

<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**

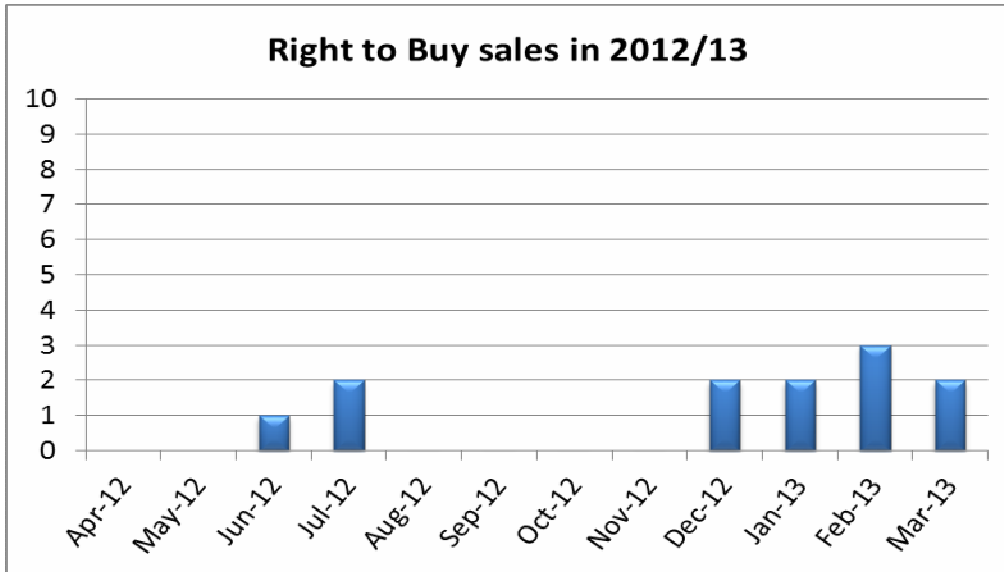
#### **8.2.1 Changes to the Right to Buy Policy**

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.

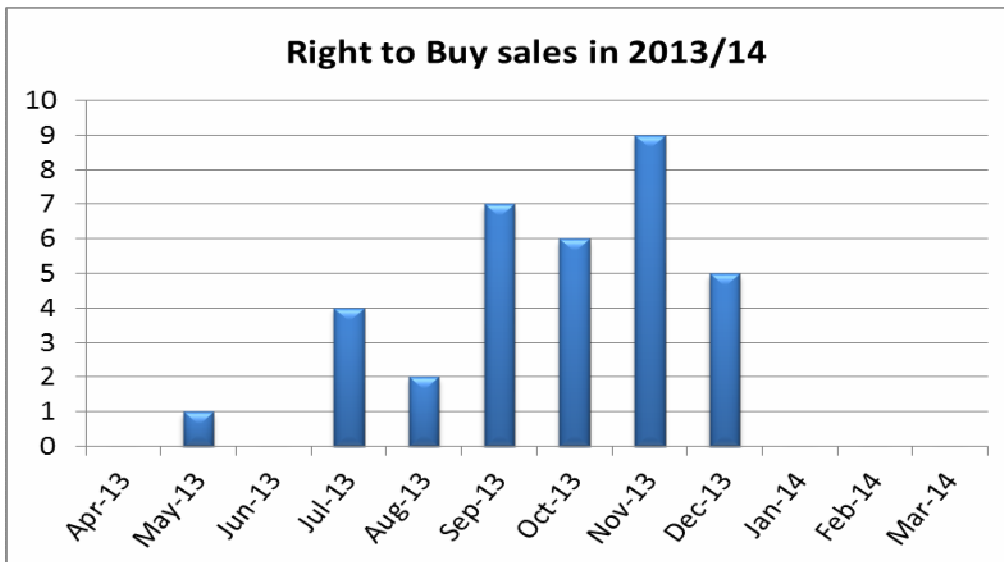
#### **8.2.2 Right to Buy Sales**

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	The rent increase does not have a disproportionately adverse effect on tenants on the grounds of race.  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 & 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%.  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 & one bedroom properties.
Disability	A	The rent increase does not have a disproportionately adverse effect tenants on the ground of disability.  Records indicate that approximately 17.65% of residents have a disability. Whilst the rent is



<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	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 in 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>
		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>
		<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**

<b>Recommendation</b>	<b>Key activity</b>	<b>Progress milestones including target dates for either completion or progress</b>	<b>Officer responsible</b>	<b>Progress</b>
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	

**APPENDIX 1**

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	

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)	

**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**

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

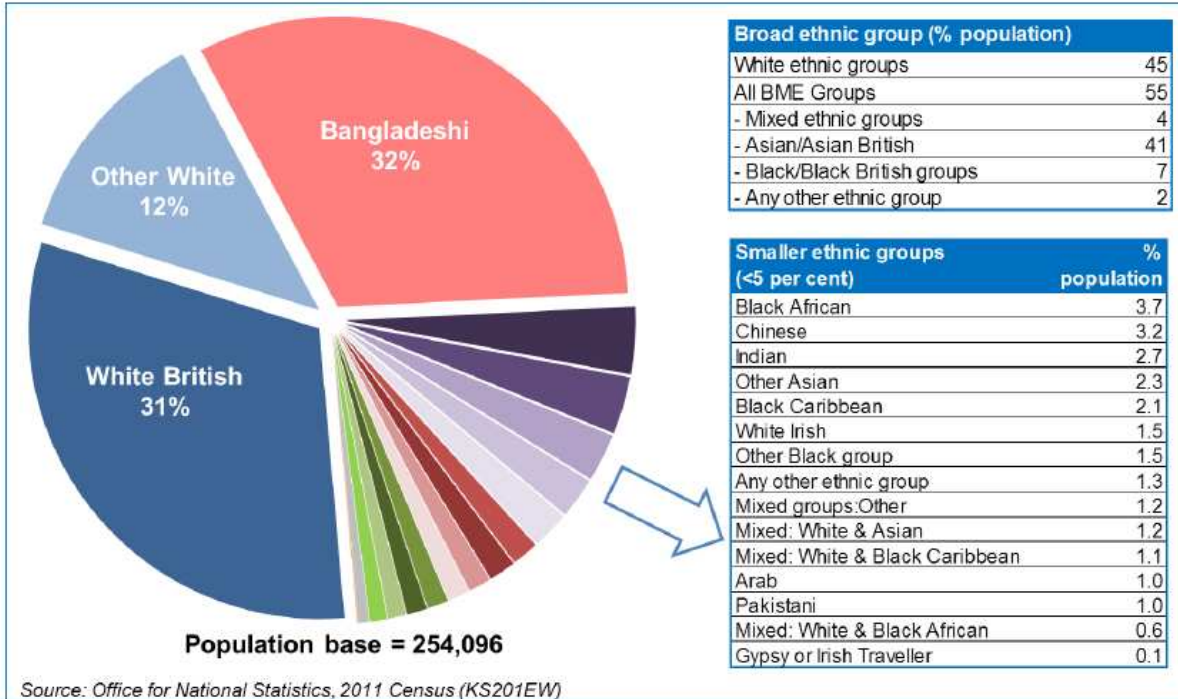


Figure 1 Population by religion, Tower Hamlets, 2011

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

