



Meeting of the

# CABINET

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Wednesday, 8 January 2014 at 5.30 p.m.

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**AGENDA – SECTION ONE – PACK B**

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## VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

### Members:

Mayor Lutfur Rahman	– (Mayor)
Councillor Ohid Ahmed	– (Deputy Mayor)
Councillor Rofique U Ahmed	– (Cabinet Member for Regeneration)
Councillor Shahed Ali	– (Cabinet Member for Environment)
Councillor Abdul Asad	– (Cabinet Member for Health and Wellbeing)
Councillor Alibor Choudhury	– (Cabinet Member for Resources)
Councillor Shafiqul Haque	– (Cabinet Member for Jobs and Skills)
Councillor Rabina Khan	– (Cabinet Member for Housing)
Councillor Rania Khan	– (Cabinet Member for Culture)
Councillor Oliur Rahman	– (Cabinet Member for Children's Services)

[Note: The quorum for this body is 3 Members].

### Committee Services Contact:

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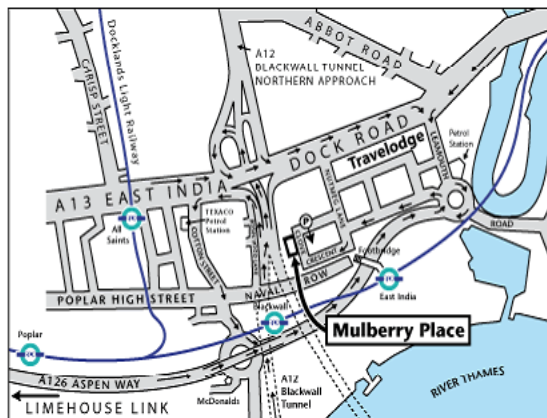
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## A Guide to CABINET

### **Decision Making at Tower Hamlets**

As Tower Hamlets operates the Directly Elected Mayor system, **Mayor Lutfur Rahman** holds Executive powers and takes decisions at Cabinet or through Individual Mayoral Decisions. The Mayor has appointed nine Councillors to advise and support him and they, with him, form the Cabinet. Their details are set out on the front of the agenda.

### **Which decisions are taken by Cabinet?**

Executive decisions are all decisions that aren't specifically reserved for other bodies (such as Development or Licensing Committees). In particular, Executive Key Decisions are taken by the Mayor either at Cabinet or as Individual Mayoral Decisions.

The constitution describes Key Decisions as an executive decision which is likely

- a) to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
- b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough.

Upcoming Key Decisions are published on the website on the 'Forthcoming Decisions' page through [www.towerhamlets.gov.uk/committee](http://www.towerhamlets.gov.uk/committee)

### **Published Decisions and Call-Ins**

Once the meeting decisions have been published, any 5 Councillors may submit a Call-In to the Service Head, Democratic Services requesting that a Key Decision be reviewed. This halts the decision until it has been reconsidered.

- The decisions will be published on: **Friday, 10 January 2014**
- The deadline for call-ins is: **Friday, 17 January 2014**

Any Call-Ins will be considered at the next meeting of the Overview and Scrutiny Committee. The Committee can reject the call-in or they can agree it and refer the decision back to the Mayor, with their recommendations, for his final consideration.

### **Public Engagement at Cabinet**

The main focus of Cabinet is as a decision-making body. However there are opportunities for the public to contribute.

#### 1. Public Question and Answer Session

Before the formal Cabinet business is considered, up to 15 minutes are available for public questions on any items of business on the agenda. Please send questions to the clerk to Cabinet (details on the front page) by **5pm the day before the meeting**.

#### 2. Petitions

A petition relating to any item on the agenda and containing at least 30 signatures of people who work, study or live in the borough can be submitted for consideration at the meeting. Petitions must be submitted to the clerk to Cabinet (details on the front page) by: **Thursday, 2 January 2014 (Noon)**

# **LONDON BOROUGH OF TOWER HAMLETS**

## **CABINET**

**WEDNESDAY, 8 JANUARY 2014**

**5.30 p.m.**

### **3. UNRESTRICTED MINUTES (Pages 1 - 8)**

The unrestricted minutes of the Cabinet meeting held on 4 December 2013 will be presented for information.

### **6. A GREAT PLACE TO LIVE**

#### **6 .1 Housing Revenue Account First Budget and Rent Setting Report - 2014/15 (Pages 9 - 42)**

### **10. ONE TOWER HAMLETS**

#### **10 .3 Voluntary and Community Sector Strategy (Pages 43 - 78)**

#### **10 .5 Council Tax Base Report and Technical Changes (Pages 79 - 84)**

#### **10 .6 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15 (Pages 85 - 108)**

## LONDON BOROUGH OF TOWER HAMLETS

### MINUTES OF THE CABINET

HELD AT 5.34 P.M. ON WEDNESDAY, 4 DECEMBER 2013

COMMITTEE ROOM, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE  
CRESCENT, LONDON, E14 2BG

#### Members Present:

Mayor Lutfur Rahman	(Mayor)
Councillor Rofique U Ahmed	(Cabinet Member for Regeneration)
Councillor Shahed Ali	(Cabinet Member for Environment)
Councillor Abdul Asad	(Cabinet Member for Health and Wellbeing)
Councillor Alibor Choudhury	(Cabinet Member for Resources)
Councillor Shafiqul Haque	(Cabinet Member for Jobs and Skills)
Councillor Rabina Khan	(Cabinet Member for Housing)
Councillor Rania Khan	(Cabinet Member for Culture)

#### Other Councillors Present:

Councillor Kabir Ahmed	(Executive Advisor to the Mayor and Cabinet)
Councillor Gulam Robbani	(Executive Advisor to the Cabinet and Mayor on Adult Social Care)
Councillor Motin Uz-Zaman	(Chair, Overview & Scrutiny Committee)

#### Officers Present:

Jill Bell	(Head of Legal Services (Environment), Legal Services, Chief Executive's)
Michael Bell	(Strategic Planning Manager, Development & Renewal)
Margaret Cooper	(Section Head Transport & Highways, Public Realm, Communities Localities & Culture)
Aman Dalvi	(Corporate Director, Development & Renewal)
Richard Finch	(Team Leader, Strategic Transport Development, Development & Renewal)
Stephen Halsey	(Head of Paid Service and Corporate Director Communities, Localities & Culture)
Chris Holme	(Acting Corporate Director - Resources)
Mark Cairns	(Senior Strategy, Policy and Performance Officer)
Numan Hussain	(Political Advisor to the Mayor, Executive Mayor's Office, Chief Executive's)
Shazia Hussain	(Service Head Localisation, Communities Localities & Culture)
Ellie Kuper-Thomas	(Strategy, Policy and Performance Officer - Executive Mayor's Office, One Tower Hamlets, Chief Executive's)
Robert McCulloch-Graham	(Corporate Director, Education Social Care and Wellbeing)

Murziline Parchment	(Head of Executive Mayor's Office, Democratic Services, Chief Executive's)
Takki Sulaiman	(Service Head Communications, Chief Executive's)
Matthew Mannion	(Committee Services Manager, Democratic Services, Chief Executive's)

## **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of:

- Councillor Ohid Ahmed, Deputy Mayor
- Councillor Oliur Rahman, Cabinet Member for Children's Services
- Robin Beattie, Service Head Strategy and Resources, Communities, Localities and Culture.

## **2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**

None were declared.

## **3. UNRESTRICTED MINUTES**

The unrestricted minutes of the Cabinet meeting held on 6 November 2013 were noted.

## **4. PETITIONS**

Nil items.

## **5. OVERVIEW & SCRUTINY COMMITTEE**

### **5.1 Chair's Advice of Key Issues or Questions in Relation to Unrestricted Business to be Considered**

Councillor Motin Uz-Zaman, Chair of the Overview and Scrutiny Committee (OSC), provided an update on the discussions that had taken place at their last meeting.

In particular he:

- Expressed disappointment that Cabinet Members and, in particular, the Mayor were invited to the meeting but had been unable to attend. He highlighted the importance of this attendance to enable the Executive's decision making to be properly scrutinised.
- Reported that the Committee had, at the request of Council, considered the facts surrounding the Watts Grove decision made on 29 July 2013. The Committee would be presenting a report to Council and the Executive may wish to comment on the recommendations.
- There had been a discussion examining the business case for the Mayor's Car. OSC felt that not enough consideration had been given to

alternatives to the Mayor having a car. The Committee requested further information from officers and there would be further consideration of the subject at the next Committee meeting.

Finally, he reported that the Committee had reviewed the budget scrutiny process for 2014 and that scrutiny task group reports on School Places and Accident & Emergency Services had also been discussed.

The **Mayor** thanked Councillor Motin Uz-Zaman for his update.

## **5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee**

The Clerk advised that no requests had been received to 'call-in' for further consideration, by the Overview and Scrutiny Committee, any provisional decisions taken by the Mayor in Cabinet at the meeting held on 6 November 2013.

## **6. A GREAT PLACE TO LIVE**

### **6.1 Whitechapel Supplementary Planning Document (SPD)**

Councillor Rabina Khan, Cabinet Member for Housing, introduced the report. She highlighted the results of the consultation exercise that had taken place and in particular the changes to the plans that were a result of the consultation responses. She recommended the report as a key part of the transformation of Whitechapel Road and the surrounding area.

Finally, she highlighted a proposed change to the SPD document in relation to Education and Research institutions and noted a, subsequently corrected, error in the original print copy of Appendix two of the Consultation Report.

Following a discussion when Cabinet Members expressed their support for the scheme and in particular welcomed proposals on Car Parking, Jobs, Business support and engagement with stakeholders, the **Mayor** welcomed the report, thanked the officers and Lead Member for progressing with the masterplan and, subject to the amendment listed, **agreed** the recommendations.

A minor amendment was agreed to clarify that whilst Queen Mary University London (QMUL) was a key stakeholder in the Whitechapel area, there may also be opportunities for other accredited education and research institutions (page 27 & 29 in the Whitechapel Vision Masterplan SPD).

### **RESOLVED**

1. To consider the representations received during the consultation on the draft Whitechapel Vision Masterplan SPD contained in Appendix 2

2. To agree the summary of the main representations and the proposed responses to these representations as contained in Appendix 2, and to approve the subsequent necessary amendments to the Whitechapel Vision Masterplan SPD.
3. To approve the final Whitechapel Vision Masterplan SPD for adoption and authorise officers to prepare and publish an adoption statement.
4. To authorise the Corporate Director of Development and Renewal to make any necessary factual or minor editing changes prior to publishing the final Whitechapel Vision Masterplan SPD.
5. To note that the Corporate Director of Development and Renewal in consultation with the Mayor and Lead Members will investigate options regarding the delivery of the Whitechapel Vision Masterplan SPD post adoption.

## **6.2 LIP2 3 Year Delivery Plan Refresh**

Councillor Shahed Ali, Cabinet Member for Environment, introduced the report. In light of recent tragic road incidents, he highlighted the work already being undertaken to improve road safety in the Bow area for cyclists and also cycle safety and training programmes including for School children.

The **Mayor**, welcomed the report and in particular highlighted that funds would be spread out across the borough on a needs basis.

### **RESOLVED**

1. To agree the content of the Council's submission to TfL and authorise the Corporate Director of CLC to confirm such submission to TfL.
2. To agree the proposed scheme allocations for the revised Three Year Delivery Plan as set out in Appendix One.
3. To note that officers do not intend to do further public consultation at Delivery Plan stage as it would be premature/duplicate consultation already completed. Once funding is confirmed and projects can go live, then a further stage of detailed scheme specific public consultation would be required with relevant parties.

## **7. A PROSPEROUS COMMUNITY**

### **7.1 Provisional Education Results**

Robert McCulloch-Graham, Corporate Director for Education, Social Care and Wellbeing introduced the report. He highlighted the results as a good news story for the borough and something to be immensely proud of. In particular he noted the achievements at GCSE level.



However, he also noted areas where improvement efforts should be focussed including Early Years although the gap with the national average was expected to narrow.

Following questions from Members he particularly highlighted the value of the close relationship between the schools and the local authority as an important part of the success story presented.

The **Mayor** welcomed the report and the demonstration that the investment put in by the Council was having an important effect on young people's life chances. He thanked the children, teachers, governors and officers for their hard work to achieve these results.

### **RESOLVED**

1. To note the 2013 Local Authority education results.

### **8. A SAFE AND COHESIVE COMMUNITY**

Nil items.

### **9. A HEALTHY AND SUPPORTIVE COMMUNITY**

#### **9.1 The Establishment of the Tower Hamlets Health and Wellbeing Board**

Councillor Abdul Asad, Cabinet Member for Health and Wellbeing, introduced the report.

The **Mayor** welcomed the report, however he requested two changes to the recommendations. Firstly that officers ensure that one member of the board was responsible for resident participation and secondly that it be stated that, should the Mayor not be able to attend, the Cabinet Member for Health and Wellbeing should chair the meeting. Subject to those amendments, he **agreed** the recommendations.

### **RESOLVED**

1. To establish the Health and Wellbeing Board with the terms of reference and membership as set out in Appendix 1.
2. To note that appointments to the Board will be presented to full council to be formally made.
3. That officers ensure the inclusion of a resident participation member on the Board, which may be covered by an existing member or if not to be an additional appointment.

4. That the terms of reference be amended to state that should the Mayor be unable to attend a meeting then the Cabinet Member for Health and Wellbeing would Chair the meeting in his place.

## **10. ONE TOWER HAMLETS**

### **10.1 Local Community Ward Forums and the Mayor's Community Champion Coordinators: Update**

Councillor Alibor Choudhury, Cabinet Member for Resources, introduced the report. He highlighted that the ward forums and associated local budgets empowered local residents to take decisions for themselves.

The **Mayor** welcomed the report as demonstrating the Council's commitment to the people of Tower Hamlets and **agreed** the recommendation as set out in the report.

#### **RESOLVED**

1. To note the progress in creating the Local Community Ward Forums (LCWFs) and agree on the planned timetable of the 2013/14 LCWF cycle (section 3.8).

## **11. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT**

Nil items.

## **12. UNRESTRICTED REPORTS FOR INFORMATION**

### **12.1 Exercise of Corporate Directors' Discretions**

Councillor Alibor Choudhury, Cabinet Member for Resources, introduced the report and the **Mayor agreed** the recommendation as set out in the report.

#### **RESOLVED**

1. To note the exercise of Corporate Directors' discretions as set out in Appendix 1.

## **13. EXCLUSION OF THE PRESS AND PUBLIC**

No motion to exclude the press and public was passed.

## **14. EXEMPT / CONFIDENTIAL MINUTES**

Nil items.

**15. OVERVIEW & SCRUTINY COMMITTEE**

**15.1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business to be Considered.**

Nil items.

**15.2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee**

Nil items.

**16. A GREAT PLACE TO LIVE**

Nil items.

**17. A PROSPEROUS COMMUNITY**

Nil items.

**18. A SAFE AND COHESIVE COMMUNITY**

Nil items.

**19. A HEALTHY AND SUPPORTIVE COMMUNITY**

Nil items.

**20. ONE TOWER HAMLETS**

Nil items.

**21. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT**

Nil items.


**22. EXEMPT / CONFIDENTIAL REPORTS FOR INFORMATION**

Nil items.

The meeting ended at 6.26 p.m.

John S. Williams  
SERVICE HEAD, DEMOCRATIC SERVICES

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<b>Cabinet Decision</b> 8 January 2014	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Aman Dalvi – Corporate Director Development & Renewal	<b>Classification:</b> Unrestricted
<b>Housing Revenue Account First Budget and Rent Setting report</b>	

<b>Lead Member</b>	<b>Councillor Rabina Khan</b>
<b>Originating Officer(s)</b>	Katherine Ball, Senior Accountant Paul Leeson, Finance Manager
<b>Wards affected</b>	All
<b>Community Plan Theme</b>	<b>A Great Place to Live</b>
<b>Key Decision?</b>	Yes

## Executive Summary

This report sets out officers' recommendations for 2014/15 rent levels and seeks Cabinet approval of the level of the 2014/15 rent increase necessary for the year ahead in order for the Council to comply with its statutory requirement to notify tenants.

The Council must prepare proposals in January and February each year relating to income from rents and other charges, and expenditure in relation to management and maintenance of its housing stock. A decision is required with regard to rents and service charges in January in order that statutory notice can be given to tenants prior to 1st April implementation.

## Recommendations

The Mayor in Cabinet is recommended to:-

1. Agree that the Authority will continue to follow current rent restructuring policy, and that therefore, based on the September 2013 RPI (retail price index) figure of 3.2%, the average 2014/15 weekly rent increase for tenanted Council dwellings will be £5.04, and the average weekly tenanted service charge increase will be £0.36 from the first rent week in April 2014.
2. Note that the Housing Revenue Account (HRA) budget will be presented to Cabinet for approval in February 2014.

## **1. REASONS FOR THE DECISIONS**

- 1.1 The Council must prepare proposals in January and February each year relating to income from rents and other charges, and expenditure in relation to management and maintenance of its housing stock. A decision is required with regard to rents and service charges in January in order that statutory notice can be given to tenants prior to 1st April implementation.

## **2. ALTERNATIVE OPTIONS**

- 2.1 Under HRA Self-Financing, the Council is not obliged to follow national rent policy, but any rent increase below that assumed in the HRA financial model would put at risk the Council's ability to fund the future capital programme. Mayor and Cabinet can determine to increase rents either above or below that recommended; the financial consequences of either decision are set out in section 4.5 of this report.

## **3. BACKGROUND**

- 3.1 The Housing Revenue Account (HRA) relates to the activities of the Council as landlord of its dwelling stock. Since 1st April 1990 the Housing Revenue Account has been "ring-fenced"; this means that deficits on the Housing Revenue Account cannot be met from the General Fund. The HRA must remain in balance.
- 3.2 From April 2012, HRA Subsidy was abolished and replaced by self-financing, whereby a one-off adjustment was made to the housing debt of each council to reflect the assumed value of their housing business; some Authorities – including Tower Hamlets - had debt redeemed.
- 3.3 Following the start of Self-Financing, local authorities now retain all rental income, but are responsible for meeting all costs relating to council housing.
- 3.4 Cabinet on July 7<sup>th</sup> 2010 agreed the following financial principles to facilitate viability under self-financing, and these have been factored in as appropriate into the business plan assumptions:
- Income from the management of non-dwelling related HRA activities should aim to cover the total cost of providing these services to avoid being subsidised from tenants' rents;
  - Rents should not subsidise service charges, nor vice versa;
  - The Council aims to achieve rent convergence in line with Government guidelines (currently 2015/16);
  - High emphasis on debt collection is maintained to minimise provision for bad debts;
  - Treasury management strategy for the HRA focuses on longer-term stability at a rate below the CLG discounted net present value.

#### **4. RENT RESTRUCTURING AND RENT IMPLICATIONS**

- 4.1 Rent restructuring was introduced in 2002 as a means of aligning (traditionally lower) council rents with housing association rents; the aim being that social rents would converge – i.e. that similar social properties in the same location would charge comparable rents, even though they were owned by different landlords.
- 4.2 In a bid to catch up and converge with housing association rents, local authorities were to increase rents annually by a maximum of RPI + 0.5% + £2 per week; therefore annual increases were capped by the government and enforced through the Housing Subsidy system. Authorities that chose lower rent increases would lose subsidy, whilst those who implemented higher rent increases could be caught through the Limit Rent mechanism, whereby authorities are financially penalised for having an average rent higher than that year's Limit Rent, which is set by the government.
- 4.3 The target date for achieving rent convergence was originally set at 2011/12, but was subsequently moved to 2015/16.

#### **4.4 Proposed Changes to Social Rent Policy - Consultation**

- 4.4.1 On 2nd July 2013, the Department of Communities and Local Government (DCLG) stated in a letter sent to housing bodies that:

*“Having considered the issue carefully, we are minded not to extend rent convergence beyond 2014/15.....’ We expect most landlords to have achieved rent convergence by 2015. By that point, rent convergence policy will have been in place for almost 15 years - this is a significant period of time for landlords to make full use of the rent flexibilities the government has provided, and most have done so.”*

- 4.4.2 A consultation entitled ‘*Rents for Social Housing from 2015/16*’ has been published setting out the proposed changes to come into effect from April 2015 – these are summarised below:
- moving from rent increases of RPI + 0.5% to increases of CPI + 1%;
  - removing (from April 1<sup>st</sup> 2015) the flexibility to increase the weekly social rents by an additional £2 – i.e. ending rent convergence a year early;
  - clarifying that the proposed rent policy does not apply to social tenant households with an income in excess of £60,000.
- 4.4.3 Modelling has been carried out of the effect of the proposed changes; the indicative impact over the 10 years of the proposed policy of an early end to rent convergence is a potential loss (inclusive of inflation) in the region of £18m. Further details on the indicative impact will be presented to Cabinet in February.

## 4.5 Rent Increase 2014/15

- 4.5.1 Officers are recommending that rent restructuring is followed, and that a rent increase limited to RPI + 0.5% + £2 a week is agreed.
- 4.5.2 Even after the proposed increase, the 2014/15 rents charged by the Council will continue to be the lowest in the borough; Table 1 below shows a comparison between average weekly 2014/15 LBTH rents and rents for other Housing Providers in Tower Hamlets.

		1 Bed	2 Bed	3 Bed	4 Bed	5 bed
2014/15	LBTH Social Rents	£97	£109	£123	£138	£153
2013/14	Social Rent Cap Levels (RPs)	£132	£140	£148	£155	£163
2011/12	POD Affordable rent levels	£192	£214	£240	£271	£298
2013/14	Local Housing Allowance	£245	£296	£347	£409	£409
2012/13	80% Market rents	£258	£304	£360	£440	£530
2012/13	Market rents	£322	£380	£450	£550	£662

Table 1 – Comparison of weekly rents in Tower Hamlets

- 4.5.3 Rent increases below the Government guideline – All financial modelling of the HRA has assumed that the Council will continue to follow rent policy. If the Council decided to increase rents at a lower rate, then there would be a net loss of income to the HRA compared to what has been assumed in the modelling over 30 years. Each 1% less than guideline rent equates to an estimated net loss of approximately £650,000; this income would be removed from the HRA's base budget, and, unless costs were reduced by an equivalent amount, this would lead to a budget pressure within the HRA, and a possible inability to fund the anticipated capital programme over 30 years.
- 4.5.4 Rent increases above the Government guideline - Increases in excess of those necessary to achieve rent convergence in 2015/16 are possible, but the Authority may not benefit from the full amount of the additional rent generated. Although rental income would rise, the Authority could potentially exceed the 'Limit Rent' used to control Housing Benefit grant paid to the Authority by the Government. Any benefit paid in respect of Local Authority rents that exceed the 'Limit Rent' is ultimately, under statute, an additional charge to the HRA. Due to the relatively large number of Tower Hamlets tenants in receipt of benefits, this impact would be substantial.
- 4.5.5 As part of the government's proposed changes to social rent policy, the formula for calculating the 2014/15 Limit Rent will change due to the proposed ending of convergence a year early. We have not yet been informed by the government of what the 2014/15 Limit Rent will be for Tower Hamlets.



## **5. HRA BUDGET 2013/14 & PROJECTED OUTTURN**

- 5.1 The latest HRA budget monitoring for 2013/14 is elsewhere on this agenda; current projections are a forecast year-end underspend of £0.57m, which will be used to support the Decent Homes programme.

## **6. HRA BUDGET 2014/15**

- 6.1 The 2014/15 HRA estimates will be considered by Cabinet in February.
- 6.2 To ensure that a rent increase is operative from the first rent week in April 2013, a Cabinet decision on the rent increase must be made in January to enable all scrutiny requirements to be met, and rent notices to be issued.

## **7. HRA 30 YEAR VIABILITY**

- 7.1 Current modelling of the HRA financial position indicates that the Council can fund the capital works currently anticipated to be needed over the 30 year period, including the Decent Homes programme.

## **8. RISKS**

- 8.1 Notwithstanding the initial analysis suggesting that, overall, Tower Hamlets is able to finance the anticipated capital works needed over the 30 year period, there are a number of risks to the HRA in the short to medium term; the principal ones are highlighted below.

### **8.2 Right to Buy**

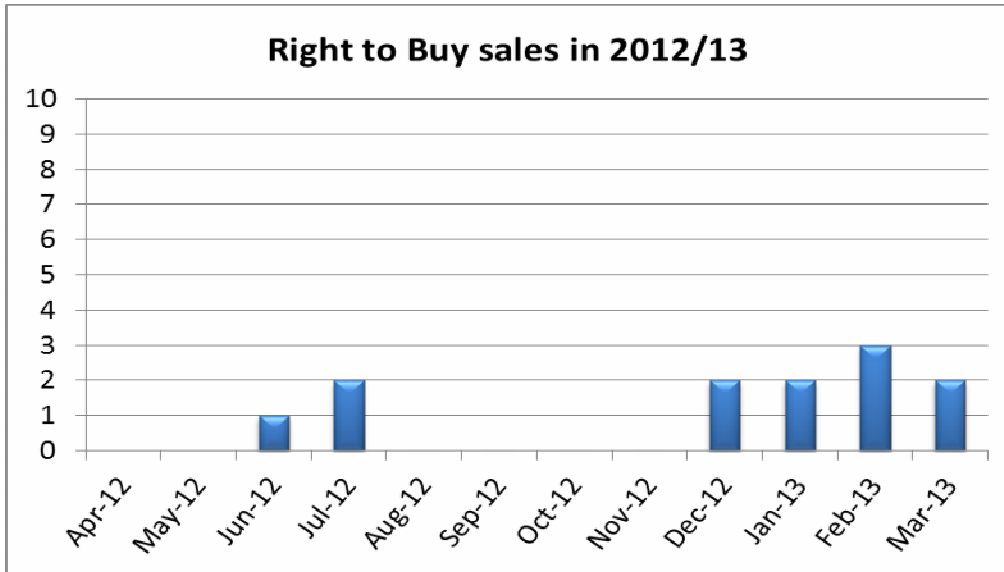
#### **8.2.1 Changes to the Right to Buy Policy**

Recent changes to the Right to Buy scheme mean that the maximum discount offered to tenants in London is now £100,000. Since the changes were made over 1,000 applications have been received by Tower Hamlets Homes.

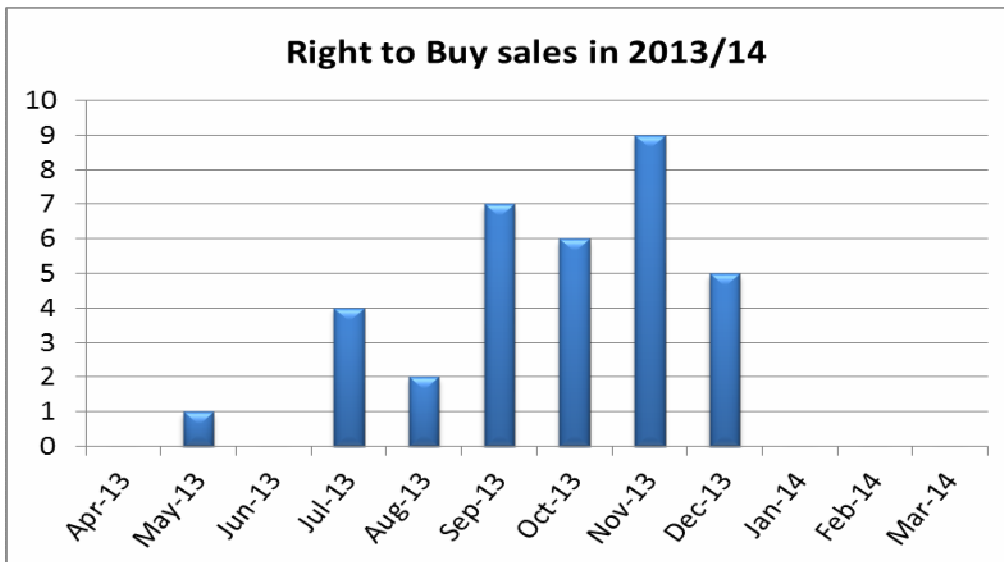
#### **8.2.2 Right to Buy Sales**

There were 12 Right to Buy sales in 2012/13, and (as at December 19<sup>th</sup>), 34 Right to Buy sales in 2013/14. Of the applications received to date, it is estimated that 12% will ultimately reach completion, and it is currently estimated that 50 sales will take place in 2013/14 and 100 sales in 2014/15.

Graphs 1 and 2 below show the sales that have taken place so far since the Reinvigorated Right to Buy scheme came into effect in April 2012.



Graph 1 – Monthly Right to Buy sales in 2012/13



Graph 2 – Monthly Right to Buy sales in 2013/14

### 8.2.3 Impact of Right to Buy Sales on the HRA

As Right to Buy sales occur and properties change from tenanted to leasehold, there is a loss to the HRA of rental income, which although offset by higher leasehold service charges, leads to a net loss to the HRA. It was previously assumed that 100 sales would take place in both 2012/13 and 2014/15, and savings were made to the 2013/14 HRA budget in order to mitigate that risk. It is now anticipated that there will be fewer than 100 sales in 2013/14, and as a result, the current year's rental income is projected to be higher than budgeted.

#### 8.2.4 Right to Buy Sales receipts

As part of the reinvigoration of the Right to Buy scheme, Local Authorities could enter into an agreement with the Secretary of State and be allowed to retain part of the receipt from Right to Buy sales – once a threshold has been reached. These receipts must be spent on the re-provision of social housing within three years, and must be limited to a maximum of 30% of the cost of the re-provision. The Authority returned its signed agreement to the Department of Communities & Local Government in September 2012.

As at the end of September 2013 (Q2), there were no receipts available for the Authority to retain for the re-provision of social housing, as the number of sales to date was less than necessary to reach the threshold. In addition, the increased maximum discount of £100,000 means that the sale receipts are lower and therefore more sales must take place to reach the threshold. However, it is anticipated that in future quarters the number of sales means that there will be receipts to be retained by the Authority; these will be reflected in the future HRA Capital Programme.

### 8.3 Welfare Reform

8.3.1 Welfare reform consists of a number of major changes to the benefits system: Under-Occupancy charge (April 2013), the non-dependant deductions (final phase, April 2013), Benefit Cap (August 2013) and Universal Credit and Direct Payments (not likely to affect Tower Hamlets before 2015).

8.3.2 The main changes that will affect THH tenants are:

- (1) Benefit Cap
- (2) Under-occupancy charge
- (3) Universal Credit and Direct Payments – the implementation date has slipped a number of times, and it is now anticipated that it will not affect Tower Hamlets residents until 2015

8.3.3 The impact on the HRA will not become clear until the various reforms take effect, however, provision was made in the 2013/14 budget for an anticipated increase in the amount of bad debt, equivalent to 3% of the 2013/14 rental income budget. It is now expected that this level of provision will not be fully required in 2013/14 as the implementation dates for Universal Credit and Direct Payments have slipped. However, it is recommended to maintain an increased level of provision for bad debts over the next few years as the reforms take effect.

8.3.4 Further details will be presented to Cabinet in the HRA 2014/15 Budget report in February 2014.

## **8.4 Interest Rates & Debt**

8.4.1 Over the next few years, the Authority will need to prudentially borrow in order to finance the capital programme. Although interest rates remain at the historically low 0.5%, as and when interest rates rise, the HRA will be exposed to interest rate risks as its current loan portfolio mainly consists of market loans at variable rates.

8.4.2 In August the governor of the Bank of England announced that the Bank would not consider raising interest rates until the unemployment rate fell below 7%. At that time it did not expect this to happen until 2016, however, many analysts believe that the Bank will have to act sooner than that - possibly in 2015 - given the increasing strength of the UK's economy.

## **8.5 Leaseholder Recovery**

8.5.1 Leaseholders represent 40% of the total HRA stock, and leaseholder numbers are increasing with each Right to Buy sale that takes place. Where capital works carried out on stock are of an external or communal nature, leaseholders are required to contribute to their share of the costs.

### **8.5.2 Proposed Capping of Leasehold Major Works - Consultation**

8.5.2.1 The government recently issued a consultation entitled '*Protecting Local Authority Leaseholders from Unreasonable Charges*', which proposes a cap of £15,000 for leaseholders in London, where the local authority has received assistance for works of repair, maintenance or improvement, provided by the Secretary of State or the Homes and Communities Agency.

8.5.2.2 The consultation states that the proposed cap is not intended to affect any funding already confirmed, but would affect any allocation made from the (future) 2013 Spending Round Decent Homes funding. Therefore, although there would be no impact on the Authority in relation to our current Decent Homes funding (ending in 2014/15), if the Authority were to bid for the next round of Decent Homes Funding, the effect of the £15,000 cap would need to be taken into consideration.

8.5.2.3 The Tower Hamlets HRA 30 Year Financial Model assumes full recovery of leaseholder major works over a period of seven years. However, this assumed profiling means that a high level of leaseholder major works "forward funding" is required, and it is therefore crucial that leasehold major works debt is pursued in a robust manner, as failure to do so will result in a budget pressure within the HRA.

## **9. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 9.1 The report recommends that Members adopt the level of rent necessary to follow current rent convergence guidelines – as was assumed by the Government in the HRA Self-Financing Final Determination. This rent increase will ensure that over the medium to long-term, the Authority is able to finance the capital programme.
- 9.2 Although the Council is able to determine its own level of rent, paras 4.5.3 & 4.5.4 of the report highlights the financial implications of departing from assumptions in the Self-Financing Draft Determination. The Authority is now responsible for the financing of all expenditure necessary to maintain and improve the housing stock, including completion of the Decent Homes programme, and as referred to in paragraph 4.5.3, each 1% less than guideline rent equates to an additional ongoing net loss of over £600,000 per annum; this would be a permanent reduction in income to the HRA's base budget.

## **10. LEGAL COMMENTS**

- 10.1 The report seeks agreement to rent increases in amounts specified in Recommendation 1. The Council has power under section 24 of the Housing Act 1985 to make reasonable charges for the tenancy or occupation of its houses. The Council is required to review from time to time the rents that it charges for the tenancy or occupation of its dwellings.
- 10.2 The Council may increase the rent for its tenants by giving four weeks' notice. The notice period appears from section 103(4) of the Housing Act 1985, but also from the terms of the Council's standard tenancy agreement.
- 10.3 The Council is subject to an obligation under Part VI of the Local Government and Housing Act 1989 to maintain a housing revenue account (HRA). The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. In this regard, the report correctly identifies the effect of Chapter 3 of Part 7 of the Localism Act 2011 regarding self-financing. When determining the rent it will charge, it is reasonable for the Council to have regard to the matters set out in the report, relevant to self-financing and other matters relevant to the likely income to the HRA.
- 10.4 Before setting rents as proposed in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those

who don't. Information relevant to these considerations is contained in the One Tower Hamlets section of the report and in Appendix 1.

## **11. ONE TOWER HAMLETS CONSIDERATIONS**

- 11.1 A detailed equality impact assessment is attached at Appendix 1. This identifies that the rent increase, which will apply equally to all tenants, will in practice have some differential impacts by reference to the protected characteristics under the Equality Act 2010. For example, a greater proportion of men occupy bedsits than women, when compared to the general population. Any such differential impact is considered to be a proportionate means of maintaining the Housing Revenue Account and continuing to provide housing services in a fair way, for reasons given in paragraphs 11.2 and 11.3 below and in the equality analysis in Appendix 1.
- 11.2 As set out in the report, the Council is subject to an obligation to determine proposals targeted at maintaining a positive balance in the Housing Revenue Account. The aim of this report is to agree a level of rents that strikes the balance between maximising resources available to the Council for social housing purposes, and avoiding undue additional hardship to vulnerable tenants. If rents are not increased then additional savings will have to be identified to ensure that Tower Hamlets has a sustainable, balanced HRA business. Those savings will impact upon services relating to both the management and maintenance of the housing stock, and are likely to impact upon specific services supporting vulnerable residents. It is considered that a rent increase of the size proposed in the report strikes the right balance and provides the best overall outcome for residents, allowing services to be maintained. For the same reason, the rent increase is considered preferable from an equalities perspective.
- 11.3 The Housing Benefits system is designed to ensure a proportionate level of protection for low-income residents. This is reimbursed by Central Government, but only up to "Limit Rent" levels, as outlined in paragraph 4.5.4.

## **12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 12.1 There are no specific implications arising directly from this report, however the Housing Revenue Account does finance initiatives to promote and maintain a greener environment. These are managed by Tower Hamlets Homes.

## **13. RISK MANAGEMENT IMPLICATIONS**

- 13.1 With the introduction of Self-Financing, Tower Hamlets is responsible for running its HRA as a viable business, using HRA income in order to fund all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, and the Decent Homes programme.

13.2 Various areas of risk and uncertainty are highlighted in section 8, in particular the reinvigorated Right to Buy regime and the forthcoming Welfare Reform changes. Over the next few months, it will be essential that the HRA medium-term financial strategy be kept under review, and updated to reflect changes in economic conditions and policy changes.

#### **14. CRIME AND DISORDER REDUCTION IMPLICATIONS**

14.1 There are no specific crime and disorder reduction implications arising directly from this report, however the Housing Revenue Account does finance various crime prevention and safety initiatives which are managed by Tower Hamlets Homes.

#### **15. EFFICIENCY STATEMENT**

15.1 Draft estimates for the 2014/15 HRA budget will incorporate savings, both those already agreed by Cabinet, and those necessary to ensure that the HRA remains in balance in 2014/15. The draft estimates will be presented to Cabinet in February.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

#### **Appendices**

- Equalities Impact Assessment

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

#### **Officer contact details for documents:**

- n/a

# Equality Analysis (EA)

## Section 1 – General Information

Name of the proposal including aims, objectives and purpose:

### 2014/15 Rent Review

An average weekly increase of £5.04 in Council rents is being proposed from 1st April 2014.

In the current economic environment any rent increase can be considered to have an adverse effect on social tenants, however, the proposed amount is in line with the government's policy that all social landlords (local authorities and housing associations) should offer similar rents for similar properties, whilst maintaining substantial discounts to market rents.

The proposed rent increase is at a level that will sustain the Council's obligations under the HRA (Housing Revenue Account) self-financing regulations and meets the requirements of current rent policy.

Under HRA Self-Financing, the Council is responsible for financing all council housing expenditure from its HRA income streams. The proposed rent increase is needed to fund the expenditure necessary to manage, maintain and improve the Council's housing stock, including the capital investment programme that will bring the Council's stock up to the Decent Homes standard and maintain that standard over a 30-year period.

Even with the proposed increase, the social rents charged by the Council for its housing stock will still be the lowest in Tower Hamlets.

The rent increase is required in order to adhere to the assumptions contained within the Self-Financing Final Determination, published in February 2012. This valued Tower Hamlets' HRA business over 30 years, and assumed that the Authority would continue with rent restructuring with the aim of achieving rent convergence in 2015/16. The government is currently consulting on changes to future social rent policy, and is proposing to end rent convergence a year early in 2014/15 and link future rent increases to CPI (consumer price index) rather than RPI (retail price index); any changes will take effect from April 2015.

We estimate that the proposal to end rent convergence a year early in 2014/15 will cause a shortfall in our rental income of approximately £18m (including inflation) over the 10 years of the policy, therefore it is important that we continue to follow current rent policy so as to maximise our rental income base prior to any changes to rent policy being introduced. As rent is the major component of HRA income, a lower increase would also be problematic as regards the self-financing settlement as this assumed rent income at the government set guideline level, and any shortfall is embedded in the calculation of the debt settlement. This would mean a higher level of debt to be financed with a lower level of rental income in future years.

This would also require an equivalent level of savings in order to ensure that the HRA remains in balance, as legally it must do. This could mean reductions to the provision of HRA services and/or to the capital investment programme. This could severely impact on our ability to achieve decent homes as well as services supporting vulnerable residents.

#### Notes:

Under **HRA Self Financing**, there has been a substantial change in the way in which Tower Hamlets' HRA is financed. The annual HRA subsidy system has been abolished, and the Council now retains all HRA income but is responsible for financing all HRA expenditure. Therefore, implementation of a



2014/15 rent increase consistent with that assumed in the Self-Financing Draft Determination is crucial in contributing to the long-term viability of the HRA.

**Rent Convergence** Under the original proposals announced in 2000, similar properties would be charged similar rents by 2012 (the date was subsequently moved to 2015), regardless of whether the property was owned by the local authority or a social housing provider; this is known as rent convergence. Under the HRA Subsidy system each year, the Department of Communities and Local Government issued a “guideline” rent level to which councils should move their present rents in order to help them reach rent convergence in 2015/16. The HRA Self-Financing Final Settlement assumed that Authorities would continue with rent restructuring, and then implement rent increases of RPI (retail price index) + 0.5% each year after that.

The formula for calculating rent increases in order to follow rent restructuring for local authorities is RPI + 0.5% plus £2 per week. The reference point for RPI is the September in the year preceding the start of the financial year to 31 March – for the 2014/15 rent increase, the applicable RPI figure is 3.2%.

The government is currently consulting on changes to future social rent policy, and is proposing to end rent convergence one year earlier than previously anticipated - in 2014/15 rather than in 2015/16 - and link future rent increases to CPI (consumer price index) rather than RPI.

**Who is expected to benefit from the proposal?**

The rent increase will directly benefit all tenants in properties to which the rent increase is applied. (i.e. council tenants), as all rental income is used to fund housing management services and the Housing Capital Programme. The Housing Capital Programme is the means by which the housing stock is bought up to, and maintained at a Decent Homes standard.

The rental income is “ring-fenced” to the Housing Revenue Account, ensuring that it is used for no other purpose.

Is this a policy or function? Policy  Function

Is this a new or existing policy or function? New  Existing

Is the policy or function strategic, developmental or operational/functional?

Strategic  Developmental  Operational/Functional

**Date when the original policy/function was initiated:** Council housing, for which tenants paid a lower market rent, was developed as early as 1919 when council homes were built to meet general needs.

**Date on which the policy/function is to be reviewed:** Rent levels are reviewed on an annual basis. The last rent review was approved by Cabinet in February 2013.

Names and roles of the people carrying out the Equality Analysis:

Dyana Browne – Directorate Equalities Lead  
 Katherine Ball – Senior Accountant  
 Aman Berhanu – Resources and Business Support Analyst, Tower Hamlets Homes  
 Beverley Greenidge – Head of Rents, Tower Hamlets Homes  
 James Caspell – Customer Insight Officer, Diversity, Tower Hamlets Homes

**Section 2 – Evidence****Key Findings**

From the perspective of the tenant, the rent increase will be viewed as having an adverse impact. The Equalities Assessment is undertaken from this perspective and has been assessed as not having a disproportion adverse effect on any specific group.

An average weekly rent increase of £5.04 in Council rents is being proposed from 1st April 2014.

Increases for 2014/15 have been calculated in accordance with the rent restructuring formula as per government guidelines aiming for target rent convergence by 2015/16. The formula rent is based on September 2013 RPI of 3.2% + 0.5%

This will make the average weekly rent in the borough £108.60.

The actual amount of increase as a proportion on current rent will vary across property sizes. Smaller properties tend to have a greater rent increase than larger units e.g. (studio and one bed units). (See Annex A: Table 10 – Average Increase per dwelling - by bedsize).

The rent increase is applied to all Council dwellings. The increase is applied to the property in that it has no bearing on the profile of the tenants, age, race gender etc. The rent increase does not target or disproportionately affect any group of people based any of the protected characteristics

Whilst the rent increase does not target any specific group, the increase will have more of an impact on households on lower incomes.

There are 12,455 LBTH dwellings, managed by Tower Hamlets Homes (ALMO). The profile of Council tenants is set out in Annex A: to this document.

In 2013 the median gross income of Tower Hamlets residents was £30,850. (Source: Median household income CACI Paycheck data).

Tenants on low income are able to obtain Housing Benefit to assist with rent payments. 70% of tenants are on Housing Benefit: 34% are on Full HB and 36% are on partial HB.

Recent welfare reforms mean that benefits will be capped. The benefit cap was implemented from April 2013 in four local authorities in London, with the remaining local authorities implemented the cap from the 15 July 2013.

Prior to its implementation, it was estimated that this would affect 106 (approximately 1%) of tenants. As at October 2013 the actual number of households affected was 52 (0.4% of Council tenants).

LBTH Housing Benefit records indicate that 700 households are affected across the borough by the benefits caps. Only a small percentage of those are LBTH tenants.

Tenants aged over 65 who are reliant on state benefit can expect a pension increase in April 2014 of approx. 2.7%.

**Evidence Base**

The following evidence was considered to help us to think about the impacts or likely impacts on service users.

**Tenant Profiles**

- Tenant profile by Ethnicity
- Tenant profile by Gender
- Tenant profile by Age
- Tenant profile by Disability
- Tenant profile by Religion & Belief
- Tenant profile by Sexual Orientation
- Tenant profile by Gender Re-assignment
- Tenant profile by Marriage/Civil Partnership
- Pregnancy & Maternity

**Rent Analysis**

- Average Increase per dwelling - by bedsize (14/15)
- Social Rent Cap Levels (Registered Social Landlords)
- Comparison of Average Rent & Social Rent Cap Levels 2013/14
- HB/ Welfare Reform figures as of 2013
- Rent Charge Comparison (2014-15)
- Average actual rent /average rent charge (14/15)

**Housing Benefit Analysis**

- Nos. & % Tenants claiming Housing Benefit
- Tenants on Full Housing Benefit
- Partial Housing Benefit.
- Tenant on HB aged 65+

**Property & Tenant Profile Analysis**

- Stock Profile by bedsize
- Gender & Property Bed Size
- Age & Property Bed Size

**Community and Population Data (Tower Hamlets, 2011 Census)**

- Population by ethnic group
- Population by Religion
- Gender Proportions

**Section 3 – Consideration of data and research  
Identifying Differential / Adverse Impacts**

<b>Target Groups</b>  What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	<b>Impact – Positive or Adverse</b>	<b>Reason(s)</b> <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making</li> <li>• Can the negative impact be justified on the grounds of promoting equality?</li> </ul>
Race	A	<p>The rent increase does not have a disproportionately adverse effect on tenants on the grounds of race.</p> <p>People of Asian Origin make up the largest percentage of tenants at 39%, people of white ethnicity making up the second largest group at 21% and White British &amp; Irish people make up 19.36% of tenants. This is reflective of the general make-up of the wider Tower Hamlets population, which comprises of Bangladeshi as the largest group at 32% and White British as the second largest ethnic group at 31%.</p> <p>Whilst all households are affected. Those in smaller properties 0-1 bed sized properties are likely to face a slightly larger increase. Families of Bangladeshi descent tend to occupy larger family sized accommodation where the percentage increase in likely to be lower than for studios &amp; one bedroom properties.</p>
Disability	A	<p>The rent increase does not have a disproportionately adverse effect tenants on the ground of disability.</p> <p>Records indicate that approximately 17.65% of residents have a disability. Whilst the rent is</p>

<b>Target Groups</b> What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	<b>Impact – Positive or Adverse</b>	<b>Reason(s)</b> <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making</li> <li>• Can the negative impact be justified on the grounds of promoting equality?</li> </ul>
		calculated on the property properties, no additional charges are levied to take account of and disabled adaptations. This is indicated by the fact that if an abled bodied person was to occupy the flat, the rent charge would be the same.
Gender Page 25	A	<p>The rent increase does not have a disproportionately adverse effect on tenants on the ground of gender.</p> <p>Females make up 54.9% of tenancy holders. Gender is not a consideration in the way the rent increase is applied. Whilst women comprise the greater proportion of those impacted by the rent increase this is because women make up more than half of the tenancy holders,</p> <p>It is noted that the rent increase is proportionately larger for occupants of bedsit and one bedroom properties. These tend to be occupied by young males. The proportion of male:females occupying bedsits is 69.96% male: 30.04% female</p> <p>It is noted that the male:female ratio of tenancy holders is the reverse of the wider population, in that the population of Tower Hamlets is 51.5 % men and 48.5 % women - a gender ratio of 106 male residents per 100 female residents. (Census 2011).</p>
Gender Reassignment	A	<p>The rent increase does not have a disproportionately adverse effect on tenants based on gender re-assignment.</p> <p>The collection of data is continually improving in this area, however a large percentage of tenants</p>

<b>Target Groups</b>  What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	<b>Impact – Positive or Adverse</b>	<b>Reason(s)</b> <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making</li> <li>• Can the negative impact be justified on the grounds of promoting equality?</li> </ul>
Page 26		still prefer not to provide this information. Of the data collected 0.9% have declared a re-assignment of gender.  On the basis that the increased rent charge applied to the property, not the occupant, i.e. it applies to the tenant regardless of gender; the increase is not considered to have a disproportionately disadvantage effect on the ground of gender re-assignment.
Sexual Orientation	A	The rent increase does not have a disproportionately adverse effect on tenants of a specific sexual orientation.  52.61% of tenants indicate a sexual orientation of heterosexual; with a large percentage (29.24%) preferring not to say, however, sexual orientation has bearing of the application of the rent increase.
Religion or Belief	A	The rent increase does not have a disproportionately adverse effect on tenants based on their Religion or Belief.  The 2011 Census revealed that 35% of LBTH citizens are of the Muslim faith, with the second largest faith in LBTH as Christian (27%). The tenant profile information confirms this trend is similar although the percentages differ, with 46.90% of tenants of a Muslim faith and 15.17% of Christian faith. The faith of approx. 37% of tenants is unknown as a number chose not to disclose this information.
Age	A	The rent increase does not disproportionately disadvantage tenants based on their age.

<b>Target Groups</b>  What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	<b>Impact – Positive or Adverse</b>	<b>Reason(s)</b> <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making</li> <li>• Can the negative impact be justified on the grounds of promoting equality?</li> </ul>
Page 27		<p>The profile of our tenants shows that the largest proportions of tenants are in the following age bands: over 65 = 22.55%, between 30-39 = 22.51% , between 40-49 = 21.13%.</p> <p>Older people who rely on state pensions are not expected to be more disadvantaged than those in work or on other benefits as it is estimated that (under the terms of the Triple Guarantee) the basic state pension is likely to increase by 2.7% . This compares favourable when considered alongside the ONS data (December 2013) that reported “The median weekly income for full-time employee shows ..... a rise of 2.2%”.</p>
Socio-economic	A	<p>Social Housing is generally the preferred option for people on lower incomes. This is reflected in the fact that approx. 70% of tenants are in receipt of some Housing Benefit.</p> <p>The Benefits Cap is now being applied and those tenants who will be affected have already been identified and are being supported to explore a suitable options.</p> <p>Research shows that Somali tenants in receipt of housing benefit are 10 times more likely to be impacted by the Housing Benefit cap than other groups. Work to support this group is already underway.</p> <p>Since 2010 rent arrears by this group has fallen by 6% demonstrating that the support to assist this group in meeting their rent payment is effective. This work will continue alongside other mainstream support.</p>

<b>Target Groups</b> What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	<b>Impact – Positive or Adverse</b>	<b>Reason(s)</b> <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making</li> <li>• Can the negative impact be justified on the grounds of promoting equality?</li> </ul>
Marriage and Civil Partnerships.	A	The rent increase does not have a disproportionately adverse effect on those tenants in a marriage or civil partnership.
Pregnancy and Maternity	A	The rent increase does not have a disproportionately adverse on tenants with regards to pregnancy or maternity status.  The application of the rent increase cannot be affected by the tenant's situation regarding pregnancy or maternity responsibilities.



**Section 4 – Conclusions and Recommendations**

From the analysis and interpretation of evidence in Section 2 and 3 – Is there any evidence of or view that suggests that different equality or other target groups have a disproportionately high/low take up of the service/function?

Yes?  No?

Section 5 – Action Plan and Monitoring Systems

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Inform all tenants of Rent increase in February.	Mandatory notice February		THH Rent Teams	
Inform tenants in March what they need to pay taking into account their new housing benefit entitlement from April	Work with Housing Benefit to identify new awards. Have all letters checked and ready to be posted prior to the increase to ensure tenants know what to pay from April.		THH Rent Teams	
Provide tenants with explanation of the rent increase with the offer of support.	Design and prepare insert to be sent out with the mandatory notice in February and with the notice in March. Leaflet to offer support where tenants feel they will struggle with the increase.		THH Rent Teams	
Provide adequate staffing levels when notices are sent out in order to deal increased contact generated.	Create customized rota and reduce annual leave for the selected period to ensure adequate staffing levels.		THH Rent Teams	
Inform front line staff from other departments of the increases in order to manage enquiries.	Provide front line Staff with FAQ's in order to respond to queries and sign post tenants to the relevant department.		THH Rent Teams	

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Identify new impacted cases early as possible to provide advice to tenants on benefits on potential on entitlements	Work with Housing Benefit to identify cases as and when they are impacted and not when they fall into arrears. Hold 'Welfare Reform surgeries' 3 times a week. Book appointments with tenants		THH Rent Teams	
Revisit and monitor all cases affected by BC and BT, provide help, support and advice	<ul style="list-style-type: none"> <li>- Assess if any exemption apply.</li> <li>- Help tenants register to downsize.</li> <li>- Help tenants to apply for DHP where. Applicable.</li> <li>- Make referrals to partner advice agencies for budgeting, income maximisation and debt advice.</li> </ul>		THH Rent Teams	

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Have monitoring systems been put in place to check the implementation of the policy/function and recommendations?

Yes?  No?

How will the monitoring systems further assess the impact on the equality target groups?

The above activities will be reviewed alongside measures that are in place to monitor the effectiveness of the rents pilot and impact on target groups.

<b>Name:</b> (signed off by)	
<b>Position:</b>	
<b>Date signed off:</b> (approved)	

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**Section 7 Appendix – FOR OFFICE USE ONLY**

**Policy Hyperlink :**

<b>Equality Strand</b>	<b>Evidence</b>
<b>Race</b>	
<b>Disability</b>	
<b>Gender</b>	
<b>Sexual Orientation</b>	
<b>Religion and Belief</b>	
<b>Age</b>	
<b>Socio-Economic</b>	
<b>Other</b>	

<b>Link to original EQIA</b>	<b>Link to original EQIA</b>
<b>EQIAID</b> (Team/Service/Year)	

## Annex A - Tenant Profile by Protected Characteristics

**Table 1 - Tenant profile by Ethnicity**

<b>Ethnicity</b>	<b>% of Tenants</b>
Any Other Ethnic Group	0.56%
Asian Or Asian British:Bangladeshi	42.96%
Asian Or Asian British:Chinese	0.61%
Asian Or Asian British:Indian	0.63%
Asian Or Asian British:Other Asian	1.25%
Asian Or Asian British:Pakistani	0.45%
Asian Or Asian British:Unknown	2.70%
Asian Or Asian British:Vietnamese	0.66%
Black Or Black British:African	2.07%
Black Or Black British:Caribbean	2.64%
Black Or Black British:Other African	0.45%
Black Or Black British:Other Black	1.28%
Black Or Black British:Somali	2.84%
Black Or Black British:Unknown	0.17%
Dual:Asian & White	0.13%
Dual:Asian and Black	0.00%
Dual:Black African & White	0.50%
Dual:Black Caribbean & White	0.24%
Dual:Other	0.28%
Dual:Unknown	0.04%
Prefer Not to Say	8.58%
Unknown	1.05%
White: Any Other White Background	4.24%
White:British	20.86%
White:Irish	1.50%
White:Other White	0.17%
White:Unknown	3.14%
<b>Total</b>	<b>100.00%</b>

**Table 2 - Tenant profile by Gender**

<b>Gender</b>	<b>% of Residents</b>	<b>% of Tenants</b>
Female	49.92%	54.90%
Male	49.05%	44.96%
Unknown	1.02%	0.13%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Table 3 - Tenant profile by Age**

<b>Age Group</b>	<b>% of Tenants</b>
Under 16	0.30%
16-19	0.16%
20 -29	9.08%
30-39	22.51%
40-49	21.13%
50-59	16.76%
60-69	11.60%
70+	17.28%
Prefer Not to Say	0.69%
Unknown	0.49%
<b>Total</b>	<b>100.00%</b>
<b>*Over 65</b>	<b>22.55%</b>

**Table 4 - Tenant profile by Disability**

<b>Disability</b>	<b>% of Residents</b>	<b>% of Tenants</b>
No Disability	79.74%	77.46%
Unknown	8.62%	4.89%
Disabled	11.64%	17.65%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Table 5 - Tenant profile by Religion &amp; Belief

Religion & Belief	% of Residents	% of Tenants
Buddhist	0.26%	0.35%
Christian	12.75%	15.17%
Hindu	0.34%	0.16%
Jewish	0.53%	0.48%
Muslim	41.55%	46.49%
No Religion	6.50%	5.89%
Other	0.30%	0.30%
Prefer Not to Say	24.47%	18.75%
Sikh	0.12%	0.13%
Unknown	13.17%	12.28%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Table 6 - Tenant profile by Sexual Orientation

Sexual Orientation	% of Tenants
Bisexual	0.31%
Gay	0.32%
Heterosexual	52.61%
Lesbian	0.07%
Other	0.03%
Prefer Not to Say	29.24%
Unknown	17.43%
<b>Total</b>	<b>100.00%</b>

Table 7 - Tenant profile by Gender Re-assignment

Gender Reassignment	% of Tenants
Gender Reassigned	0.09%
Prefer Not to Say	12.56%
Unknown	69.17%
Gender Identity Same as that at Birth	18.19%
<b>Total</b>	<b>100.00%</b>

Table 8 - Tenant profile by Marriage /Civil Partnership

Marriage & Civil Partnership	% of Tenants
Co-Habiting	0.08%
Divorced	0.13%
Married	21.93%
Prefer Not to Say	0.15%
Same-Sex Registered Civil Partnership	0.01%
Separated Marriage/Civil Partnership	0.27%
Single	1.44%
Unknown	75.74%
Widowed	0.24%
<b>Total</b>	<b>100.00%</b>

Table 9 – Maternity &amp; Pregnancy

Pregnancy & Maternity	% of Tenants
Baby Expected	0.21%
Unknown	99.79%
<b>Total</b>	<b>100.00%</b>



## Annex B – Rent Analysis

Table 10 - Average Increase per dwelling - by bedroom size 2014/15

Bedsize	Average of Actual Rent 13/14	Average of RENT CHARGE 14/15	Average of % Increase 14/15	Average of £ Increase 14/15
0	£79.11	£83.36	5.37%	£4.25
1	£92.08	£96.76	5.08%	£4.68
2	£104.37	£109.36	4.78%	£4.99
3	£117.23	£122.79	4.75%	£5.56
4	£131.63	£137.77	4.66%	£6.13
5	£146.03	£152.90	4.70%	£6.87
6	£149.49	£156.48	4.68%	£6.99
7	£156.15	£162.83	4.27%	£6.68
8	£184.44	£189.13	2.54%	£4.69

Table 11 - Social Rent Cap Levels (Registered Social Landlords)

Bedsize	Rent Cap in 2013-14	Rent Cap in 2012-13	Rent Cap in 2011-12	Rent Cap in 2009-10	Rent Cap in 2009-10
	£	£	£	£	£
Bedsit & One Bed	132.16	127.57	119.67	113.32	113.78
2 Bed	139.92	135.06	126.70	119.98	120.46
3 Bed	147.70	142.57	133.74	126.65	127.16
4 Bed	155.47	150.07	140.78	133.31	133.85
5 Bed	163.24	157.57	147.81	139.97	140.53
6 Bed and above	171.01	165.07	154.85	146.64	147.23

Source: HCA Guideline rent limit for private registered providers 2013-14 (Dec 12)

Table 12 - Comparison of Average Rent &amp; Social Rent Cap Levels 2013/14

Bedsize	LBTH Average of Actual Rent 2013/14	Rent Cap in Levels 2013-14
	£	£
0	79.11	132.16
1	92.08	
2	104.37	139.92
3	117.23	147.70
4	131.63	155.47
5	146.03	163.24
6	149.49	171.01
7	156.15	
8	184.44	

Table 13 - HB/ Welfare Reform figures as of 2013

HB/ Welfare Reform figures as of 2013		
Total Number of Tenants		12,035
	No.	%
Tenants on HB	8,450	70%
Tenants on Full HB	4,131	34%
Partial HB	4,319	36%
Tenant on HB aged 65+	2,317	19%
Benefit Cap (as of October 2013)	52	0.4%



**Table 17 - Stock Profile by Bedsize**

Bed Size	Social Housing	Council
Beds 0	820	6.6%
Beds 1	3,390	27.1%
Beds 2	5,006	40.1%
Beds 3	2,682	21.5%
Beds 4	503	4.0%
Beds 5	78	0.6%
Beds 6	9	0.1%
Beds 7	4	0.0%
Beds 8	2	0.0%
<b>Total</b>	<b>12,494</b>	<b>100%</b>

## Annex D - Community & Population Data

Figure 2 Population by ethnic group, Tower Hamlets, 2011 Census

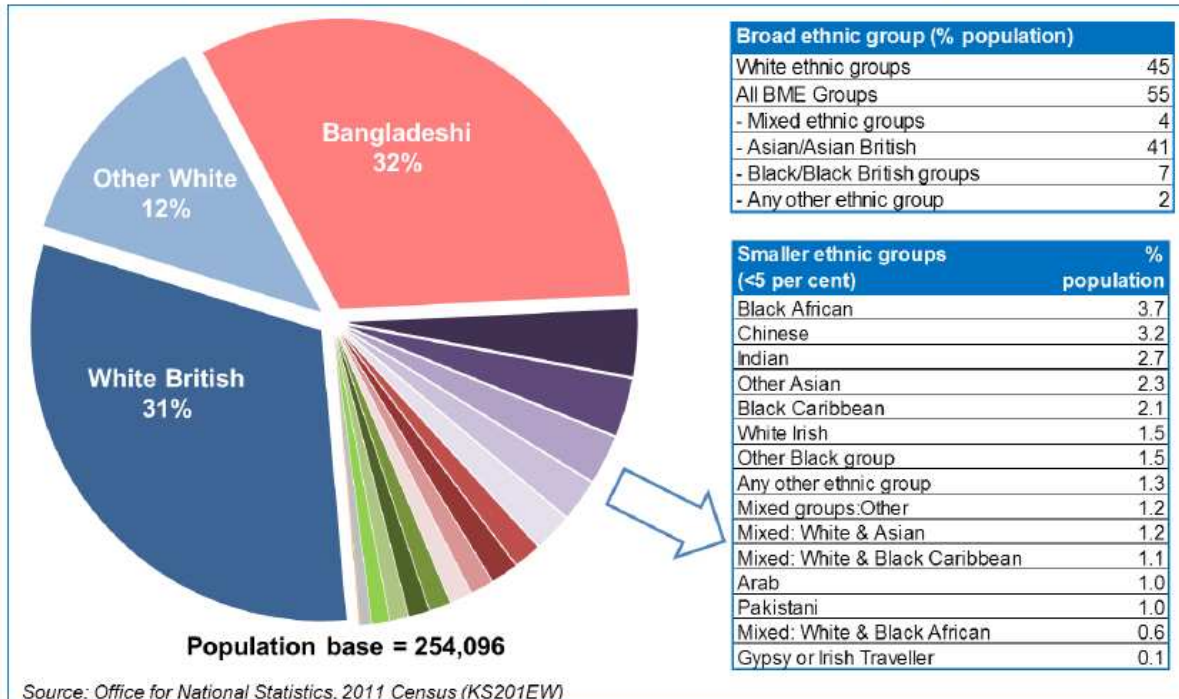


Figure 1 Population by religion, Tower Hamlets, 2011

What is your religion?

This question is voluntary

No religion

Christian (including Church of England, Catholic, Protestant and all other Christian denominations)

Buddhist

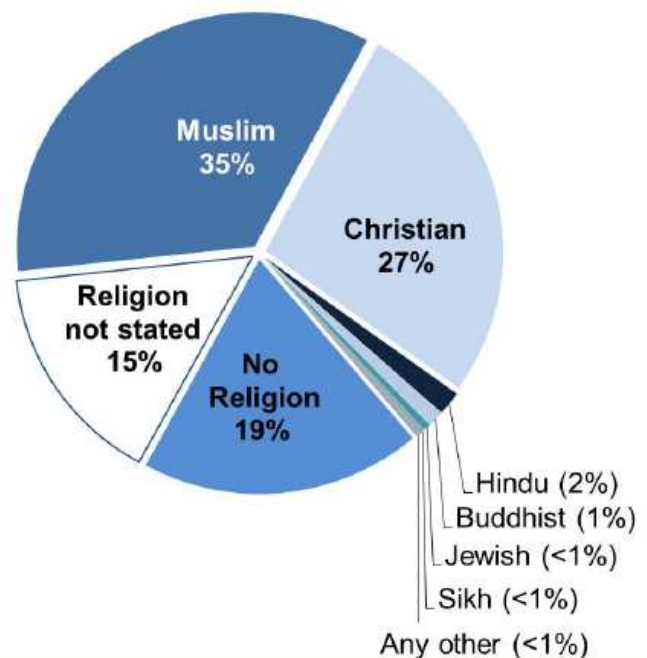
Hindu

Jewish

Muslim

Sikh

Any other religion, write in



Source: Office for National Statistics, Census 2011 (KS209).

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<b>Cabinet</b> 8 January 2014	
<b>Report of:</b> Aman Dalvi, Corporate Director Development and Renewal	<b>Classification:</b> Unrestricted
<b>Tower Hamlets Voluntary &amp; Community Sector Strategy</b>	

<b>Lead Member</b>	Cllr Alibor Choudhury
<b>Originating Officer(s)</b>	Dave Clark
<b>Wards affected</b>	All wards
<b>Community Plan Theme</b>	A Prosperous Community/ A Safe and Cohesive Community/A Healthy and Supportive Community
<b>Key Decision?</b>	Yes

## Executive Summary

1. This report is to inform Cabinet of the work on the refresh of the Tower Hamlets Voluntary & Community Sector Strategy (VCS) (formally the Third Sector Strategy), which ran from 2009-2011. The new document takes into account the change in language at a national level – and adopts the preferred local term – the Voluntary and Community Sector.
2. It is also proposed the refreshed strategy is adopted as a Tower Hamlets Partnership Strategy as opposed to being a Council initiative with partnership ambitions.

## Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the aim and objectives of the Strategy
2. Note the detail of the Strategy including the process of developing annual action plans in order to deliver and achieve agreed vision and objectives
3. Agree the Strategy on behalf of the Council, noting that it has been developed and is to be delivered as a Partnership initiative

## **1. REASONS FOR THE DECISIONS**

- 1.1 To enable the strategy to be formally used as the Council's guide to working with the local Voluntary and Community Sector as one of the key approaches to improving the life of local people.
- 1.2 To approve the adoption of the strategy as a Tower Hamlets Partnership initiative.
- 1.3 To enable the strategy to be presented to the Tower Hamlets Partnership with the endorsement of the Council.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The Strategy could be approved as a Council Strategy but with an aspiration to deliver activities in partnership with local Voluntary and Community Sector Organisations and other statutory partners.

## **3. DETAILS OF REPORT**

### **Background**

- 3.1 The previous strategy was a Council owned and authored document. A main driver for this was NI7, which focused attention on helping the Voluntary and Community Sector to thrive, rather than on successfully delivering its outcomes. It was also written at a time when the sector in the borough was without a Council for Voluntary Services ("CVS") and was experiencing considerable turbulence.
- 3.2 The new strategy has different drivers. This includes building on the progress made under the previous strategy, the benefits of an established CVS and significant overall improvements in local partnership structures.
- 3.3 The combined effect of these changes is that the sector has become more organised and more cohesive. In many ways, it can be a more effective partner for the public sector. Meanwhile, the ongoing poor economic situation, significant Government policy changes, and developments within Tower Hamlets mean that both the Council and the Voluntary and Community Sector (VCS) need to reconsider the context in which they operate and how they can collaborate effectively.
- 3.4 A decision was made at the outset to write the new strategy in a way that invited the VCS into a conversation about the sector's role in the borough, as an equal partner. This fitted well with the status of the document as a 'consultation draft' which has now undergone revision in the light of suggested changes, many of which have come from VCS organisations. It also recognises the different experiences and expertise that the VCS bring to Tower Hamlets.



- 3.5 It is also worth noting, that at the commencement of the ‘refresh process’, it was not clear whether the document should be written as a Council Strategy: using the language of partnership, or whether it should be formally adopted as a strategy by the Tower Hamlets Partnership.
- 3.6 In practice, the Council has multiple roles in its relationship with the sector. Whilst the Council can influence the VCS, it does not control it. The Strategy shows that there is considerable vibrancy in the sector and it raises significant funds externally. It is an independent partner, which is a valuable partner to the Council and other statutory agencies. In this context it must be recognised that the VCS also has multiple roles including service design, service delivery, voice and representation, campaigning, and working with people to enable them to effect change.
- 3.7 In developing the ‘refreshed strategy’ there has been a deliberate focus to ensure the involvement of a broad spectrum of both voluntary and community sector partners. Activities completed in support the refresh of the Strategy include:
- § Extensive discussions with VCS forums/representatives
  - § Consultation with key officers/stakeholders within the VCS
  - § Presentation to members of O&S Committee
  - § One-to-one meetings with Directors
  - § Presentations to DMT’s
  - § Presentations and discussions with colleagues from LBTH directorates
  - § Public Health Team, Clinical Commissioning Group, TH Homes
  - § Consultations with key officers within the Council including SPP Officers and LBTH Grant Officers

### **The Strategy**

- 3.8 The refreshed VCS strategy is attached as Appendix 1. The following information provides a useful overview.

### **Ownership**

- 3.9 It is proposed that the Strategy becomes a Partnership document, as the activity of – and support to – the local voluntary and community sector is cross cutting. The VCS is involved in all of the themes of work identified under the Community Plan.
- 3.10 Not developing this within the context of the Tower Hamlets Partnership is likely to lead to duplication and possible confusion, which will be to the detriment of the Council and partners, including the VCS, particularly when resources are constrained. The Council could also stand to benefit from good practice from partners, target resources more effectively and better meet resident need if there is consensus about the strategy for the VCS in the borough.

### **Overarching Aim**

- 3.11 The aim of this strategy is to “to improve the quality of life of local people by supporting the development of a healthy Voluntary and Community Sector”.
- 3.12 This builds on the aim of the 2009-2011 Third Sector Strategy that was to create the environment for a thriving VCS in Tower Hamlets. The new Strategy focuses on the key strengths of the VCS: the benefits it brings to local people. It recognises the depth, breadth and importance of the role played by the Voluntary and Community Sector in providing services and activities, supporting cohesion, representing particular people-groups, challenging the status quo, engaging, and empowering local communities.
- 3.13 This Strategy intentionally focuses on the contribution of local organisations – and the impact they have on local people.

### **Strategic Objectives**

- 3.14 Four strategic objectives in support of the aim of the strategy - to improve the quality of life of local people by supporting the development of a healthy Voluntary and Community Sector - have been agreed; these are to:
- i. Ensure that the sector can shape strategy - recognising the importance of voice and representation, co-production and commissioning,
  - ii. Ensure that the sector is resilient and financially sustainable and encourage entrepreneurial approaches, including by exploring social finance, shared savings and consortium working, as well as trying to level the playing field and include smaller organisations.
  - iii. Strengthen social capital by increasing the quantity and quality of participation in the VCS – volunteering, cross sector partnership and local leadership.
  - iv. Enhance communication, information sharing and joint accountability: including developing the structures that will support this and improving measurement, monitoring and evaluation processes.

### **Scope**

- 3.15 The Strategy will be supported by an annual action plan. Proposals for year 1 (2012/13) are well progressed. Medium and longer-term proposals to address areas of weakness and deliver the agreed vision are constantly evolving through joint work with the sector and other partners.

## **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 This report asks Cabinet to consider the draft refresh of the Third Sector Strategy. At this stage the intention is to progress the draft to the next stage of consultation with organisations which comprise the sector and the Tower

Hamlets Partnership. The costs of this are not significant and can be contained within the existing budget for the Third Sector Team. Going forward actions arising from the revised strategy will need to be evaluated and considered within the parameters of the Council's Medium Term Financial Strategy.

## **5. LEGAL COMMENTS**

- 5.1 The Tower Hamlets Community Plan sets out the vision and priorities for the borough which have been set by the Council and its partners. From the Council's perspective, the Community Plan includes its sustainable community strategy for the purposes of section 4 of the Local Government Act 2000. The Community Plan makes clear that individuals and organisations from the third sector are delivery partners in relation to a number of key objectives. This is particularly the case in respect of achieving A Prosperous Community, in respect of which the third sector strategy is recognised as part of the delivery framework that informs partnership working.
- 5.2 Having regard to the Community Plan, it seems that further developing the VCS strategy may be supportable as being necessary to deliver a variety of Council functions. Section 111 of the Local Government Act 1972 permits the Council to do things (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) calculated to facilitate, or conducive or incidental to, the discharge of any of its functions. The Council also has power under section 1 of the Localism Act 2011 to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes. It may be considered that development of a strategy to support the VCS is something an individual may do and thus also something that the Council may do.
- 5.3 The VCS strategy refers to the Council's commitment to use of local service providers wherever possible. That commitment is subject to the Council's obligations to consult and consider improvement to economic, social and environmental well-being which arise under the Public Services (Social Value) Act 2012 and to the obligations of fairness and transparency under the Public Contracts Regulations 2006. The Council must also comply with its obligation as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".
- 5.4 When considering the VCS strategy the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Some form of equality analysis will be required and officers will have to decide how extensive this should be.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1. The contribution of organisations to delivering One Tower Hamlets is explicitly recognised in the Voluntary and Sector Strategy.
- 6.2. The organisations which are key partners in the Strategy as well as the wider VCS play a key role in delivering services that address inequality, improve cohesion and increase community leadership: the deliveries of these services are real examples of 'One Tower Hamlets' in practice.
- 6.3. An Equalities Impact Assessment has been undertaken and is attached as Appendix 2.

## **7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 7.1 The aims and priorities outlined with the Voluntary and Community Sector Strategy support the spirit of SAGE. The Council, its key partners are supporters of proposals that will meet these priorities and assist in the implementation of the strategic aims of SAGE.

## **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1. A number of different risks arise from the various elements delivering a broad strategy involving a range of external partner organisations. This has been recognised within the VCS Strategy and appropriate mitigating action has been built into implementation plans.

## **9. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 9.1 The services that will be provided through the implementation of the Voluntary and Community Sector Strategy cover a broad spectrum of activities, some of which are key drivers in contributing to the reduction in crime and disorder and in particular, improving community cohesion.

## **10. EFFICIENCY STATEMENT**

- 10.1 Implementation of the VCS Strategy will help to provide greater transparency and clarity in the achievement of targeted outcomes throughout the Sector with regard to the council's grant funding programmes.
- 10.2 Priorities which are clearly linked to delivering outcomes as set out in the Strategic Plan and Community Plan will deliver improved benefits for local people within finite resources, through for example:
  - Giving priority to organisations and schemes, that promote social inclusion by reducing social exclusion

- Supporting service providers who deliver cost effective services that benefit the local community and meet the needs of the area.

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## Linked Reports, Appendices and Background Documents

### Linked Report

- NONE

### Appendices

- Appendix 1 Tower Hamlets VCS Strategy
- Appendix 2 Equalities Impact Assessment

### Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

### Officer contact details for documents:

- 

### Originating Officers and Contact Details

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# VCS Strategy: Foreword and Introduction

## Foreword

### **By Lutfur Rahman, Executive Mayor of Tower Hamlets and Chair of Tower Hamlets Partnership**

As Mayor of Tower Hamlets and Chair of the Tower Hamlets Partnership, I am pleased to present this Voluntary and Community Sector Strategy.

The Voluntary and Community Sector (VCS) is central to delivering the Partnership's vision to improve the lives of all those living and working in Tower Hamlets. The sector does this by delivering excellent services and supporting the aim of One Tower Hamlets: reducing inequality, supporting cohesion and providing strong community leadership.

The Council previously had its own Third Sector Strategy, which focused on creating the conditions for a thriving voluntary and community sector. Much has changed since 2009 including the election of a coalition government with a new set of national priorities and a focus on reducing the national deficit. These are difficult times for many local residents and the organisations that they rely upon including, of course, those in the voluntary and community sector.

I therefore welcome this new strategy which has been developed by the Tower Hamlets Partnership with the VCS. The voluntary and community sector has a rich history locally and plays a significant role in shaping the borough. Local VCS organisations continue to make a valuable and unique contribution. This includes through service provision, by engaging and empowering local people and offering a voice for communities and campaigning on their behalf. The voluntary and community sector helps strengthen the social fabric of the borough.

This strategy helps to bring focus to how the Partnership will work with the voluntary and community sector to improve the lives of all those living and working in Tower Hamlets. I look forward to working hard – alongside others – to help deliver it.

MAYOR OF  
**TOWER HAMLETS**  
*Lutfur Rahman*



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## VCS Strategy: *Foreword and Introduction*

### **Introduction**

The voluntary and community sector has a key role in the Partnership's vision to improve the lives of all those living and working in Tower Hamlets. It does this both by delivering services and supporting communities to help make Tower Hamlets:

- A Great Place to Live
- A Prosperous Community
- A Safe and Cohesive Community
- A Healthy and Supportive Community

The VCS has a central role in the delivery of One Tower Hamlets – reducing inequality, supporting cohesion and providing strong community leadership.

VCS organisations can often better understand local issues and experiences than large public sector providers and so have a vital role in targeting and shaping local services. Tower Hamlets is fortunate to have such a dynamic, vibrant and diverse voluntary and community sector. Local VCS organisations are often well placed to fully understand and engage with our diverse communities and ensure that delivery is both locally rooted and focused. In addition, the power of the voluntary sector to support and mobilise local communities is significant, particularly at a time when central government funding is reducing significantly the funding available to local services.

The sector is diverse with different types of organisations, approaches and emphases. The strategy recognises this diversity whilst also acknowledging that many of the challenges facing the sector – such as financial sustainability, demonstrating impact, shaping policy and further building social capital – are common to many within it.

The next section details the overarching aims and objectives of the strategy. This is followed by short contextual overview and then further detail about the issues facing the sector and the proposed response. The final section outlines how the strategy will be delivered, including action planning and governance.

### Aims and Objectives

The **aim** of the strategy is to:

Support the sector's role in achieving One Tower Hamlets and providing excellent services which will improve the quality of life of local people.

Sitting underneath this aim are **five strategic objectives**:

1. VCS shaping strategy and services
2. Building strong community leadership and social capital
3. VCS resilience and financial sustainability
4. Strategic commissioning and co-production
5. Monitoring, evaluating and demonstrating impact

This aim and objectives are explored further below. They are based upon, and have been refined through, the draft strategy and consultation process that took place in 2012/13. An annual action plan will set out the key activities undertaken by the Council, voluntary and community sector and other organisations in the Tower Hamlets Partnership (THP) to deliver the strategy's objectives.

### **National and Local Context**

The VCS has a long and established history in the borough. For centuries the sector has played a significant role in providing services for residents in the east end of London, with many voluntary and community organisations in Tower Hamlets nationally recognised as leaders in their fields. As the sector has developed, its role has also changed over time. It has transformed from Victorian philanthropy to a key player in multi-agency service delivery models, with both a collaborative and challenging role in relation to the public and private sectors.

The Tower Hamlets VCS is diverse, consisting of a range of organisations such as: charities, community organisations, social enterprises and cooperatives; all at varying sizes and scope. A recent survey of the local VCS in the borough showed that the average organisation, based on 97 respondents, employs 13 members of staff, indicating that the sector is a significant local employer. Different estimates suggest that there are well in excess of 1,100 registered organisations within Tower Hamlets' VCS. However, as many voluntary organisations operate informally and are not registered, it is difficult to accurately determine the full scale and breadth of the sector.

The diversity of the local VCS is also evident in the wide range of activities it undertakes: from leisure to health and wellbeing; education and lifelong learning to economic wellbeing. In addition to the measurable impacts of the sector, such as through its services, the VCS also generates 'social capital'. These are the local benefits from the co-operation between individuals and groups that the VCS support. This includes, for example, the local value provided by the wide range of volunteering opportunities supported by the sector and the neighbourliness and community organising it facilitates.

As in previous decades, the sector faces a number of challenges and opportunities that will shape its capacity, roles and structures going forward. The reductions to some public and private funding streams present a particularly acute challenge for the VCS. This new era of austerity, coupled with the increasing needs of a fast growing population, means that both the public and voluntary sectors are going to have to continually find innovative ways of doing more with less and remain financially resilient. This includes creating new partnerships, making best use of existing resources and exploring the potential of new forms of income and finance.

There are also important national policy initiatives impacting on the sector. The Coalition Government's Big Society agenda and Public Services (Social Value) Act for example, could help strengthen the sector with any additional opportunities they may introduce. This is particularly so in relation to procurement and service delivery. Nevertheless, limited funding and a move towards large 'super-contracts' by Government, such as the Department for Work and Pensions' Work Programme, can make it difficult for the sector to compete fairly.

The Tower Hamlets Partnership will continue to develop arrangements to enable the sector to be an active player in strategic and local governance structures. The voluntary and community sector, with its expertise in accessing communities, involving citizens and supporting local structures of delivery, will be central to identifying, developing and delivering local priorities in difficult times.

### Objective 1:

#### VCS Shaping Strategy and Services

Central to the value of the locally strong voluntary and community sector is its ability to understand need, engage local people, offer them a voice and campaign on their behalf. This is particularly important given the diversity of Tower Hamlets and the Partnership priority of supporting equality. It is vital that the Partnership - and organisations within it – involve and support the VCS to shape local policy and practice. Whilst later sections highlight the role of the VCS in service delivery, there is an important role for the VCS in shaping Partnership services and priorities, regardless of who delivers them.

The VCS's voice and representation role supports a thorough understanding of local need, which is a requirement of evidence-based commissioning. The VCS can engage and enable citizens in different ways to the public sector. Clearly, a strong and independent VCS is an important element. In addition, local governance structures need to be open and support meaningful engagement with the VCS sector. Work is underway in this respect, including in relation to agreeing a framework for VCS representation on Partnership groups.

Co-design and co-production are likely to feature more prominently in Council and Partnership approaches, including through commissioning processes. The VCS has a strong history in harnessing the capacity of communities, building on residents' capabilities and peer support and so is well placed to support such approaches. Underpinning effective co-design and co-production is VCS involvement in influencing local strategy and provision.

Areas of focus within this objective are:

- Supporting arrangements to allow the VCS to shape Partnership policy and practice
- Assisting the development of an effective THCVS

#### *Supporting arrangements to allow the VCS to shape Partnership policy and practice*

Governance structures, including forums and boards, are an important means by which organisations can interact within and across sectors and support accountability. There has been some progress in improving the accessibility of Council and Partnership governance arrangements to the VCS, including the establishment of the Tower Hamlets Third Sector Programme Board, with sector representation via THCVS.

There is also a need to strengthen the role and remit of the Third Sector Advisory Board. This might include providing a forum for dealing with some of the emerging issues facing many organisations within the sector and identified within this strategy, such as assets and social finance.

The Tower Hamlets Partnership has recently made changes to its governance arrangements at both a strategic and local level. There is value in looking at the existing structures to ensure full involvement of the sector. There is also a need to look beyond structures; for example, many small organisations may not have the capacity to get involved in formal governance arrangements. A Partnership-wide Voice and Representation Steering Group is beginning to consider this and related issues more broadly, including an agreed approach to VCS representation on Partnership Groups.

#### *Assisting development of an effective THCVS*

The Partnership is committed to supporting THCVS as the borough-wide representative body of the VCS in Tower Hamlets. Its role includes:

## VCS Strategy: *Objectives*

- Fostering development of strategic relationships and leadership for the sector
- Connecting the sector – offering the benefits of networks and collaboration
- Leading and facilitating representation of Tower Hamlets' based VCS organisations, including influencing policy and strategy at a borough level
- Developing organisations, including around their sustainability and access to resources, for instance by supporting them to bid for funding
- Supporting the VCS, including by facilitating the sharing of knowledge and good practice

The Council has committed funding to THCVS over the next two years and is working with it to support the sector. The Council will work with its partners to continue supporting THCVS as it strives to ensure its sustainability.

### Objective 2:

#### **Building strong community leadership and social capital**

Strong community leadership is an essential part of the Partnership's One Tower Hamlets vision. Many VCS organisations, and individuals within them, provide strong leadership to local communities. However, leadership capacity within the sector is needed for this to be sustained. A key question for the sector - and broader Partnership - is how leaders can best be developed, supported and encouraged.

Volunteering can support social capital and there is evidence of a rise in interest in volunteering locally. It is important that the skills and energy of residents are harnessed inclusively and that effective brokerage and support arrangements are in place.

Areas of focus within this objective are:

- Supporting volunteering
- Building leadership capacity in the VCS

#### *Supporting volunteering*

Enhancing brokerage services will support more residents to take up high-quality volunteering opportunities. The number of prospective volunteers is increasing and infrastructure needs to be expanded to cope with this demand. Many organisations struggle to find trustees of the right calibre and experience - more will be done to promote these opportunities and build the capacity of residents and those employed in the borough to take on such roles.

A new brokerage service to train and match volunteer trustees with VCS organisations has been developed by Volunteer Centre Tower Hamlets (VCTH), Tower Hamlets Somali Organisations Network (THSON) and THCVS in the Transforming Local Infrastructure (TLI) Programme. The service needs to be sustained beyond the end of TLI in September 2013.

There is both a need and a desire to ensure that volunteering becomes more inclusive. Volunteering brokerage can work with experienced groups to encourage those who have traditionally faced cultural and language barriers to take up volunteering opportunities both within and outside of their own communities or geographical areas. As the specialist infrastructure organisation for volunteer training and support, VCTH has a lead role to play in this area. Organisations such as Tower Hamlets Somali Organisations Network, the Council of Mosques, the Muslim Women's Collective, the Jagonary Centre and the may also have a role in this respect.

There is also potential value in aligning and joining up some of the local volunteering related activity - including capacity building - at a time when both the Council and VCS are looking at their approaches. The Council for example has recently launched a new approach to ward forums which provide an opportunity to shape services at a local level. These forums will be supported by Community Champion Co-ordinators - local volunteers who will play a leadership role in fostering local activism, building networks and liaising with service providers.

In addition, there is a need to further consider how volunteering placements can more effectively support the employment needs of some residents. This is an area that requires further consideration by the sector and other organisations within the Partnership, including the Council and local business.

## VCS Strategy: Objectives

There is also some evidence of a mismatch between the needs of some VCS organisations which require skilled and experienced volunteers and people coming forward who have significant support needs. As highlighted under objective 3, resilience and financial sustainability, local businesses have a key role in supporting volunteering – including by providing volunteers to provide expertise, mentoring or serve as trustees. Other organisations within the Partnership – including the Council – need to provide clarity on their policies and support in relation to staff volunteering.

### *Building leadership capacity in the VCS*

Developing leaders is essential to the health of the VCS and local communities. Given its importance, there is a dedicated VCS Leadership Forum supported by THCVS, which will have an important role in building capacity. The Leadership Forum focuses on specialist peer support, networking and sharing information, best practice and solutions between VCS chief executives, directors and senior managers from large, medium and small organisations.

### Objective 3:

#### VCS Resilience and Financial Sustainability

Organisations within the voluntary and community sector are managing significant financial challenges whilst seeking to provide excellent and responsive services. This includes a reduction of some national and private funding, as well as local and regional public sector organisations needing to manage within reduced resources. The sector is responding by delivering efficiencies and seeking to maximise income, and this will need to continue. In addition, fit for purpose premises remain a challenge for some VCS organisations. This objective includes a strong focus on how the sector and broader partnership can develop its approach to assets.

There are also opportunities for the VCS. There is, for example, a proven track-record of using commercial resources and expertise upon which to build, including through the East London Business Alliance (ELBA) and Tower Hamlets Business Partnership (THBP). There is also a strong commitment within the Tower Hamlets Partnership to use local organisations as service providers wherever possible. The Council, for example, already spends approximately a quarter of its external spend with the sector and has recently renewed its focus on using local suppliers.

Areas of focus within this objective are:

- New and existing assets
- Efficiencies and sharing services
- Engaging with local business

#### *New and Existing Assets*

A strategic and well-managed approach to VCS assets is important if the sector is to operate effectively and sustainably. The consultation draft strategy set out a number of issues to be explored through the action planning process including:

- Developing initiatives to maximise the use of existing and under-used assets
- Reviewing leases to support the sharing of spaces and co-location and exploring the potential of meanwhile leases
- Understanding how all available spaces are already promoted to the VCS
- Considering how public sector premises can be used more effectively to support VCS activity
- Exploring the possibility of multi use centres for the sector

In addition to making use of existing assets, there is the potential to develop new spaces. The Community Infrastructure Levy (CIL), for example, has been cited as an opportunity to identify and meet some of the need for future VCS premises. Considering the potential of CIL and other mechanisms to support VCS assets is an area that has been highlighted for further exploration.

Under the Localism Act all councils now maintain a list of assets of community value. These are not necessarily public owned assets. Voluntary and community organisations with a local connection have the opportunity to nominate for inclusion on the list the assets that are most important to them. When listed assets come up for sale or change of ownership, community groups will have time to develop a bid and raise the money to buy the asset at market value. The stated aim of this element of the Act is to keep community sites in public use.

It is intended that the Partnership's approach to VCS assets will be taken forward through a dedicated VCS Asset Management Strategy which is in development.



## VCS Strategy: Objectives

### *Efficiencies and shared services*

Improving efficiency and maximising productivity are important ways for VCS organisations to reduce spend without impacting upon front-line services. Opportunities to reduce costs are likely to include further reviewing approaches to back-office services, such as finance and HR, as well as exploring opportunities to reduce funding spent on supplies and services, such as insurance, utilities and office equipment. There is already a range of important local examples in this respect including, for example, the proposals to set up a suppliers' co-operative to support collective procurement amongst voluntary and community sector. This is an area that the strategy and action plan is seeking to build on, including the potential for the sector to create joint approaches and shared systems for delivering savings and the development of a local VCS consortium.

### *Engaging with business*

Tower Hamlets is fortunate to have one of the strongest enterprise sectors in the country, supported, in part, by the growth of Canary Wharf and City Fringe. Businesses are able to contribute funding, as well as in-kind support such as time and expertise. Businesses often have access to different networks and can play a valuable leadership role, for instance by acting as trustees or providing mentoring.

The VCS has had success in working with the business sector in recent years, including through ELBA and THBP. Most recently, a key priority of the local VCS partnership's Transforming Local Infrastructure Programme was to positively engage with local businesses. Further developing the relationship between the corporate and VCS sectors, to support the Partnership's vision, is an area for development within the strategy's action plan.

### Objective 4: Strategic Commissioning and Co-Production

The Council and other partner organisations have indicated an increasing future focus on commissioning the VCS in a strategic and evidence-based way to deliver the Partnership's vision. Whilst this is a continuation of the Tower Hamlets Partnership's existing direction of travel, there is a need to ensure that voluntary and community sector organisations are supported to maximise the opportunity that this presents. It is acknowledged that grant funding will still exist as part of the local funding framework mix; however grants will only be used, by exception, to those areas unsuited to a more commissioning-based model.

There is a growing interest from all sectors in emerging social finance arrangements and instruments such as Social Impact Bonds. Whilst such funding mechanisms are cited as significant opportunities for the sector, these methods need careful consideration and, in some cases, significant further exploration before their implementation.

Areas of focus within this objective are:

- Future funding approach
- Evidence-based commissioning
- Supporting VCS organisations to meet a commissioning-based approach
- Exploring opportunities for greater collaboration between VCS organisations
- Considering social finance and new financial instruments

#### *Future Funding Approach*

There is a need for the Council and other organisations within the Tower Hamlets Partnership to set out their future approach to funding the VCS sector. As indicated below, this approach will increasingly be commissioning-based and closely linked to the Partnership's priorities. It is important that the VCS sector is given sufficient notice of changes to the funding arrangements of the Council and other partners. This includes both the overall funding framework (such as the relative balance of commissioning and grants), as well as any future expectations or requirements. For example, co-production is an increasing focus for organisations within the Tower Hamlets Partnership and may be an area with increasing relevance when commissioning services.

A potential area of action for the Council, and broader Partnership, to set out its proposed funding model for future years. Significantly, many partners are seeking to increase the proportion of local spend for goods and services. For example, the Council aims to increase the amount of local spend (through all types of providers) to 40% by 2014/15. This reflects a growing recognition of the Tower Hamlets Pound Principle; there is a multiplier effect of employing local people and using local providers.

#### *Evidence-based commissioning*

Evidence-based commissioning provides the greatest opportunity to ensure that limited funding supports the achievement of the Partnership's priorities. It also underpins an approach which demonstrates fairness in the allocation of resources. Both geographical and equality analysis are likely to be increasingly important in this approach as the Partnership seeks to further reduce inequalities in the borough. The Public Services (Social Value) Act is also important in this respect and will be applied in line with its focus on broader community benefits from commissioning. The Council has recently committed to using its contractual requirements to deliver wider social benefits and there is a need to embed this in practice across the Partnership, particularly through the procurement and commissioning teams. This element is closely linked to objective 5 below - monitoring and evaluating impact.

#### *Supporting VCS organisations to meet a commissioning model approach*

The Tower Hamlets Partnership wants to ensure that the commissioning approach - and organisations' procurement policies - enables VCS organisations to fairly compete for service

## VCS Strategy: Objectives

delivery, including as part of supply chains. The Council has recently committed to making its procurement processes more transparent and accessible as well as providing training the VCS organisations on accessing them. The size of contract opportunities is sometimes a barrier, including ensuring that smaller organisations are not excluded from the commissioning process. There is also a role for organisations in the sector to work together and collaborate in response to commissioning opportunities. However, shaping opportunities is about more than contract size and there is a role for the Council and other partners to help shape the market. *Example to be inserted.*

Comment [k1]: NB

### *Exploring greater collaboration between VCS organisations*

In some cases, there are benefits for VCS organisations to marshal the scale of the sector and work together to pursue commissioning opportunities. Bidding processes sometimes recognise consortia, but assembling them on a one-off basis for each bidding opportunity is time-consuming and expensive. It can also be less convincing to the commissioner as it does not demonstrate a track record of working together. The Special Purpose Vehicle (SPV) proposed in the Transforming Local Infrastructure (TLI) Programme aims to help VCS organisations overcome some of these difficulties. It aims to build upon the strong support for consortium working identified by the Tower Hamlets Council for Voluntary Service (CVS) which has also been welcomed by smaller organisations. It is important that the Council and other partners recognise, work with and support these and other mechanisms that support collaboration within the sector.

### *Considering social finance and new financial instruments*

Social finance is a term used to describe a range of financial tools and instruments that support both a social dividend and economic return. This includes social impact bonds and social enterprise lending. These methods provide a potential new avenue of funding for the VCS in Tower Hamlets. It is proposed that these and other aspects of social finance are explored as part of the action planning process.

There is also a growing emphasis on payment by results contracts including, for example, as part of the government's employment work programme. This can be an issue for VCS organisations, particularly where there are not significant funding reserves, and may also be an area for the Partnership to consider further. Resources are needed to build up commissioning expertise in the VCS, including in relation to emerging forms of finance. THCVS has TLI funding for this work until September 2013.

### Objective 5: Monitoring and evaluating impact

Evaluating and monitoring impact is a key strand of this VCS Strategy. Organisations of all sectors with reduced resources need to prioritise more and it is increasingly important that the effectiveness of interventions and services are well understood. This is particularly important in the context of other changes impacting on the VCS sector, including a shift to a more commissioning-based approach and the rise of funding instruments based on payment by results. However, this objective is not primarily about the public sector monitoring VCS delivery and impact. There is greater potential for all partners to better share intelligence, evidence and best practice of what works locally which in turn can better inform future strategic priorities, resource allocation and practice across the Partnership.

Areas of focus within this objective are:

- Improving Council – and other partner - tracking and monitoring of VCS funding and outcomes
- VCS and partners sharing expertise and systems for monitoring and evaluation
- Analysis of the impact and outcomes of services delivered by the public sector and the VCS

#### *Improving Council - and other partner - tracking and monitoring of VCS funding and outcomes*

This strategy provides an opportunity for the Council - and other partners - to review its approach to capturing spend and outcomes delivered. This is an area that the Council's Third Sector Programme Board has begun and is likely to include better use of existing systems, such as GIFTS, to monitor spend. However, understanding VCS impact is about more than use of systems to accurately capture funding. Increasingly, the Council and other Partners will be requiring a more thorough and robust demonstration of impact and outcomes with expectations clearly embedded in the commissioning process. In some cases, this may include a more thorough understanding of outcomes by equality characteristics in accordance with the Public Sector Equality Duty.

It is recognised that many VCS organisations are working with vulnerable or hard to engage individuals, which can mean more resource-intensive interventions and uncertain outcomes. These issues will need to be captured fairly in the commissioning process of Partnership organisations to ensure that risks are not unfairly transferred to the VCS. It is important that outcome targets and evaluations are based upon a full understanding of the relevant issues.

#### *VCS and partners sharing expertise and systems for monitoring and evaluation within the sector*

Given the growing importance of demonstrating impact and outcomes, there is a potential role for THVCS to share existing expertise, processes and systems to support high-quality monitoring and evaluation. This capacity building may include support about demonstrating outcomes by equality characteristics and the importance of an inclusive approach.

#### *Analysis of the impact and outcomes of services delivered by the public sector and the VCS*

All services delivered by the VCS for the local authority or health authorities through contracts or grants are monitored. VCS organisations submit regular monitoring reports about how the money is being spent, the services provided and details of the residents who benefit from the service, including how the services are improving their quality of life.

This strategy recognises the wealth of service information and data about public services provided by VCS organisations for residents in Tower Hamlets. There is therefore a need for organisations across the Partnership to collaborate more in terms of analysing and sharing information and evidence-based evaluation of VCS data in their possession which will further support policy, strategy, the identification of priorities and development of effective services across all providers. Involvement of the VCS in the strategic governance of the Partnership is central to success in this area.

### Next steps

This strategy sets out how the Partnership will work with the voluntary and community sector to improve the lives of all those living and working in Tower Hamlets. It aims to support the sector to provide excellent local services and promote the sector's role in achieving One Tower Hamlets.

In order to realise these aims an action plan is in development based around the strategy's five strategic objectives.

1. VCS shaping strategy and services
2. Building strong community leadership and social capital
3. VCS resilience and financial sustainability
4. Strategic commissioning and co-production
5. Monitoring and evaluating impact

The action plan will set out clear activities and lead agencies responsible for delivery. The plan will be reviewed annually and monitored bi-annually. The Third Sector Programme Board and the Third Sector Advisory Board are responsible for overseeing that the strategy and associated action plan are implemented. As the Voluntary and Community Sector Strategy for the Tower Hamlets Partnership, regular update reports will be presented to the THP Executive.

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# Equality Analysis (EA)

Financial Year  
2013/14

## Section 1 – General Information (Aims and Objectives)

Name of the proposal including aims, objectives and purpose:

*(Please note – for the purpose of this doc, 'proposal' refers to a policy, function, strategy or project)*

### **Tower Hamlets Voluntary and Community Sector Strategy**

This version of the Tower Hamlets VCS strategy has been refreshed to better support Voluntary and community Organisation to target and shape local services.

The VCS Strategy is formulated to benefit existing and new Voluntary and Community Sector (VCS) organisations established and serving communities within the Tower Hamlets boundaries.

With income poverty driving a number of needs across the area, e.g. employment, health and well-being and general social benefit, the involvement of the Voluntary and Community Sector is essential.

The VCS strategy aims to build on existing efforts to:

- Ensure that the VCS is well represented on partnership forums that shape strategy and services.
- Build strong community leadership and social capital within communities
- Commission a range of services such as training, development work, capacity building etc. to strengthen the resilience and financial sustainability in the sector
- Establish frameworks for strategic commissioning and co-production of services,
- Support the provision of stable and suitable premises to the VCS
- Explore opportunities to generate additional funding for organisation.

All the proposals in the VCS Strategy have the potential to deliver positive outcomes right across the VCS and do not negatively impact on any of groups with the protected characteristics.

The Impact Assessment recognises that there is the potential for the implementation methods of the activities (Action Plan) to discrimination or be unfair in their implementation e.g. in terms of selecting representation to the various forums, giving access to volunteers and mentors, capacity building training etc. To mitigate against this, following the development of each annual action plan an assessment will be undertaken (by the Third Sector Programmes Manager) to assess as assure that the implementation methods are fair and transparent.

The action plan for year 1 includes: (a) setting up a comprehensive database and (b) developing an electronic library of VCS profiles. This will be a valuable tool better understanding the profile of the VCS in Tower Hamlets, improve the ability to monitor the access to the various initiatives and their effectiveness.

The objectives of the strategy are being used to develop an action plan, which will:

- Ensure that the VCS contributes to shaping of strategies and services in the borough
- Support the VCS to build strong community leadership and social capital

- Facilitate access to initiatives that support VCS organisations to develop skills to initiate, plan, manage, undertake, organise, budget, monitor/supervise and evaluate a range of project activities
- Provide training, mentoring and tools so that VCS organisation develop resilience and financial stability through the ability to attract and secure reliable funding
- Develop “good practice” frameworks that support communication, interaction and collatoration between VCS organisations.

### **Who is expected to benefit from the proposal?**

1. **The Council and its key partners** – Activities will be undertaken that ensure a balanced representation on a number of key forums. These forums will be working in Partnership to by having targeted outputs and outcomes delivered efficiently and effectively;
2. **The Voluntary and Community Sector Organisations individually & collectively** – via capacity building training, volunteers, mentors etc, a range of VCS groups are expected benefit as improved knowledge of the sector enables need to be targeted and supported. The whole sector benefits when all organisations are able to operate a competent level;
3. **The residents of Tower Hamlets** – benefit from a strong VCS, as research has shown that the VCS are better placed to delivery services to the community where:
  - the needs of service users are highly differentiated;
  - the service needs to be directed at sections of the community that have been excluded from traditional service provision;
  - the service is labour intensive, where the flexibility and commitment of volunteers can be an asset;
  - the service is targeted at users who are likely to mistrust businesses or state providers;
  - users of services have multiple disadvantages, requiring a coordinated portfolio of services from an informed provider.

**Service area:** Resources

**Team Name:** Third Sector Team

**Service Manager:** Everett Haughton

**Name and role of the officer completing the EA:** Nasim Ahmed – Lead officer Voluntary and Community Sector Strategy



## Section 2 – Evidence (Consideration of Data and Information)

*What initial evidence do we have which may help us think about the impacts or likely impacts on service users or staff?*

### Income Poverty

Tower Hamlets remains one of the most deprived areas in the country; it is ranked as seventh most deprived (out of 326 local authority areas – LAAs) nationally on the Indices of Multiple Deprivation score measure, and is third (out of 326 LAAs) on extent of deprivation (how widespread deprivation is).

- 44% of households are estimated to live in income poverty,<sup>1</sup> the highest rate of income poverty across all local authorities in England and Wales and double the national average (22%).
- 16 per cent of the working age population were in receipt of out-of-work benefits as at May 2011.
- Tower Hamlets has the highest percentage of both children and older people living in income deprived families in England.<sup>2</sup>
- More than half of children in Tower Hamlets live in poverty<sup>3</sup>. The borough's child poverty rate is more than double the rate nationally (21 per cent), and well above the London average of 30 per cent.
- Despite the fact that proportionately fewer pensioners live in the borough, those that do face unusually high levels of income poverty. Almost 50% of pensioners in receipt of the guarantee element of Pension Credit.

### Distribution of Poverty

It should also be noted that the distribution of poverty is very uneven within the borough. For instance, Council Tax Benefit, a good proxy for the presence of low income households as it is means tested, ranges from only 3 per cent in the riverside part of Millwall up to 66 per cent in part of Bromley by Bow. 29,680 children in Tower Hamlets live in poverty - this represents 53 per cent of all children in the borough and is the highest rate in the UK.

**Table 1 - Composition of Tower Hamlets VCS (2013)**

Women's Organisations	37
Somali Organisations	43
Other BME Organisations	720
Children's Organisations	11

<sup>1</sup> Defined as those living below 60% of the median (or 'middle') UK household income, after housing costs

<sup>2</sup> LBTH, Poverty Research Briefing, March 2012

<sup>3</sup> LBTH, Poverty Research Briefing, February 2012 and End Child Poverty

Youth Organisation & Clubs	131
Disability Organisation	36
LGBT Organisations	1
Other - Organisations	221

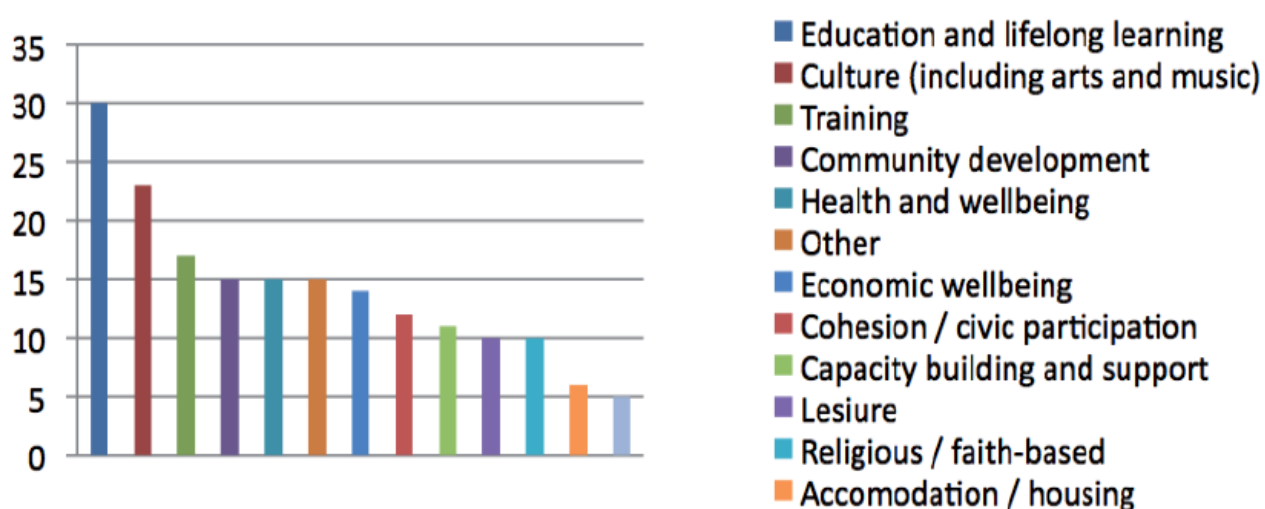
**Table 2 - People Resources in VCS**

The VCS is a significant employer in Tower Hamlets  
 1305 people in paid positions across 97 (responders)  
 Average 13.45 staff per organisation

**Table 3 - VCS Income Sources**

Public Sector Grants	41%
Contracts for Local Bodies	28%
Major Private Funders	21%
Contract with National statutory Bodies	10%
	100%

**Figure # - Percentage of VCS organisations involved in different activities**



**Section 3 – Assessing the Impacts on the 9 Groups**  
**How will what you're proposal impact upon the nine Protected Characteristics?**

Target Groups	Impact – Positive or Adverse  What impact will the proposal have on specific groups of service users or staff?	Reason(s) <ul style="list-style-type: none"> <li>• Please add a narrative to justify your claims around impacts and,</li> <li>• Please describe the analysis and interpretation of evidence to support your conclusion as this will inform decision making</li> </ul> <p>Please also how the proposal will promote the three One Tower Hamlets objectives?</p> <ul style="list-style-type: none"> <li>-Reducing inequalities</li> <li>-Ensuring strong community cohesion</li> <li>-Strengthening community leadership</li> </ul>
Race	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of race.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Disability	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of disability</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Gender	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of gender.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Gender Reassignment	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of gender re-assignment.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>

Sexual Orientation	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of sexual orientation.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Religion or Belief	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of religion and belief.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Age	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of age.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Marriage and Civil Partnerships.	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of Marriage and Civil Partnership</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Pregnancy and Maternity	P	<p>The proposals in the VCS strategy does not have a disproportionate impact on residents on the basis of Pregnancy and Maternity.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
Other Socio-economic	P	<p>Certain aspects of the strategy e.g. training and capacity building will be targeted towards smaller groups, whilst other initiatives are likely to favour larger stronger organisations. E.g. establish a PSV. The strategy is considered robust as it does not discriminate against smaller less financial stable groups, but aims to support them with initiatives that will strengthen them. At the same time it does not discriminate against larger or more stable groups, but aims to allow them to utilise their strength to</p>

		<p>attract funds into the Borough and where possible work with/mentor smaller groups.</p> <p>The implementation method of the specific activities, which have the potential to discriminate will be evaluated to ensure equality and fairness prior to implementation.</p>
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**Section 4 – Mitigating Impacts and Alternative Options**

From the analysis and interpretation of evidence in section 2 and 3 - Is there any evidence of or view that suggests that different equality or other protected groups (inc' staff) could have a disproportionately high/low take up of the new proposal?

Yes?                      No?

If yes, please detail below how evidence influenced and formed the proposal? For example, why parts of the proposla were added/removed?

*(Please note – a key part of the EA process is to show that we have made reasonable and informed attempts to mitigate any negative impacts. AN EA is a service improvement tool and as such you may wish to consider a number of alternative options or mitigation in terms of the proposal.)*

**Section 5 – Quality Assurance and Monitoring**

Have monitoring systems been put in place to check the implementation of the proposal and recommendations?

Yes?                      No?

How will the monitoring systems further assess the impact on the equality target groups?

Monitoring will be devised as part of the implementation method of each activity.

Does the policy/function comply with equalities legislation?

(Please consider the [OTH objectives](#) and [Public Sector Equality Duty](#) criteria)

Yes?

No?

If there are gaps in information or areas for further improvement, please list them below:

Gaps are being addressed as part of the implementation of the Strategy.

How will the results of this Equality Analysis feed into the performance planning process?

The EA will affected the implementation method of each of the activities.

## Section 6 - Action Plan

As a result of these conclusions and recommendations what actions (if any) **will** be included in your business planning and wider review processes (team plan)? Please consider any gaps or areas needing further attention in the table below the example.

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Ensure that all activities with the potential to discriminate are evaluated prior to implementation	To review and assess proposed method of implementation is targeted appropriately eliminating possible discrimination.	Annually on production of action plan		

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## Section 7 – Sign Off and Publication

<b>Name:</b> (signed off by)	
<b>Position:</b>	
<b>Date signed off:</b> (approved)	




**Section 8 Appendix – FOR OFFICE USE ONLY**

This section to be completed by the One Tower Hamlets team

**Policy Hyperlink :**

<b>Equality Strand</b>	<b>Evidence</b>
Race	
Disability	
Gender	
Gender Reassignment	
Sexual Orientation	
Religion or Belief	
Age	
Marriage and Civil Partnerships.	
Pregnancy and Maternity	
Other	
<del>Socio-economic</del>	
<del>Carers</del>	
<del>Link to original EQIA</del>	Link to original EQIA
<del>EQIAID</del> (Team/Service/Year)	

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<p><b>Cabinet</b> 8 January 2014</p>	 <b>TOWER HAMLETS</b>
<p><b>Report of:</b> Chris Holme, Interim Corporate Director of Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Calculation of Council Tax Base 2014/15</b></p>	

Lead Member	<b>Cllr Alibor Choudhury - Cabinet Member for Resources</b>
Originating Officer(s)	Paul Thorogood – Interim Service Head, Finance and HR
Wards affected	All
Community Plan Theme	One Tower Hamlets
Key Decision?	Yes

1.     **SUMMARY**

1.1    This report sets out the calculation of the Council Tax Base for 2014/15 as required by statute.

2.     **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

2.1    Approve, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992, that the amount calculated by the London Borough of Tower Hamlets as its Council Tax Base for the year 2014/15 shall be 74,979.

3.     **REASONS FOR THE DECISIONS**

3.1    The scheme for calculation of council tax established under the Local Government Finance Act 1992 requires local authorities to agree their Council Tax Base and to notify it to the preceptors (GLA) by 31st January 2014.

3.2    If the tax base is not agreed and notified to the Preceptor by 31st January 2014, this may prejudice the calculation of Council Tax for 2014/15.

#### **4. ALTERNATIVE OPTIONS**

- 4.1 The recommendations contained within this report are made in line with the statutory requirements outlined in sections 3.1 and 3.2 of this report; therefore the Council is not presented with alternative options in setting its Council Tax Base.

#### **5. BACKGROUND**

- 5.1 The Council Tax legislation requires local authorities to agree their Council Tax Base and to notify it to the preceptors by 31st January 2014.
- 5.2 The tax base is central to the Council Tax system because it is the means by which the budget is translated into tax levels. For the next financial year, the estimated tax base is 74,979.
- 5.3 A simple way of looking at this is, broadly, if £1.00 is added to the band D tax, this would raise £74,979 for the General Fund Budget.
- 5.4 This report summarises the principles of the tax base calculation and sets out the calculation for 2014/15.

#### **6. CALCULATION OF THE TAX BASE**

- 6.1 The tax base calculation must take account of:
- 6.1.1 the number of properties in each band, including estimated changes during the year (for Tower Hamlets this includes an estimated increase in property numbers due to the continuing regeneration of the borough);
- 6.1.2 the number of discounts, taking account of estimated changes during the year; and
- 6.1.3 the estimated collection rate; the 2014/15 tax base has been calculated on the basis of a collection rate of 96%.

#### **7. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 7.1 This report incorporates the comments of the Chief Financial Officer.

#### **8. LEGAL COMMENTS**

- 8.1. The Council is required by section 31B of the Local Government Finance Act 1992 ("the Act") to calculate for each financial year the basic amount of its

council tax. The basic amount of council tax must be calculated according to a prescribed formula that uses: (1) the Council tax requirement; and (2) the amount which is calculated by the Council as its council tax base. The council tax base is in turn calculated by reference to a formula prescribed in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (“the Tax Base Regulations”).

- 8.2. The Council is required to submit its council tax base to the GLA between 1 December and 31 January in the financial year preceding the financial year for which the calculation of council tax base is made. This is the effect of section 31B(1) of the Act and regulation 8 of the Tax Base Regulations. If the Council does not submit its council tax base to the GLA, then the GLA is required to determine the calculation for itself, in the manner prescribed in the Tax Base Regulations.
- 8.3. The preparation, for submission to Full Council for consideration, of estimates of the amounts to be used for the purposes of calculating the basic amount of council tax is an executive function. The other calculations required by section 31B of the Act (i.e. the basic amount of council tax and the council tax requirement) are required to be the responsibility of Full Council by virtue of section 67 of the Act.

## **9. ONE TOWER HAMLETS CONSIDERATIONS**

- 9.1 Calculation of the Council’s tax base is an important step towards calculation of the basic amount of council tax. The calculation of council tax is a key element of the Council’s budget, which will enable it to deliver on its Strategic Plan and, in turn, the Community Plan.
- 9.2 The Council’s Strategic Plan is focused upon meeting the needs of the diverse communities living in Tower Hamlets. The Key Themes reflect diversity issues and there are key equality milestones in relation to delivering One Tower Hamlets.

## **10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 10.1 There are no SAGE implications.

## **11. RISK MANAGEMENT IMPLICATIONS**

- 11.1 If the tax base is not agreed, the Council will not be able to set a legal budget for 2014/15 and notify the preceptor by 31st January 2014. Consequently the Council may be open to legal challenge and also affect the budget setting arrangements for the GLA.

**12. CRIME AND DISORDER REDUCTION IMPLICATIONS**

12.1 There are no Crime and Disorder Reduction Implications.

**13. EFFICIENCY STATEMENT**

13.1 There are no efficiency statement implications.

**14. APPENDICES**

Appendix A – Calculation of Council Tax Base 2014/15

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**Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
<b>None</b>	Ruth Ebaretonbofa-Morah (Deputy Financial Planning Manager) - ext. 1698

**Calculation of Council Tax Base Estimate 2014/15**

Estimate 2014/2015		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1	Total Dwellings	3,005	25,897	36,342	23,643	17,631	8,108	3,179	469	118,274
2	Exempt Dwellings	1,874	1,249	1,039	855	898	344	128	11	6,397
3	Disabled Reduction	1	26	48	37	41	22	11	6	192
4	Account for Disabled Reduction	26	22	- 11	4	- 19	- 11	- 5	- 6	-
5	Total Chargeable Dwellings	1,157	24,670	35,293	22,791	16,714	7,752	3,046	453	111,876
6	25% Discounts	857	13,124	12,141	7,013	3,900	1,578	603	81	39,297
7	50% Discounts	1	5	16	12	15	1	10	7	67
8	10% Discounts	-	-	-	-	-	-	-	-	-
9	Total equivalent number of discounts	215	3,284	3,043	1,759	983	395	156	24	9,858
10	Net Chargeable Dwellings	943	21,386	32,249	21,032	15,732	7,357	2,890	429	102,019
11	Band Proportion	2/3	7/9	8/9	1	1 2/9	1 4/9	1 2/3	2	-
12	Number of band D equivalent properties	628	16,634	28,666	21,032	19,228	10,627	4,817	858	102,490
13	Council Tax Support Estimate									- 24,387
14	Revised Band D Equivalents									78,103
15	Estimated collection rate									96%
16	<b>LBTH Taxbase 2014/2015</b>									<b>74,979</b>

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<p><b>Cabinet</b> 8 January 2014</p>	 <b>TOWER HAMLETS</b>
<p><b>Report of:</b> Chris Holme, Interim Corporate Director Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15</b></p>	

<b>Lead Member</b>	<b>Councillor Alibor Choudhury, Cabinet Member for Resources</b>
<b>Originating Officer(s)</b>	Paul Thorogood – Service Head, Finance and HR Development Oladapo Shonola – Chief Financial Strategy Officer
<b>Wards affected</b>	All wards
<b>Community Plan Theme</b>	<b>One Tower Hamlets</b>
<b>Key Decision?</b>	No

## 1. SUMMARY

- 1.1 The Council is required by legislation and guidance to produce three strategy statements in relation to its treasury management arrangements. The three statements are :
- a Treasury Management Strategy which sets out the Council’s proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities;
  - an annual Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments; and
  - a policy statement on the basis of which provision is to be made in the revenue accounts for the repayment of borrowing – Minimum Revenue Provision (MRP) Policy Statement.
- 1.2 This report also deals with the setting of Prudential Indicators for 2014-15, which ensure that the Council’s capital investment decisions remain affordable, sustainable and prudent; the proposed indicators are detailed in Appendix 1. With the introduction of the government’s self- financing arrangements for the Housing Revenue Account (HRA) there are now specific indicators relating to HRA capital investment.
- 1.3 The Council is required to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) which requires the following:
- Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities (Appendix 3);

- Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
  - approval by Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy, and prudential indicators for the year ahead together with arrangements for a Mid-year Review Report and an Annual Report covering activities during the previous year;
  - clear delegated responsibility for overseeing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the delegated body is the Audit Committee. The scheme of delegation for treasury management is shown in Appendix 4.
- 1.4 Officers will report details of the council's treasury management activity to the Audit Committee at each of its meetings during the year. Additionally, a mid-year and full-year report will be presented to Full Council. More detailed reporting arrangements are shown in Appendix 5.
- 1.5 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be arranged as required for members of the Audit Committee who are charged with reviewing and monitoring the Council's treasury management policies. The training of treasury management officers is also periodically reviewed and enhanced as appropriate.

## **2. DECISIONS REQUIRED**

The Mayor in Cabinet is requested to:-

- 2.1 Recommend that Full Council adopt:
- 2.1.1 The Treasury Management Strategy Statement set out in sections 6-11 of this report.
- 2.1.2 The Annual Investment Strategy set out in section 12 of this report.
- 2.1.3 The Minimum Revenue Provision Policy Statement set out in section 13 of this report, which officers involved in treasury management must then follow.
- 2.2 Delegate to the Interim Corporate Director of Resources, after consultation with the Lead Member for Resources, authority to vary the figures in this report to reflect any decisions made in relation to the Capital Programme prior to submission to Budget Council.

## **3 REASONS FOR DECISIONS**

- 3.1 It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:
- Treasury Management Strategy, including prudential indicators

- Investment Strategy
- Minimum Revenue Provision Policy Statement; and

#### **4 ALTERNATIVE OPTIONS**

- 4.1 The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent.
- 4.2 The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

#### **5 BACKGROUND**

- 5.1 The Local Government Act 2003 Act requires the Council to establish a treasury strategy for borrowing, and an investment strategy for each financial year, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 5.2 The policies and objectives of the treasury management activities together with the policy on the use of an external treasury advisor are detailed in Appendix 3.
- 5.3 The strategy for 2014-15 encompasses elements of the treasury management function and incorporates the economic forecasts provided by the Council's treasury advisor. It specifically covers:
- treasury limits in force which will limit the treasury risk and activities of the Council;
  - Prudential and Treasury Indicators;
  - the current and projected treasury position to 2016-17;
  - the borrowing requirements for both the General Fund and HRA;
  - prospects for interest rates;
  - the borrowing strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling;
  - the Investment Strategy;
  - policy on credit worthiness;and
  - the Minimum Revenue Provision strategy.

#### **6 TREASURY LIMITS FOR 2014-15 TO 2016-17**

- 6.1 The Council must have regard to the Prudential Code when setting an Authorised Limit for borrowing (the level of borrowing to fund capital investment that is affordable, with some headroom for unexpected cash movements), which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular,

that the impact upon its future council tax and council rent levels is affordable for taxpayers and tenants.

- 6.2 The Authorised Limit is to be set on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit and other indicators are attached at Appendix 1.
- 6.3 The Prudential Code requires that the Council set a series of indicators on a three year time frame, which are classified in two main categories; prudential and treasury indicators. It should be noted that these indicators are not for comparison with other local authorities, but are a means to support and record local decision-making.
- 6.4 The prudential indicators are there to demonstrate that the Council can afford the proposed capital programme in addition to the borrowing undertaken to fund expenditure in the past and that such expenditure is sustainable and prudent going forward. Also it highlights the impact of capital investment decisions on council tax and housing rents. The prudential indicators reflect the capital programme set which is elsewhere on this agenda.
- 6.5 The Council has set the following prudential indicators as prescribed by the Code and these are set out below and detailed in Appendix 1:
- **Capital Expenditure** – the amount the Council will spend
  - **Ratio of Financing Costs to Net Revenue Stream** – Financing cost as a percentage of revenue budget, to ensure that borrowing does not overwhelm the capacity for other expenditure.
  - **Net Borrowing Requirement** – Amount of external borrowing that will be required in the year.
  - **In Year Capital Financing Requirement** – The amount of borrowing required in year
  - **Capital Financing Requirement (CFR)** – Overall capital financing required for all capital expenditure
  - **Incremental Impact of Financing Costs** – Measures the impact of capital financing costs on council tax and housing rents.
- 6.6 Treasury indicators are about setting parameters within which officers can take treasury management decisions. The Council has set the following treasury indicators as prescribed by the Code and these are set out below and also detailed in Appendix 1:
- **Authorised Limit for External Debt** – The upper limit on the level of gross external debt permitted. It must not be breached without Full Council approval.
  - **Operational Boundary for External Debt** – Most likely and prudent view on the level of gross external debt requirement. Debt includes external borrowings and other long term liabilities.
  - **Gross Borrowing** – This is the actual gross external borrowing that the Council currently has, which will not be comparable to the operational boundary or authorised limit, since the actual gross external debt will reflect the actual position at any one point in time.
  - **HRA Debt Limit** – The HRA Self Financing regime came into effect on 01 April 2012. The new regime imposes a maximum HRA CFR on the Council. For the Council this has been set at £184m following repayment of HRA debt totalling £236.2m by Government as part of debt settlement that preceded the implementation of the HRA Self Financing regime.

- **Limits on Interest Rate Exposure** – This indicator sets the limit on the proportion of overall debt that can be fixed/ variable.
- **Upper Limit on Borrowings over 364 days** – This indicator sets the limit on the principal sum that can be invested beyond 364 days.
- **Maturity Structure of Borrowings** – Profile of when loans in the Council's portfolio of debt are expected to mature.

## 7 CURRENT AND PROJECTED TREASURY POSITION

7.1 The Council's current borrowing and investments as at 30 October 2013 are as follows: external borrowings total £89.9m and investments total £248.2m.

7.2 The 2012-13 outturn and estimates for current and future years are detailed in Table 1 below.

**Table 1**

£m	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
	Actual	Estimate	Rev Estimate	Estimate	Estimate	Estimate
<b>External Debt</b>						
Debt at 1 April	91.351	90.406	90.406	99.561	113.962	128.894
Expected change in Borrowing	(0.945)	9.155	9.155	14.401	(1.068)	(1.889)
HRA settlement	0.000	0.000	0.000	0.000	0.000	0.000
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	16.000	0.000
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000	0.000
<b>Actual debt at 31 March</b>	<b>90.406</b>	<b>99.561</b>	<b>99.561</b>	<b>113.962</b>	<b>128.894</b>	<b>127.005</b>
The Capital Financing Requirement	225.848	229.477	229.702	238.628	268.409	262.219
Under / (over) borrowing	135.442	129.916	130.141	124.666	139.515	135.214

## PROSPECTS FOR INTEREST RATES

8.1 The borrowing and investment strategy is in part determined by the economic environment within which it operates.

8.2 The Council has appointed Capita Asset Services as treasury adviser and part of the service they provide is to assist the Council to formulate a view on interest rates. The following table gives Sector's overall view on interest rates for the next three years.

**Table 2**

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2014	0.50	2.50	4.40	4.40
June 2014	0.50	2.60	4.40	4.40
September 2014	0.50	2.70	4.50	4.50
December 2014	0.50	2.70	4.50	4.60
March 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
September 2015	0.50	2.90	4.80	4.90
December 2015	0.50	3.00	4.90	5.00
March 2016	0.50	3.20	5.00	5.10
June 2016	0.50	3.30	5.10	5.20
September 2016	0.75	3.30	5.10	5.20
December 2016	1.00	3.60	5.10	5.20
March 2017	1.25	3.70	5.20	5.30

- 8.3 The economic recovery in the UK since 2008 has been the slowest recovery in recent history until 2013. Growth rebounded in quarters 1 and 2 of 2013 (+0.3% and +0.7% respectively), surpassing all expectation. Growth forecast for 2013 was consequently upgraded from 1.2% to 1.4% and for 2014, from 1.7% to 2.5% and growth is expected to be strong in the immediate future.
- 8.4 Unlike growth, wage inflation remains relatively flat and continues to significantly lag CPI inflation. This puts pressure on disposable income, although, some of this pressure, to some extent, has been ameliorated by cuts in income tax. A rebalancing of the UK economy towards exports has started but this will likely face some headwinds given ongoing challenges facing the Eurozone and the UK's dependence (40% of UK exports go to the Eurozone) on this geographical sector.
- 8.5 The Bank of England also issued forward guidance with the Inflation Report which stated that the Bank will not consider raising interest rates until the unemployment rate has fallen to 7% or below. The forecast is for Bank Rate to start increasing in quarter 3 of 2016 based on a slow projected reduction in unemployment. This is in line with the Bank of England's forecast, but contrary to the prevalent market view where Bank Base rate is expected to rise in early 2015. Although the UK has lost its AAA rating from Fitch and Moody's, this setback has not resulted in a negative reaction from the market or significantly impacted the UK's cost of borrowing.
- 8.6 This challenging and uncertain economic outlook has several key treasury management implications:
- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
  - Investment returns are likely to remain relatively low during 2014/15 and beyond;
  - Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
  - There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## **9 BORROWING STRATEGY**

- 9.1 The Council will continue to borrow for the following purposes where it is deemed affordable, sustainable and prudent to do so:
- Financing of Capital Expenditure
  - Repayment of Maturing Debt (net of Minimum Revenue Provision)
  - Short Term Cash Flow Financing
- 9.2 The Interim Corporate Director, Resources or in his absence the Service Head, Financial Services, Risk and Accountability under delegated powers will determine the timing, term, type and rate of new borrowing to take into account factors such as:
- Expected movements in interest rates
  - Current maturity profile

- The impact of borrowing on the council's Medium Term Financial Plan
- Approved prudential indicators and limits

9.3 Officers will continue to monitor interest rate movements closely and adopt a pragmatic approach to changing circumstances. For example, the following potential scenarios would require a reappraisal of strategy:

- A significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap
- A significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

## **10 BORROWING IN ADVANCE OF NEED**

10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

10.2 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of existing debt portfolio that supports the need to take funding in advance of need
- ensure the on-going revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

## **11 DEBT RESCHEDULING**

11.1 The Interim Corporate Director-Resources or Service Head Financial Services, Risk and Accountability will continue to consider options to reschedule and restructure the Council's debt portfolio, having due regard for the broad impact of such exercises on the following:

- The maturity profile – council will only undertake debt restructuring where it benefits the maturity profile
- On-going revenue savings will be achieved
- The effect on the HRA
- The impact of premiums and discounts has been fully considered; and
- The impact on prudential indicators.

- 11.2 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 11.3 All rescheduling will be reported to the Council, at the earliest meeting following its action.

## **12 ANNUAL INVESTMENT STRATEGY**

### **Investment Policy**

- 12.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:
- The security of capital;
  - The liquidity of investments to ensure that the Council has cash available to discharge its liabilities as necessary; and that;
  - Within these priorities, the Council will also aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity; and
  - All investments will be in Sterling.
- 12.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using Sector ratings service, counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 12.3 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.
- 12.4 Other information sources used will include the financial press and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 12.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.
- 12.6 Investment instruments identified for use in the financial year are listed in tables 3 and 4 below, under the 'Specified' and 'Non-Specified' investments categories.
- 12.7 Officers will continue to work to maintain and strengthen the Council's investment policy and will refer back to Council with any modification thought to be beneficial to the efficient and effective management of the Council's funds.



## Creditworthiness Policy

- 12.8 To achieve these objectives, the Council classifies investment products as either “Specified” or “Non-Specified” as defined within the Guidance.
- 12.9 The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.
- 12.10 The Interim Corporate Director, Resources or the Service Head, Financial Services, Risk and Accountability will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered good quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 12.11 The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits (with the exceptions noted in 12.13 below). This means that the application of the Council’s minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies and one meets the Council’s criteria whilst the other does not, the institution will fall outside the lending criteria.
- 12.12 Credit rating information is supplied by Capita Asset Services our treasury advisers, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.
- 12.13 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments) is:
- Good credit quality – the Council will only use banks which:
    - i. are UK banks; and/or
    - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA; and
- Where rated, have as a minimum, the following Fitch ratings, (for equivalent Moody’s and Standard and Poors credit ratings, see Table 5)
- i. Short term – ‘F1’
  - ii. Long term – ‘A’
  - iii. Viability / financial strength – ‘a’ (Fitch/Moody’s only)
  - iv. Support – ‘1’

- Part nationalised/wholly owned UK banks (i.e. Lloyds Banking Group and Royal Bank of Scotland). These banks can be included if they continue to be part nationalised/wholly owned or they meet the ratings in Banks (i) above;
- The Council's own banker (The Co-operative Bank) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time;
- Building Societies – The Council will use all building societies which meet the ratings for banks outlined above;
- Money Market Funds – UK, AAA (Sterling);
- UK Government (including gilts and the Debt Management Account Deposit Facility);
- Local Authorities (including parish councils, etc).

12.14 Specified investments comprise investment instruments which the Council considers offer high security and liquidity. These instruments can be used with minimal procedural formalities. The Guidance considers that specified investments have the following characteristics: -

- denominated in Sterling and have a term of less than one year;
- have “good” credit ratings as determined by the Council itself.

12.15 All other investments are termed non-specified investments. These involve a relatively higher element of risk, and consequently the Council is required to set a limit on the maximum proportion of their funds which will be invested in these instruments. The Strategy should also specify the guidelines for making decisions and the circumstances in which professional advice is obtained.

12.16 Investment instruments identified for use in the financial year are listed in tables 3 and 4 below under the ‘Specified’ and ‘Non-Specified’ Investments categories with the associated counterparty limits as set through the Council’s Treasury Management Practices – Schedules.

**Specified Investments:**

12.17 It is recommended that the Council should make Specified investment as detailed below in Table 3.

12.18 All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum credit quality criteria where applicable. The Council will continue its policy of lending surplus cash to counterparties that meet the Council’s minimum credit ratings as outlined in below table.

**Table 3**

Institution	Minimum High Credit Criteria	Money Limit	Term Limit
Debt Management Office (DMO) Deposit Facility	Not applicable	No Limit	N/A
Local Authorities	Not applicable	£30m*	1 year
Bank/Building Society- (High Credit Quality)	Short-Term F1 Long-Term AA-	£30m	1 year
Bank/Building Societies - (Medium Credit Quality)	Short-Term F1 Long-Term A+	£15m	1 year
Bank/Building Societies - (Lower Credit Quality)	Short-Term F1 Long-Term A	£10m	6 months
Part Nationalised / Wholly Owned Banks	N/A	Lesser of £70m or 40% of portfolio**	1 year
Council's Own Banker***	N/A	£10m	7 days
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>			
Money Market Funds	AAA rated	£15m	Liquid

Definitions of credit ratings (which now incorporate Fitch's viability ratings) are attached at **Appendix 2**.

\* The group limit for local authorities has been set at £100m.

\*\* Percentage of portfolio at the time of investing.

\*\*\* Limit applied where bank's rating is below minimum required for external investment

### **Non-Specified Investments:**

12.19 It is recommended that the Council should make Non-Specified investment as outlined in Table 4.

**Table 4**

Institution	Minimum High Credit Criteria	Money Limit	Term Limit
Bank /Building Society (High Credit Quality)	Sovereign rating AAA Short-term F1+, Long-term AA-	£25m	3 years
Part Nationalised/ Wholly Owned Banks	N/A	£25m	3 years
Structured Deposits: Fixed term deposits with variable rate and variable maturities	Sovereign rating AAA Short-term rating F1+ Long-term rating AA-	£25m	3 years
UK Government Gilts	Long Term AAA	£20m	5 years

12.20 The minimum credit rating required for an institution to be included in the Council's counterparty list is as follows:

**Table 5**

Agency	Long-Term	Short-Term	Viability	Support
Fitch	A	F1	a	1
Moody's	A2	P-1	C-	N/A
Standard & Poors	A	A-2	N/A	N/A
Sovereign Rating	AAA			
Money Market Fund	AAA			

12.21 The Council will lend to the UK Government and its banking sector and to overseas banks from countries with a AAA sovereign rating from Fitch and other credit reference agencies. Based on current lowest available rating, the following countries are currently rated AAA and are therefore approved for investment:

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

12.22 All credit ratings will be monitored on a proactive basis and the Council's counterparty list will be updated to take account of alerts to changes in ratings through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria as outlined in 12.13, its further use as a new investment will be withdrawn immediately.
- If a body is placed on negative rating watch (i.e. there is a reasonable probability of a rating change and the likelihood of that change being negative) and it is currently near the floor of the of the minimum acceptable rating for placing investments with that body as outlined in 12.13, then no further investments will be made with that body.

12.23 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

12.24 The Council anticipates its fund balances in 2014-15 to average approximately £200m, although the actual amount available for investment at any one time will fluctuate as a result of timing of significant items such as:

- Expenditure on capital projects
- Council tax, business rates, council house rent income
- Receipt of government grants
- Capital receipts in respect of major asset sales

12.25 It is proposed that the Council adopts a prudential indicator limit of £25m for 2014-15 for term deposits over one year (but no more than 3 years) although only £15m can be invested between 2 to 3 years maturity.

### **13 MINIMUM REVENUE PROVISION POLICY STATEMENT**

- 13.1 The Council is required to provide an annual amount in its revenue budget to provide for the repayment of the debt it has incurred to finance its General Fund capital investment. The calculation of this sum termed the Minimum Revenue Provision (MRP) was previously prescribed by the Government.
- 13.2 The Department of Communities and Local Government (DCLG) now require Councils to establish a policy statement on the MRP and has published guidance on the four potential methodologies to be adopted.
- 13.3 The guidance distinguishes between supported borrowing which relates to assumed borrowing which is incorporated into the Governments FormulaGrant calculation and consequently has an associated amount of government grant and unsupported borrowing. Unsupported borrowing is essentially prudential borrowing the financing costs of which have to be met by the Council locally.
- 13.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made pending finalisation of transitional arrangements following introduction of Self-Financing.
- 13.5 The DCLG guidance provides two options for the calculation of the MRP associated with each classes of borrowing.
- 13.6 The two options for the supported borrowing are variants of the existing statutory calculation which is based on 4% of the aggregate assumed borrowing for general fund capital investment - termed the Capital Financing requirement (CFR). The two options are:
- Option 1 (Regulatory Method): To continue the current statutory calculation based on the gross CFR less a dampening factor to mitigate the impact on revenue budgets of the transition from the previous system. This calculation is further adjusted to repay debt transferred to the Council when the Inner London Education Authority (ILEA) was abolished.
  - Option 2 (Capital Financing Requirement Method): The statutory calculation without the dampener which will increase the annual charge to revenue budget.
- 13.7 The options purely relate to the timing of debt repayment rather than the gross amounts payable over the term of the loans. The higher MRP payable under option 2 will accelerate the repayment of debt.
- 13.8 It is recommended that because of budget constraints in the medium term the existing statutory calculation with the ILEA adjustment be adopted as the basis of the Councils MRP relating to supported borrowing.
- 13.9 The guidance provides two options for the MRP relating to unsupported borrowing. The options are:-
- Option 3 (Asset Life Method): To repay the borrowing over the estimated life of the asset with the provision calculated on either an equal instalment or annuity basis. This method has the advantage of simplicity and relating repayments to the period over which the asset is providing benefit.

- Option 4 (Depreciation Method): A calculation based on depreciation. This is extremely complex and there are potential difficulties in changing estimated life and residual values.

13.10 It is recommended that option 3 is adopted for unsupported borrowing.

13.11 The Council is required under regulation 28 of the Local Authorities (Capital Finance and Accounting) (England ) (Amendment) Regulations 2003 to determine for each financial year an amount of minimum revenue provision which it considers to be prudent. It is proposed that the Council makes Minimum Revenue Provision using Option 1 (Regulatory Method) for supported borrowing and Option 3 (Asset Life Method) for unsupported borrowing.

## 14 **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

14.1 The comments of the Chief Finance Officer have been incorporated into the report.

## 15 **LEGAL COMMENTS**

15.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

15.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

15.3 It is a key principle of the Treasury Management Code that an authority should put in place "comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities". Treasury management activities cover the management of the Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is consistent with the key principles expressed in the Treasury Management Code for the Council to adopt the strategies and policies proposed in the report.

15.4 The report proposes that the treasury management strategy will incorporate prudential indicators. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Council to have regard to the CIPFA publication "Prudential Code for Capital Finance in Local Authorities" ("the Prudential Code") when carrying out its duty under the Act to determine an affordable borrowing limit. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the Council. If after having regard to the Prudential Code the Council wished not to follow it, there would need to be some good reason for such deviation.

- 15.5 The Local Government Act 2000 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue provision, is a matter that should not be the sole responsibility of the authority's executive and, accordingly, it is appropriate for the Mayor in Cabinet to agree these matters and for them to then be considered by Full Council.
- 15.6 When considering its policies and strategies, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't.

## **16 ONE TOWER HAMLETS CONSIDERATIONS**

- 16.1 Capital investment will contribute to achievement of the corporate objectives, including all those relating to equalities and achieving One Tower Hamlets.. Establishing the statutory policy statements required facilitates the capital investments and ensures that it is prudent.

## **17 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 17.1 There are no sustainable actions for a greener environment implication.

## **18 RISK MANAGEMENT IMPLICATIONS**

- 18.1 There is inevitably a degree of risk inherent in all treasury activity.
- 18.2 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 18.3 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
- 18.4 The council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Sector Treasury Services who specialise in Council treasury issues.

## **19 CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 19.1 There are no any crime and disorder reduction implications arising from this report.

## **20 EFFICIENCY STATEMENT**

- 20.1 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

## 21 APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Definition of Credit Ratings

Appendix 3 – Treasury Management Policy Statement

Appendix 4 – Treasury Management Scheme of Delegation

Appendix 5 – Treasury Management Reporting Arrangement

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

<b>Brief description of “background papers”</b>	<b>Name and telephone number of holder and address where open to inspection.</b>
None	N/A



**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

Prudential indicators	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Extract from budget and rent setting reports	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>						
Non – HRA	110.254	107.212	118.307	26.525	30.980	30.980
HRA	39.045	78.481	103.027	76.590	39.000	39.000
<b>TOTAL</b>	<b>149.299</b>	<b>185.693</b>	<b>221.334</b>	<b>103.115</b>	<b>69.980</b>	<b>69.980</b>
<b>Ratio of Financing Costs To Net Revenue Stream</b>						
Non – HRA	2.51%	2.89%	2.50%	3.05%	3.55%	3.94%
HRA	3.98%	4.04%	4.00%	3.87%	4.66%	3.87%
	£m	£m	£m	£m	£m	£m
<b>Gross Debt and Capital Financing Requirement</b>						
Gross Debt	90.406	99.561	99.561	113.962	128.894	127.005
Capital Financing Requirement	225.848	229.477	229.702	238.628	268.409	262.219
Over/(Under) Borrowing	(129.916)	(135.442)	(130.141)	(124.666)	(139.515)	(135.214)
<b>In Year Capital Financing Requirement</b>						
Non – HRA	(5.887)	3.628	3.854	(6.146)	(6.219)	(6.190)
HRA	0.000	0.000	0.000	15.072	36.000	0.000
<b>TOTAL</b>	<b>(5.887)</b>	<b>3.628</b>	<b>3.854</b>	<b>8.926</b>	<b>29.781</b>	<b>(6.190)</b>
<b>Capital Financing Requirement as at 31 March</b>						
Non - HRA	156.173	159.802	160.027	153.881	147.662	141.472
HRA	69.675	69.675	69.675	84.747	120.747	120.747
HRA Settlement	0.000	0.000	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>225.848</b>	<b>229.477</b>	<b>229.702</b>	<b>238.628</b>	<b>268.409</b>	<b>262.219</b>
<b>Incremental Impact of Financing Costs (£)</b>						
Increase in Council Tax (band D) per annum	0.000	0.000	0.000	0.000	0.000	0.000
Increase in average housing rent per week	0.000	0.059	0.000	1.080	1.451	0.000

Treasury Management Indicators	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Authorised Limit For External Debt -</b>						
Borrowing & Other long term liabilities	250.848	255.409	255.409	263.628	293.409	293.409
Headroom	20.000	20.000	20.000	20.000	20.000	20.000
<b>TOTAL</b>	<b>270.848</b>	<b>275.409</b>	<b>275.409</b>	<b>283.628</b>	<b>313.409</b>	<b>313.409</b>
<b>Operational Boundary For External Debt -</b>						
Borrowing	250.848	255.409	255.409	263.628	277.409	293.409
Other long term liabilities	0.000	0.000	0.000	0.000	16.000	0.000
<b>TOTAL</b>	<b>250.848</b>	<b>255.409</b>	<b>255.409</b>	<b>263.628</b>	<b>293.409</b>	<b>293.409</b>
<b>Gross Borrowing</b>	<b>99.561</b>	<b>90.406</b>	<b>99.561</b>	<b>113.962</b>	<b>128.894</b>	<b>127.005</b>
<b>HRA Debt Limit*</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>
<b>Upper Limit For Fixed Interest Rate Exposure</b>						
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%	100%
<b>Upper Limit For Variable Rate Exposure</b>						
Net interest payable on variable rate borrowing / investments	20%	20%	20%	20%	20%	20%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>
<b>Maturity structure of new fixed rate borrowing during 2013/14</b>	<b>Upper Limit</b>		<b>Lower Limit</b>			
Under 12 months	10%		0%			
12 months and within 24 months	30%		0%			
24 months and within 5 years	40%		0%			
5 years and within 10 years	80%		0%			
10 years and above	100%		0%			

## Appendix 2: Definition of Credit Ratings

### Support Ratings

Rating	
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-term rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-term rating floor no higher than 'B-' and in many cases no floor at all.

### Short-term Ratings

Rating	
F1	<b>Highest credit quality.</b> Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	<b>Good credit quality.</b> A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	<b>Fair credit quality.</b> The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

### Long-term Ratings

Rating	Current Definition (August 2003)
<b>AAA</b>	<b>Highest credit quality.</b> 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
<b>AA</b>	<b>Very high credit quality.</b> 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
<b>A</b>	<b>High credit quality.</b> 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
<b>BBB</b>	<b>Good credit quality.</b> 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category

### Individual Ratings

Rating	
<b>A</b>	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.
<b>B</b>	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects
<b>C</b>	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
<b>D</b>	A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
<b>E</b>	A bank with very serious problems, which either requires or is likely to require external support.

## Conversion/Comparison Table of Individual Ratings to Viability Ratings

Individual Rating	Viability Rating	Definitions
A	aaa	Highest fundamental credit quality 'aaa' ratings denote the best prospects for on-going viability and lowest expectation of failure risk. They are assigned only to banks with extremely strong and stable fundamental characteristics, such that they are most unlikely to have to rely on extraordinary support to avoid default. This capacity is highly unlikely to be adversely affected by foreseeable events.
A/B	aa	Very high fundamental credit quality 'aa' ratings denote very strong prospects for on-going viability and expectations of very low failure risk. Fundamental characteristics are very strong and stable, such that it is considered highly unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity is not significantly vulnerable to foreseeable events.
B/C	a	High fundamental credit quality 'a' ratings denote strong prospects for on-going viability and expectations of low failure risk. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
C/D	bbb	Good fundamental credit quality 'bbb' ratings denote good prospects for on-going viability and indicate that expectations of failure risk are currently low. The bank's fundamentals are adequate, such that there is a low risk that it would have to rely on extraordinary support to avoid default. However, adverse business or economic conditions are more likely to impair this capacity.
C/D	bb	Speculative fundamental credit quality 'bb' ratings denote moderately weak prospects for on-going viability and indicate an elevated vulnerability to failure risk, particularly in the event of adverse changes in business or economic conditions over time; however, a moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default.
D/E	b	Highly speculative fundamental credit quality 'b' ratings denote weak prospects for on-going viability. Material failure risk is present but a limited margin of safety remains. The bank is currently operating without reliance on extraordinary support; however, capacity for continued unsupported operation is vulnerable to deterioration in the business and economic environment.
D/E	ccc	Substantial fundamental credit risk Failure of the bank is a real possibility. The capacity for continued unsupported operation is highly vulnerable to deterioration in the business and economic environment.
E	cc	Very high levels of fundamental credit risk Failure of the bank appears probable.
E	c	Exceptionally high levels of fundamental credit risk Failure of the bank is imminent or inevitable.
F	f	'f' ratings indicate an issuer that, in Fitch's opinion, has failed, and that either has defaulted or would have defaulted had it not received

## Treasury Management Policy Statement

The London Borough of Tower Hamlets defines the policies and objectives of its treasury management activities as follows: -

1. This organisation defines its treasury management activities as:  
“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

### Policy on use of an External Treasury Advisor

The Council shall employ an external treasury advisor to provide treasury management advice and cash management support services. However, the Council shall control the credit criteria and the associated counter-party list for investments.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## Treasury Management Scheme of Delegation

### 1. Full Council / Cabinet

- receiving and reviewing reports on treasury management policies, practices and activities
- receiving the mid-year and annual (outturn) reports
- approval of annual strategy.

### 2. Cabinet /Section 151 Officer

- approval of/amendments to the organisation's adopted clauses and treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment.

### 3. Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations

**Treasury Management Reporting Arrangement**

<b>Area of Responsibility</b>	<b>Council/Committee/ Officer</b>	<b>Frequency</b>
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	Annually before the start of the financial year to which policies relate
Mid-Year Treasury Management Report	Full Council	Semi-Annually in the financial year to which policies relate
Updates or revisions to the Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Audit Committee or Full Council	As necessary
Annual Treasury Outturn Report	Audit Committee and Full Council	Annually by 30 September after the year end to which the report relates
Treasury Management Practices	Corporate Director-Resources	N/A
Scrutiny of Treasury Management Strategy Statement	Overview and Scrutiny Committee (if called in) / Audit Committee	Annually before the start of the financial year to which the report relates
Scrutiny of Treasury Management Performance	Audit Committee	Quarterly