of GDP for the region[19], followed by the South East with 2.3%. At the same time because of its high regional GDP, London's research intensity is relatively low at 1.2%. R&D intensity remains relatively consistent ranging between 1% and 2% in all parts of the UK with the South of England, Scotland and Northern Ireland performing slightly better.

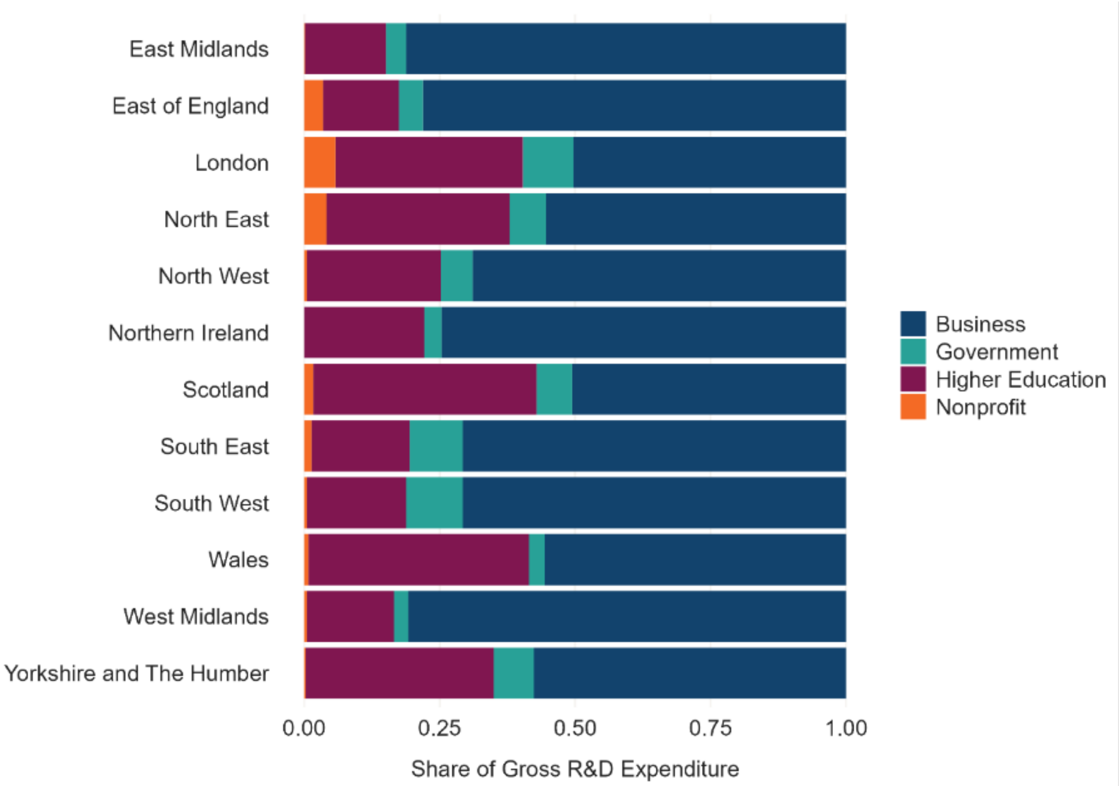
[18] ONS, UK gross domestic expenditure on research and development (GERD) by sector of performance and region, 2015 to 2020

[19] ONS, Regional economic activity by gross domestic product, UK: 1998 to 2021

Sources of R&D expenditure[20]

Figure 3.2 Business enterprises are the main source of domestic R&D investment

Sources of Gross Domestic R&D Expenditure, 2019



Across the UK, 67.4% of total Gross Domestic R&D Expenditure comes from Business Enterprise, 23.5% is attributed to Higher Education, 7% is Government expenditure and the remaining 2.2% are from Non-Profit Organisations.

Business R&D is the largest of the four R&D sectors in all regions and makes up the largest share relative to the other sectors in the East Midlands, West Midlands and East of England. Scotland, Wales, and Yorkshire and The Humber have the highest shares of Higher Education Expenditure on R&D across all regions.

Number of patents [21]

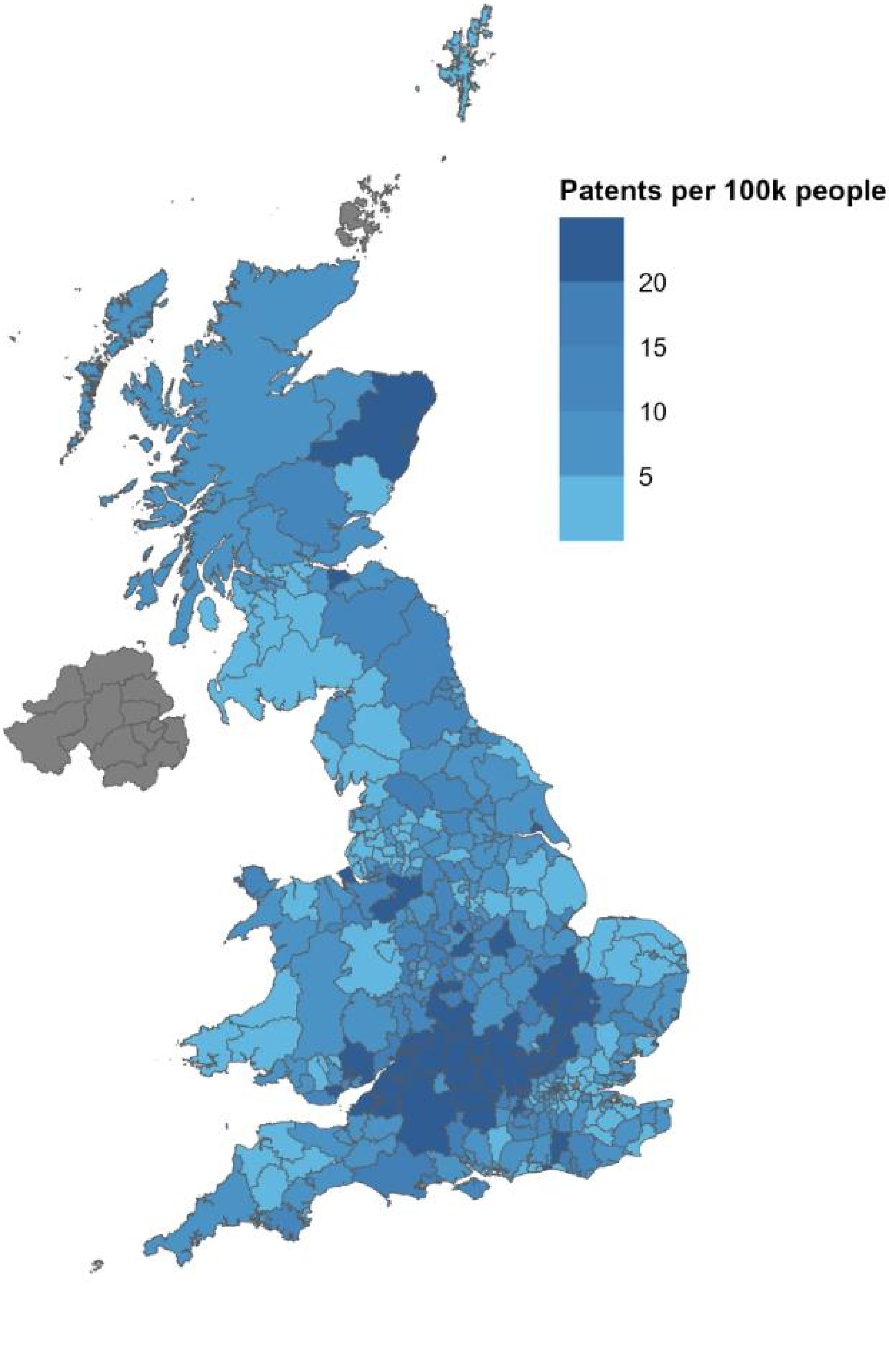
Based on data from the Centre for Cities, the number of patents claimed (per 100 thousand people) are highly concentrated in a small number of local areas including Cambridge and Oxford - areas associated with world-class academic institutions and research. The City of London also ranks highly because of the high number of company headquarters and low resident population.

[20] ONS, UK gross domestic expenditure on research and development (GERD) by sector of performance and region, 2015 to 2020

[21] Centre for Cities

Figure 3.3 The patent hotspots are mostly in the south, particularly around Oxford and Cambridge

Number of patents claimed per 100,000 people by local authority, 2020



Financial capital

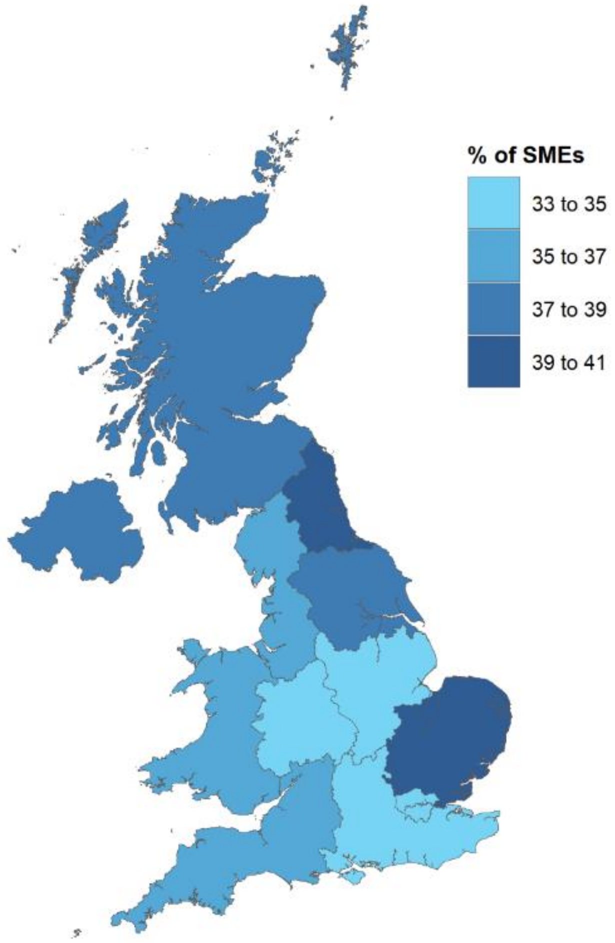
Financial capital refers to financial assets needed by a company or household to provide goods or services. This includes peer-to-peer loans, business loans, credit card loans and a wide range of other financial mechanisms. Financial capital is important as it allows businesses to invest in new equipment, buildings, training and other productive assets, as well as in research and development, to produce more goods and services.

In this section we focus on the small business finance market and more particularly, the use of external finance by SMEs and the number and volume of equity deals. Ensuring that businesses across the UK benefit from access to external finance is crucial to supporting business investment, resilience and productivity in the overall economy. External finance enables businesses to be created, to innovate and grow, or simply to manage the challenges of uncertain trading conditions. However, while access to external finance plays an important role, the type and use of external finance would also be influenced by the company type and suitability.

SMEs using external finance[22]

Figure 4.1 The East of England is ahead of other regions in the South when it comes to obtaining external finance for SMEs

Percentage of SMEs using external finance by region, 2022



According to an SME Finance Monitor report published in July 2023 by BVA BDRC, 36% of SMEs in the UK reported using external finance. This is a 7 percentage point drop from 43% in 2022 which

[22] SME Finance Monitor: 2022 Annual Report

is mostly attributable to the phasing out and repayment of pandemic support. The largest drops were observed in Wales and the West of England, the North West, the South West and the West Midlands.

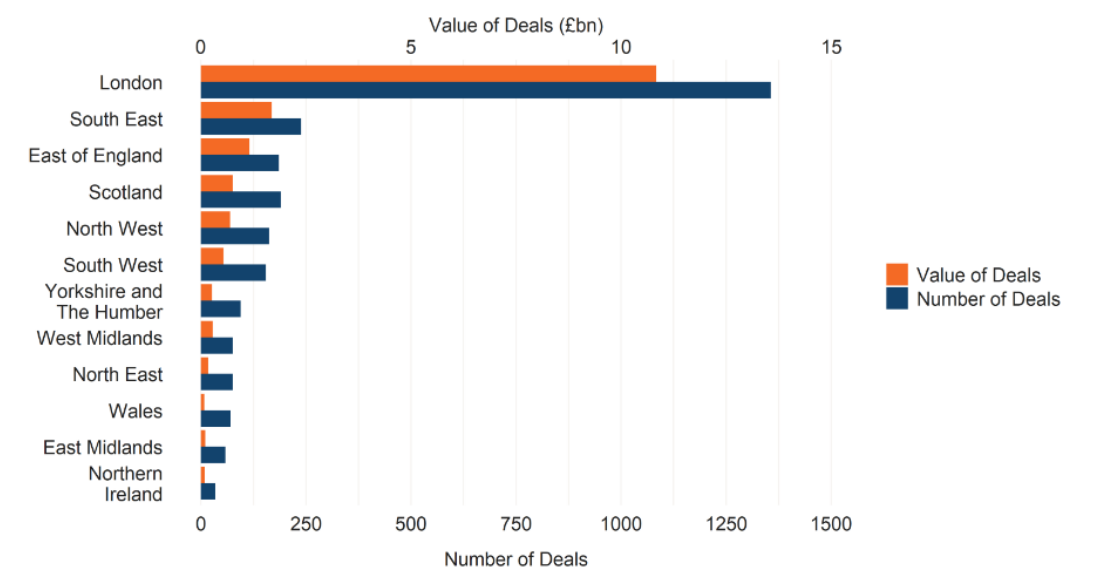
According to the British Business Bank[23], the most likely regions to use any external finance in 2022 were SMEs in the East of England (41%) and the North East (40%) with limited differences elsewhere (34-38%). Use of 'core' products such as loans, overdrafts and credit cards was the highest in East of England and Northern Ireland (both 30%) relative to UK average of 26%, and the lowest in the South of England – approximately 24% in London, the South East and the South West. Other forms of finance including leasing and asset finance varied a little across the country from 18% in London to 23% in East of England.[24]

The need for external finance reported by SMEs varied slightly across regions. On average these were 6% of SMEs in 2022, down from 9% (2020) and 12% (2021) at the height of the pandemic. However, regional differences in the awareness of external finance opportunities persist. 58% of the SMEs said they know how to access information about external sources of finance. The highest awareness level was reported in the East Midlands (73%), while other regions such as the North West and Yorkshire and the Humber had about half.

Number and value of equity deals[25]

Figure 4.2 London receives by far the most equity deals, in terms of both volume and value

Number and investment value of equity deals across the UK, 2022



Equity funding is much more concentrated in some regions compared to others and tends to be more common in the cities and the more urban areas. London historically attracts by far the largest share of equity investment both in terms of deal numbers and values. Combined, parts of the UK outside of London tend to capture a similar number of deals as the capital, however the average size of those deals tends to be much smaller.

[23] British Business Bank, Nations and Regions Tracker: Small Business Finance Markets 2023
[24] British Business Bank, Nations and Regions Tracker: Small Business Finance Markets 2023 (n=2368)
[25] British Business Bank, Nations and Regions Tracker: Small Business Finance Markets 2023

The British Business Bank's latest Small Business Equity Tracker report revealed that, in 2022, a total of 1,357 announced equity deals worth £10.8bn took place in London. This represented 50% of the UK's overall deal count and 65% of the total investment value for the year. London's share of total seed stage deal value reached 59% in 2022, London captured 70% of the total UK growth stage deal value in 2022.

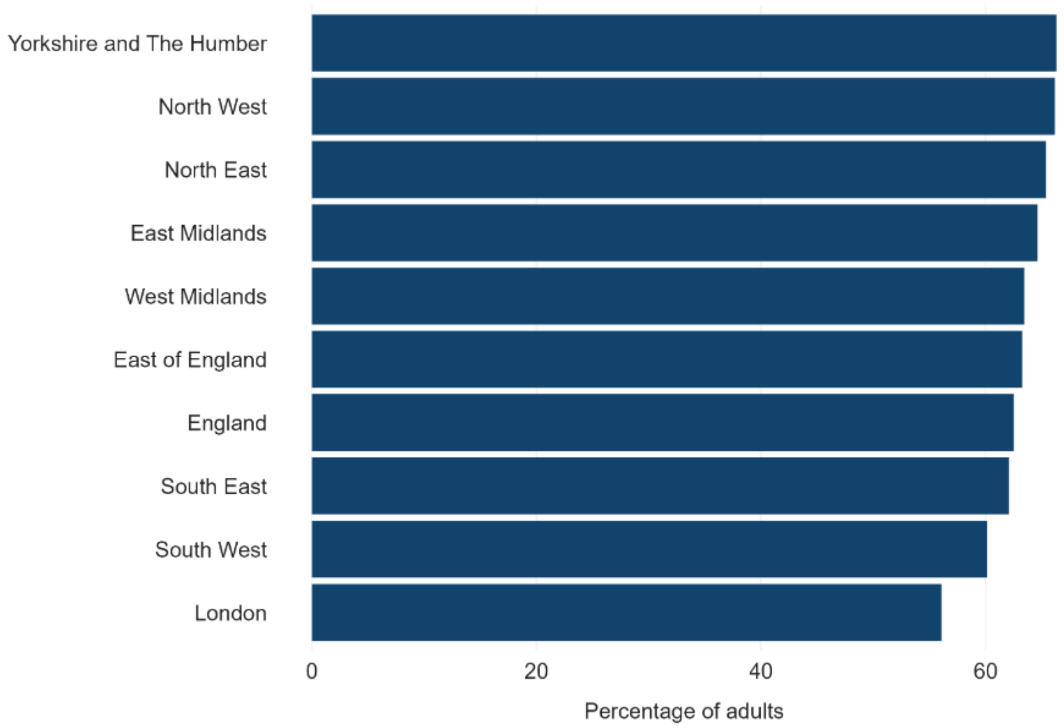
Social capital

Social capital refers to the extent and nature of peoples' connections with others and the collective attitudes and behaviours between people that support a well-functioning, close-knit society.

Sense of belonging[26]

Figure 5.1 Sense of belonging remains at a similar level across England

Percentage of adults feeling they very or fairly strongly belong to their immediate neighbourhood, 2022



There is relatively limited variation in the reported sense of belonging to the immediate neighbourhood across England with the exception of London. However, even though this is true at a regional level, this may mask large differences at a hyper-local level. The sense of belonging continues to be the highest in the north – with the Yorkshire and The Humber highest at 66% in 2021/22, down from 71%. It tends to be slightly lower in the south, with 56% of people feeling they belong to their immediate neighbourhood in London, down from 59% in 2021.

At a hyper-local level, the Social Fabric Index produced by Onward[27] considers the strengths of communities and suggests differences within parts of the country. Places with the highest scores include St Albans, Elmbridge and Richmond, as well as clusters in West Midlands and the Scottish Highlands and Islands. Places with the lowest scores tend to be concentrated along the coast in the North East, and from East London along the Thames Estuary to Thanet. There are some significant

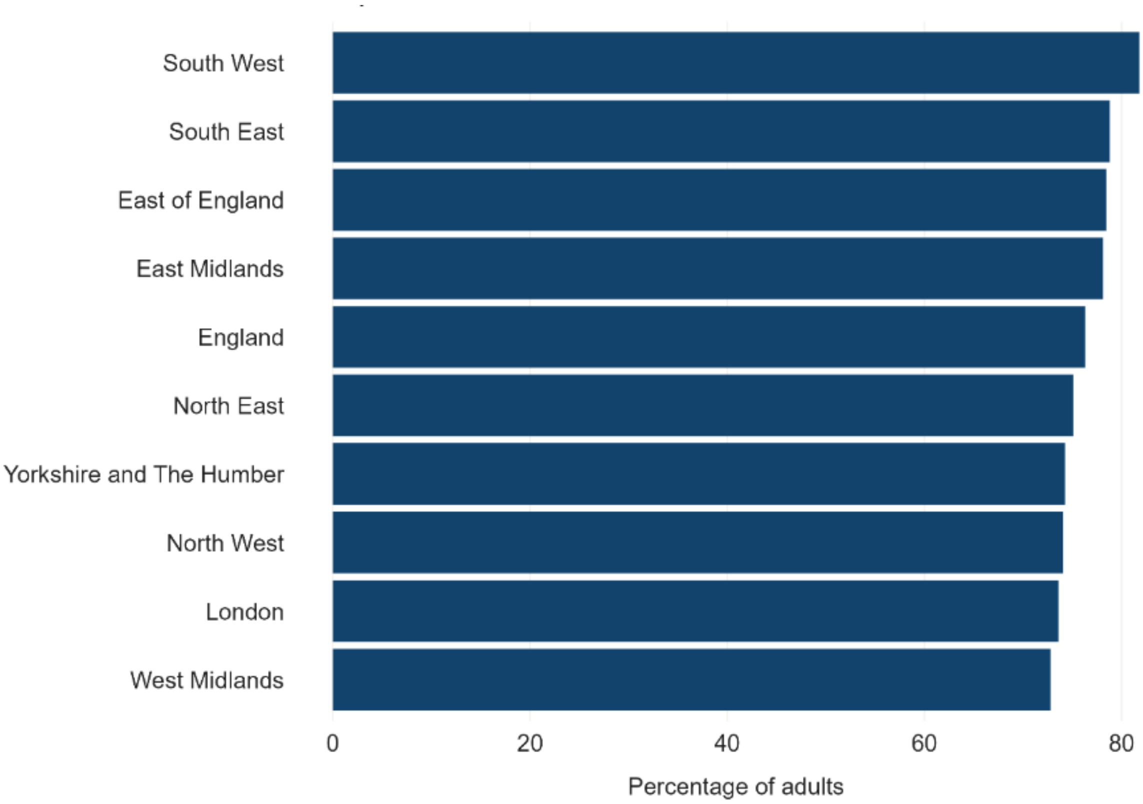
[26] Community Life Survey 2021/22
[27] Onward, 2023 Social Fabric Index

variations between neighbouring areas. For instance, Sandwell and Wolverhampton are both in the lowest decile for Social Fabric, whereas neighbouring Bromsgrove and South Staffordshire are in the highest decile. The City of Glasgow is ranked as the 38th-lowest scoring area. But neighbouring areas of East Renfrewshire and East Dunbartonshire are in the top three areas in the UK. Low scores in East London boroughs such as Barking and Dagenham, Tower Hamlets, Newham and Hackney (all in the lowest decile) contrast sharply with the south west of the capital; Richmond upon Thames is in the top decile along with a cluster of authorities bordering Greater London.

Satisfaction of a local authority as a place to live[28]

Figure 5.2 Reported satisfaction with the local area does not vary much across England

Percentage of adults who are satisfied with their local area as a place to live, 2022



People's satisfaction with their local area does not tend to vary much by region and continues to be low in the West Midlands and highest in the South West, South East and East of England. Satisfaction has increased in the North East while London has fallen from 77% to 72%.

Institutional capital

Institutional capital can play an important role in the development of local economies through strong leadership and local governance; fiscal, administrative, and policy autonomy; relationships between local government, businesses, communities and individuals; and local knowledge.

[28] Community Life Survey 2021/22

As indicators of decentralisation, this section summarises existing implemented and agreed devolution deals and the percentage of people living in an area covered by a combined authority, or a regional governance body with a devolution deal and a directly elected mayor.

Existing devolution deals[29]

As of 2023 there are 9 combined authorities with an existing devolution deal that has been implemented as well as the Greater London Authority:

- Cambridgeshire and Peterborough
- Greater Manchester
- Liverpool City Region
- North of Tyne
- South Yorkshire
- Tees Valley
- West Midlands
- West of England
- West Yorkshire

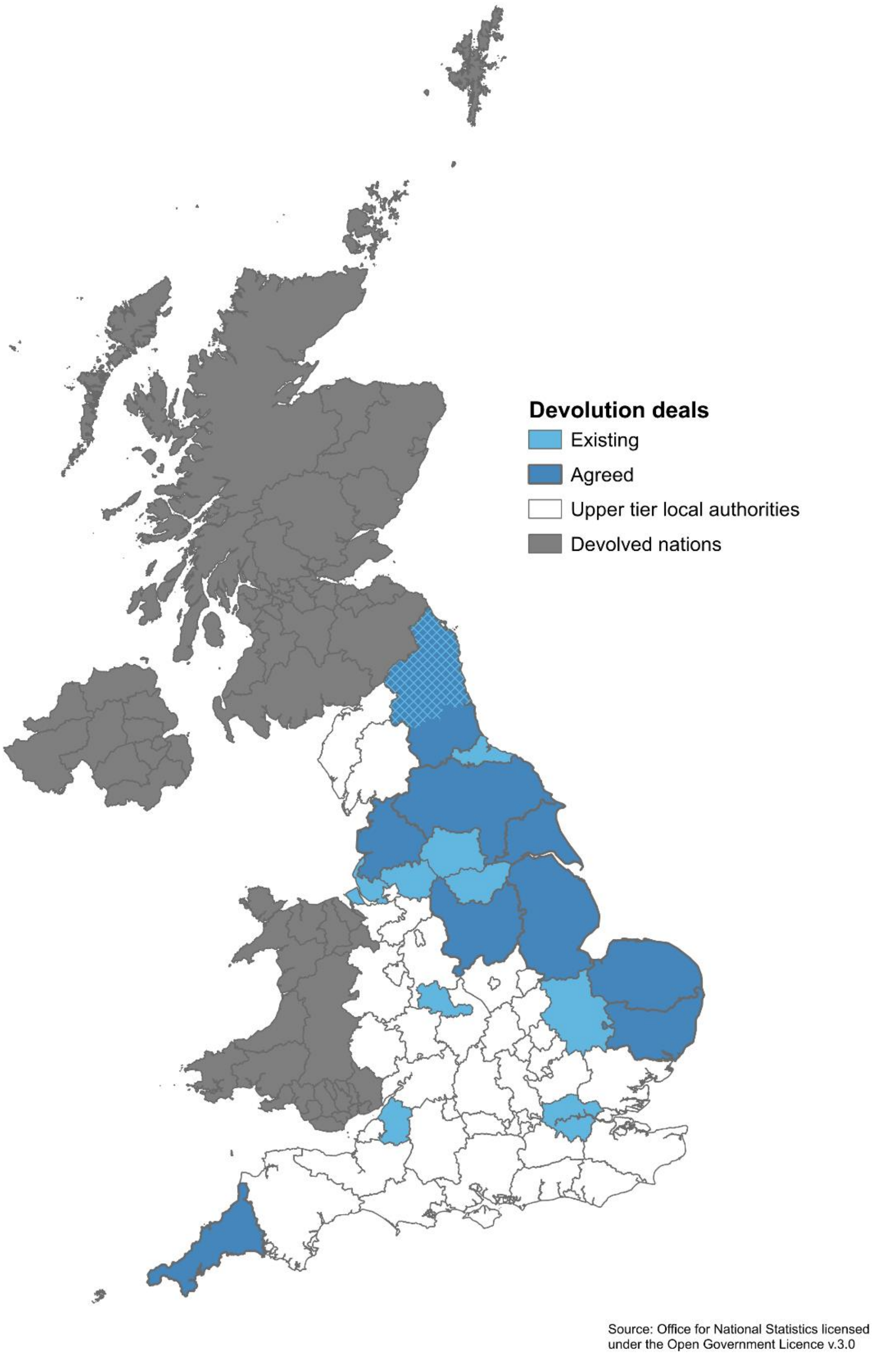
There are a further 9 areas where a devolution deal has been agreed and is in the process of being implemented:

- Deals agreed in 2022:
    - York & North Yorkshire
    - East Midlands
    - North East (replacing the North of Tyne CA)
    - Norfolk
    - Suffolk
- Deals agreed in 2023:
    - Lancashire (Level 2)
    - Greater Lincolnshire
    - Hull & East Yorkshire
    - Cornwall (Level 2)

More devolution deals are in the process of negotiation and agreement.

[29] This section refers to Level 3 devolution deals unless specified otherwise.

Figure 6.1 Nine combined authorities currently have implemented devolution deals and nine more are being implemented[30]

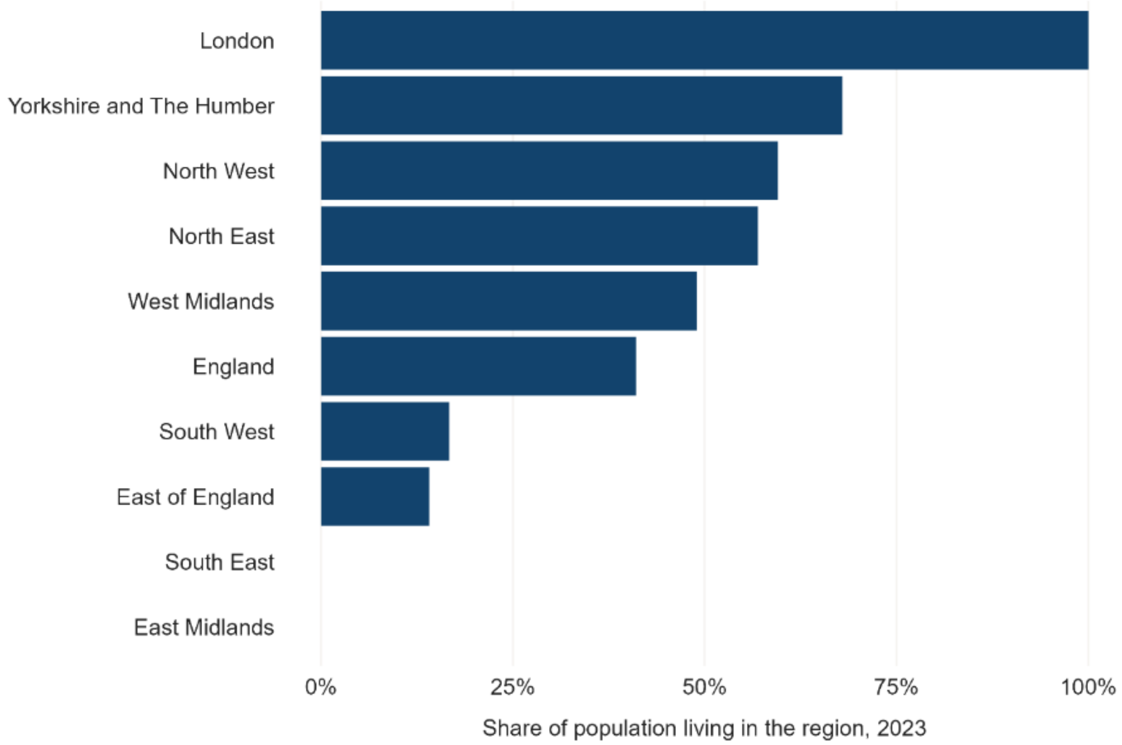


[30] The North East Combined Authority is replacing the existing North of Tyne Combined Authority

Population living in an area covered by a combined authority or regional governance body that has a devolution deal with a directly elected mayor[31]

Figure 6.2 Share of population covered by implemented devolution deals with a directly elected mayor, varies across regions and is the highest in London

Percentage of population covered by devolution deal with a directly elected mayor, 2023



In England, the percentage of the population covered by devolution deal with a directly elected mayor for the already implemented devolution deals is unevenly distributed across regions - including 100% of the population in London which has an elected mayor for the whole capital, 68% in Yorkshire and The Humber and close to 60% in the North. At the same time there are currently no implemented devolution deals in the South East and the East Midlands, while the South West and the East of England have less than the average in England (41%) with close to 15% each.

Other factors

Percentage of children (aged under 16) living in low-income families[32]

According to DWP statistics[33], in the UK in the financial year ending 2022, 3.3m children (23% of all children) were in absolute low income families after housing costs and 4.2 million children (29% of all children) were in relative low income families after housing costs. On a before housing costs basis,

[31] ONS, Population living in an area covered by a combined authority or regional governance body that has a devolution deal with a directly elected mayor, England, as of 13 January 2023
[32] DWP, Households below average income: for financial years ending 1995 to 2022
[33] DWP, Households below average income: for financial years ending 1995 to 2022

2.2 million children (16% of all children) were in absolute low income and 2.9 million children (20% of all children) were in relative low income.[34]

Separate statistics with a different methodology, published in the Children in Low Income Families publication, are produced to estimate child poverty at a local level. These are only available on a before housing costs basis. The statistics show that the proportion of children aged under 16 living in low-income families before housing costs varies greatly, ranging from 5% to 42% across local authorities for relative low income and from 4% to 39% for absolute low income[35]. Local authorities with the highest proportions are primarily spread across Northern England and the Midlands. The three local authorities with the highest percentage of children under 16 living in poverty (for the relative measure before housing costs) are Leicester, Nottingham and Birmingham.[36] Local authorities with the lowest proportions are spread across London, the South East and East of England – Richmond upon Thames and Elmbridge having the lowest proportions in absolute and relative terms.

[34] Absolute poverty is the government's preferred measure because the poverty line is fixed in real terms so is not affected by overall median income.
[35] Whilst areas with high before housing costs poverty tend to also have high after housing cost poverty, this isn't the case for London which generally has low before housing costs poverty but high after housing costs poverty.
[36] City of London has been excluded from this commentary due to data limitations.

Figure 7.1 Local authorities with the lowest proportion of children living in poverty are primarily spread across the South and East of England

Children (aged under 16) living in absolute low-income families, UK financial year ending 2022

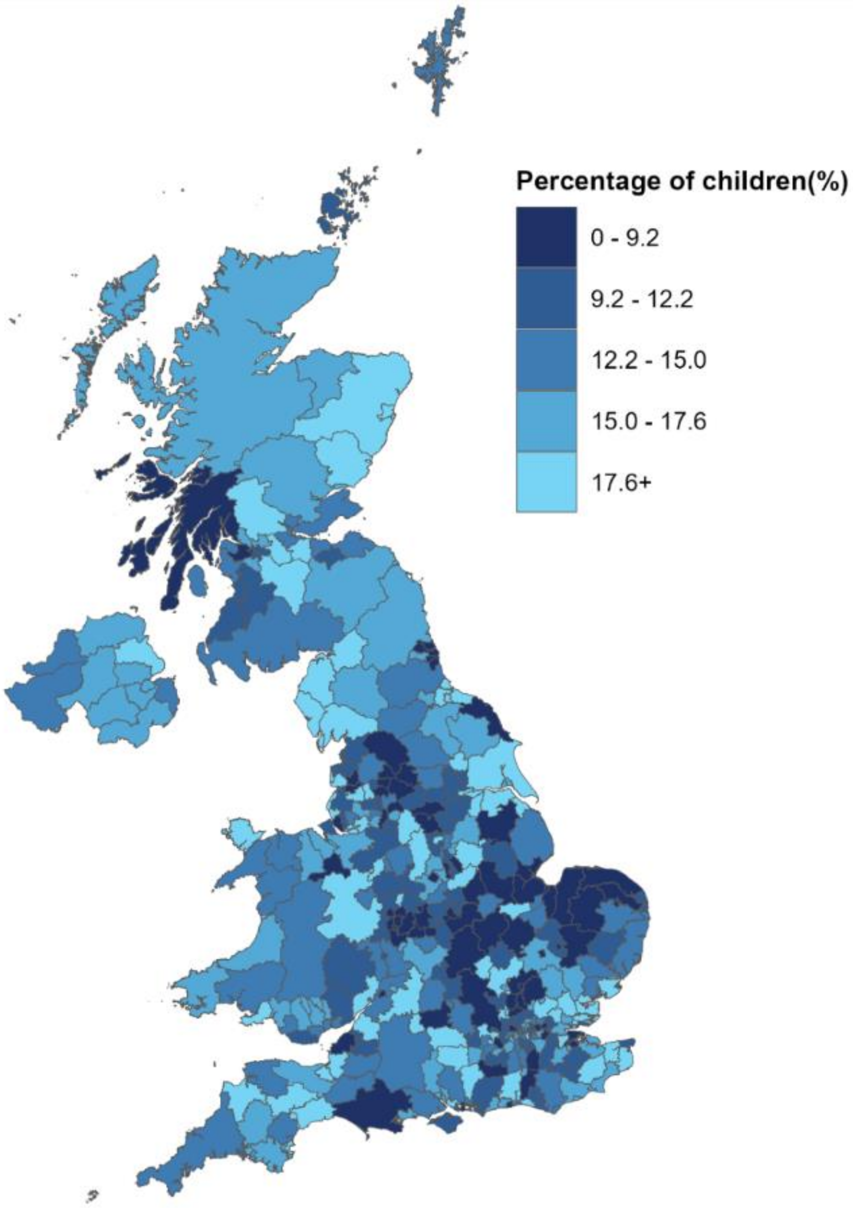


Figure 7.2 Local authorities with the lowest proportion of children living in poverty are primarily spread across the South and East of England

Children (aged under 16) living in relative low-income families, UK financial year ending 2022