

TOWER HAMLETS

TIME TO ACT



FAIRNESS

COMMISSION



Toynbee Hall

LUTFUR RAHMAN | MAYOR OF
TOWER HAMLETS

COMMISSION

TOWER HAMLETS FAIRNESS COMMISSION

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“Its not fair!” is amongst the earliest moral interventions we make as a child. Mostly, it is presented in the form of a complaint over the distribution of limited resources – toys, food, space, attention etc. And whilst the precise nature of fairness remains a matter of considerable philosophical debate, especially amongst political philosophers, there is a basic level on which most of us clearly recognise unfairness when we see it. Simply put: unfairness is easier to recognise than fairness itself.

The Tower Hamlets Fairness Commission was set up in November 2012, at the instigation of the Mayor, Lutfur Rahman, as a way of taking a broad and alternative view of a number of urgent and pressing social problems. Tower Hamlets and many areas like it are at a crossroads. The political and financial climate and a rapidly changing policy landscape mean that public services can no longer be delivered in the same way. Public opinion of big business, particularly some of those companies based in the borough, is at an all-time low. The borough’s population is growing and the demography changing into something less familiar. Given drastic cuts in central government funding the challenge of addressing social problems locally has changed and become more difficult. The Commissioners were asked to consider these big and difficult issues and the current fairness debate and make recommendations as to how Tower Hamlets, one of the most unequal places in the country, could become a fairer place to live.

The first Fairness Commission was set up by Islington Council in 2010, drawing heavily upon the work of Richard Wilkinson, who chaired the

Islington Commission and whose groundbreaking book *The Spirit Level* (co-authored with Kate Pickett) insisted that inequality is not just a problem for the poorest but for all of society. Unequal societies "have more violence, they have higher teenage birth rates, they have more obesity, they have lower levels of trust, they have lower levels of child well-being, community life is weaker and more people are in prison," argues Professor Wilkinson. In other words, inequality is bad for the wealthy as well.

The East End of London has historically been a place where deep-seated social issues have risen to public consciousness. Even before the Victorian age, the east side of London was poorer than the west, with a predominance of dirty industries like tanning being situated downwind from the City of London where they were banned. But as the British Empire expanded under Victoria, so did the volume of trade coming in and out of the East End via the Thames. The new St Katherine’s Docks opened in 1827, creating the need for large numbers of dockworkers. Immigrants from all around the world came here for political sanctuary. French Huguenots had arrived from the 16th century, followed by Jews escaping the Tsarist pogroms, and the Irish and more latterly people from South East Asia, Eastern Europe and Somalia.

From the mid nineteenth century onwards, the East End became increasingly overcrowded, a rabbit warren of run down and insanitary alleyways and so called rookeries. In 1866, a cholera epidemic killed 3000 people. And later in 1889, Charles Booth published his famous poverty map of London, with many streets shaded black - depicting what he called “Lowest

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Class. Vicious, semi-criminal" - and dark blue - "Very poor, casual. Chronic want".

From the end of the 19th century, the social problems of the East End generated much public and political concern. Then, as indeed now, the poverty in the area was widely regarded as a moral outrage and called for a political response on many levels. In response to the growing number of immigrants, Parliament set up the Aliens Commission in 1903 and passed the Aliens Act two years later. In response to poverty, the first social housing in the country was opened at Arnold Circus in Shoreditch 1900, replacing the notorious Old Nichol rookery. This history has become the stuff of legend, with its own particular romance and temptation towards nostalgia.

Tower Hamlets today is very different. Whilst some issues remain the same, not least that of relative poverty, poor health and shortage of affordable housing, there has been major investment, especially in education, yielding impressive consequences with GCSE results now consistently above the national average. The most visible symbol of investment in Tower Hamlets though is the shining towers of Canary Wharf. Now a global financial hub it has created hundreds of thousands of jobs and brought considerable wealth to the borough: The Tower Hamlets economy is worth £6billion per year, more than Monaco, Malta and Jersey, and provides 230,000 jobs, 60,000 more than there are working age residents. That wealth has not trickled down to most of its residents though. 49 percent of children in the borough live in poverty, the highest proportion in the country, there are significant health inequalities within the

population. A fifth of households have an annual income of under £15,000, whereas the average salary of people who work in the borough is £78,000, the 2nd highest rate in UK. 10% of working age residents earn £100,000 or more, compared to 2% in London. Arguably, no other part of the country contains such an astonishing gap between rich and poor.

Tower Hamlets continues to change, dramatically and quickly. The population is growing, both through a high birth rate and inward migration. Property prices and rents are rising, driven by the relentless demand for property in inner London. Development is fast-paced and the economy continues to grow and evolve. In 2012 an average income of £75,000 was needed to rent privately in the borough and spend no more than a third of your income on housing costs. This gentrifying trend shows no sign of slowing down. The current Government's welfare reforms will further exacerbate this. The impact of the benefit cap, bedroom tax and other changes are having a particularly damaging and unfair impact in inner London boroughs like Tower Hamlets. The Commission has not made a recommendation to Government to abolish these reforms, but disagrees with them thoroughly, as I hope is evident throughout the report.

With a limited stock of social housing, 'affordable rents' now defined as 80% of the market rate, high private sector rents and government cuts to housing benefit, Tower Hamlets is becoming increasingly unaffordable for those on low or even medium incomes. Poorer families not in social housing are being forced out of the area, further away from the centre of London and, in

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many cases, away from their support structures of community, friends and family. This weakening of community ties is exacerbated by the predominance of short term lets, creating a population churn on many of the borough's estates and turning neighbours into strangers. During the course of this Commission, the overriding concern from a great many people was the availability of long term and affordable housing. The shifting population that this situation has created raises the broader more philosophical question of what sort of a city London is becoming and whether it is increasingly becoming exclusively for the well off, with those on low and medium incomes effectively being forced out of the borough. The Commission agreed that such a shift would be profoundly unwelcome.

One of the positive effects of gentrification is that Tower Hamlets is regarded as an exciting and vibrant place to live. And rightly so. But just as the bars, restaurants and galleries tell one part of the story, so too the pawnbrokers and queues outside the advice agencies tell another. Many feel that the economic activity that centres on Canary Wharf does little to benefit local people in terms of jobs and that the business world could take a great deal more responsibility for the wellbeing of the area in which they are based. Debates over responsible business are, of course, a subject of much national and international concern. Indeed, there inevitably remains much widespread disquiet that those seen as responsible for the financial crisis of 2007/8, many of whom have offices in Canary Wharf, are not the ones bearing its harshest consequences. All this seems especially important in a situation where local government, facing

dramatic and unprecedented cuts in funding from central government, is increasingly less able to mitigate the financial pressure on many of the more vulnerable members of the community. The Commission was therefore keen to involve the business community from the start, and articulate through its recommendations what more responsible, and more local, business citizenship could look like, finding ways for that wealth to cross a great divide, in a way that matched the needs of the local community.

Not that this report is aimed exclusively at the business community. There are recommendations here for national government, for the council and for community and faith groups. The Commission seeks to offer challenges to all of these parties. The guiding idea is that fairness is inextricably linked to the flourishing of the whole community, pulling together to care for itself and especially those that are most vulnerable. In this regard Tower Hamlets is already well endowed, with a very large and vibrant voluntary sector, rich with a history of pioneering social action, and strong, well-engaged faith groups and public services with an excellent track record. And there is so much good work on which to build - Tower Hamlets has an enviable record of community cohesion. Despite being a place of considerable ethnic and religious diversity, relationships between different groups remain good, with what community tension there is often being generated by people coming into the borough from elsewhere.

But there is much work to be done. This report seeks to chart some of the most pressing challenges affecting Tower Hamlets and is a call

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to action for those who live and work here – as well as to those whose political decisions affect its life - to continue to press for a fairer flourishing community. To that end, the Commission's 'big idea', is of new, more active, innovative collaborations between different organisations and sectors, across the borough, particularly involving the business community, who have been missing from much public and third sector 'partnership' working in the past. Effecting a step change in the issues identified within this report will require a reimagining of organisational roles and boundaries, creating a new public sphere.

In the last 15 years there has been significant investment in public services to mitigate the effects of poverty. But people are still living on really low incomes, in overcrowded, expensive housing and many can't get a job. Whilst this has been a persistent and familiar experience for East End residents for many years, the culmination of devastating and unfair welfare reforms, rising costs of living and an acute local housing crisis mean that this situation is getting a lot worse and quickly. Significant action is required. In an effort to address these most pressing challenges, which underpin equality and fairness, the Fairness Commission has deliberately focused most of its attention on the underlying issues: money, jobs and housing. The chapters and recommendations in this report take each of those in turn.

Tower Hamlets has been the birthplace of some of the most radical and seminal ideas in British social history. Collaborative political and community leadership is now urgently needed to address the current crisis with the same energy and vigour.

Dr Giles Fraser
Chair of the Tower Hamlets Fairness Commission

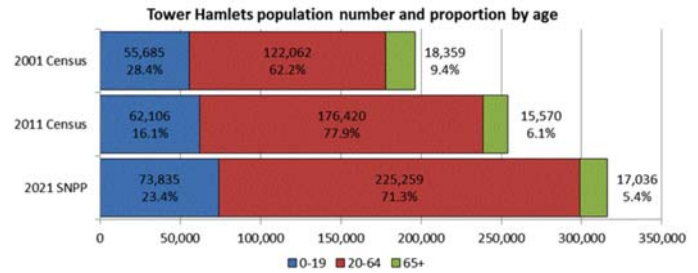
TOWER HAMLETS NOW AND IN THE FUTURE

Tower Hamlets has long been a place with high levels of deprivation, and where rich and poor live alongside one another. What is so pressing now is the pace of change the borough is experiencing. It is becoming harder and harder to live in Tower Hamlets on a low income as costs of living rise and welfare reforms bite. This chapter considers the changing demography of the borough, how costs are rising and why welfare reforms are so damaging for Tower Hamlets residents. Finally, it will set out the devastating cuts to local authority funding and the impact these could have. They provide the context for the recommendations of the Tower Hamlets Fairness Commission.

POPULATION GROWTH AND CHANGE

The 2011 Census showed us how fast the population of Tower Hamlets grew over the previous decade, by 29% since 2001 to 256,000. Population projections (SNPP in the diagram below) suggest it will increase at a similar pace in the coming years, rising to 330,000 by 2021 and 400,000 by 2041.

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As the population grows, the type of people living in the borough is also changing. Much of the recent growth has been driven by people coming to the borough to work, from all over the UK and the world. The chart above shows how population growth will come from increases in the working age population over the next 10 years. One of the defining features of Tower Hamlets is its multi-cultural population, which has evolved through waves of immigration going back hundreds of years, and continues to do so. Tower Hamlets has the largest Bangladeshi population in the UK, comprising 32% of the population. More than two thirds of the population belong to minority groups (i.e. not White British). 55% are from black and minority ethnic groups and 14% are from white minority groups. There are significant Somali and Chinese populations. Today many migrants are arriving in the borough seeking economic opportunities in London. This working age population is very mixed, with people arriving in the borough from all over the world.

HEALTH AND WELLBEING

Another feature of the population, of concern to the Commission, is the stark health inequalities. There are significant differences in life expectancy between the poorest and richest residents of the borough. There is 11.2 years difference in life expectancy for men, and 6.5 years difference for women, between the richest

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and poorest people in the borough. 9% of all babies are born with a low birth weight, an indicator of maternal health, compared with a London average 7.5%. It is as high as 11.5% in the most deprived ward in the borough.

WELFARE REFORM

Two broad strands run through the Government's welfare reforms, the desire to reduce the number of people who can claim a form of social security and a desire to reduce the payment amounts to those that still receive them.

Changes to disability benefits have meant reassessing millions of recipients of Incapacity Benefit (IB) and moving them on to either Employment and Support Allowance (ESA) or Jobseekers Allowance (JSA) and assessing their fitness to work. So far the Government have declared 23% of those claiming IB as 'fit for work' taking them off disability related benefits. The Government has also stated that reducing eligibility for Disability Living Allowance, which will become the Personal Independence Payment (PIP), is set to reduce payments by 20%. Eligibility changes also affect young single people, as they will no longer be able to claim housing benefit for a self-contained dwelling if they are under 35 and will only be supporting in shared accommodation, even if they have dependents who will visit.

In reducing payment amounts the Government have focused on the most significant working age benefit – housing benefit. Rather than address the root cause of high housing costs by increasing supply and restricting profiteering

through rents the Government has focused its reforms on those coping with high rent. Government is reducing the benefits paid to private rented sector tenants by capping Local Housing Allowance to the lowest third of rents. Housing benefit paid in the social housing sector is being reduced for those deemed to be 'over-occupying' by having more bedrooms than they need, the so-called 'bedroom tax'. Non-dependent deductions, have substantially increased. Finally a 'benefit cap' has been imposed, limiting the total social security a household is eligible for to £500 per week, at a time when private rents in the borough average £400 a week and higher.

A recent response to central government by London Councils shows that Local Housing Allowance caps (the amount of housing benefit you can claim to live in the private sector) have been set too low and the bedroom tax (affecting 2,500 Tower Hamlets households) is purely punitive as there are not enough one and two bedroom properties for people to move into. The benefit cap is likely to further increase homelessness, driving up costs as residents are evicted from the private sector and moved to expensive temporary accommodation and B&Bs. In Tower Hamlets approximately 1000 households will lose around £65 a week on average through the cap or around £3,400 a year. The most vulnerable tenants, in homeless temporary accommodation, will be hit by an average £105 a week loss - around £5,500 a year. These figures make the situation completely unsustainable across most of the capital and will lead to thousands of families and tens of thousands of children to be forced out of London.

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Finally, those not affected by the changes in disability and housing benefit will still have their benefits capped to a 1% rise a year for the next three years. This includes working tax credit and child benefit and so affects households in work and will increase in-work poverty, further squeezing living standards. The total loss to residents through welfare reform is estimated at around £8m per annum in Tower Hamlets.

RISING COSTS

It is becoming more and more difficult to live in Tower Hamlets on a low income. Costs of living – food, energy, transport – are rising and there is a crisis in the availability of affordable housing. With some of the highest house prices in London, driven by overseas investment in the London property market, home ownership is out of the question for all but the highest earners and accounts for only 24% of households. The private rented sector has grown dramatically, accounting for a third of homes in the borough and 87% of new houses built since 2001. Rents in the private sector are high and completely unaffordable to many local residents – £1280 per month for a 1 bedroom home, and £2080 for a 3 bedroom home. Research undertaken by the borough indicates that you would need to earn around £50,000 to rent an average 1 bedroom flat in Tower Hamlets. Over the last 12 months, average monthly rental prices have increased in all property size categories in the borough. The average private rent increased by 16.7% compared to a London average increase of 8.9%.

Until recently housing benefit has kept pace with most market rents, but that will no longer be the case as social security levels are capped. Demand for more affordable social housing far outstrips supply and waiting lists are long. This is despite the borough currently delivering the most number of affordable homes in the country. There are already too many families living in properties that are too small for them, in severely overcrowded conditions. Demand for large family housing is very high in Tower Hamlets: 22,000 families are on the housing waiting list with over 7,000 families waiting for 3 bed or larger properties, the majority of whom are in the top two priority bands on the waiting list. Those not in social housing have to rent in the private sector where increases in rents and the cap in housing benefit mean that larger properties are unaffordable to most of the people who need to live in them, exacerbating the crisis further. A family renting in the private sector will pay, on average, 5 times as much as a family renting a council-owned property. The council have already seen a 10% rise in homelessness applications and evictions since 2012.

PUBLIC FINANCE AUSTERITY

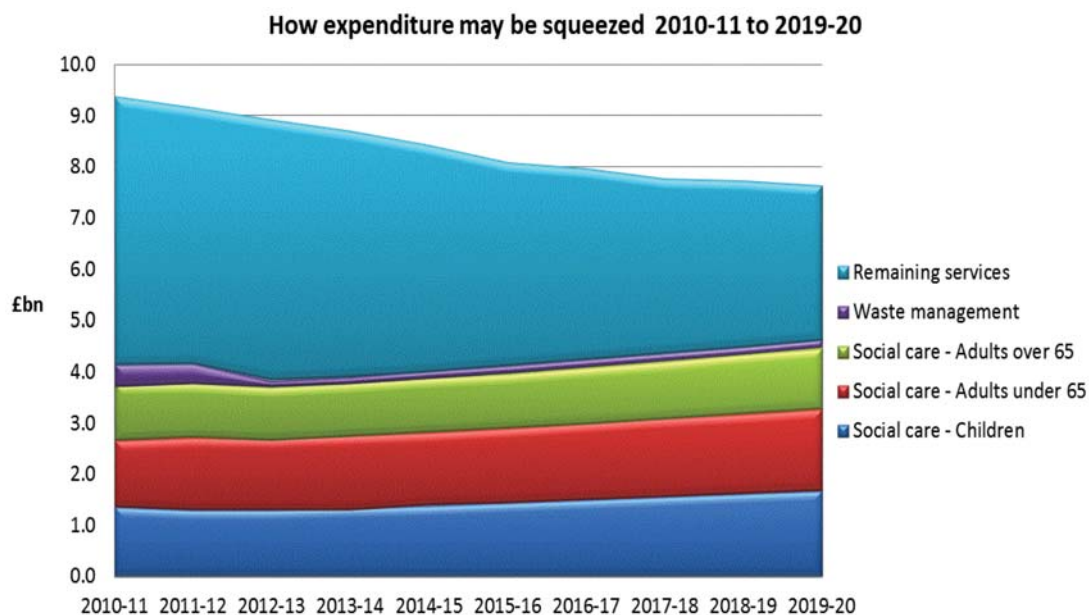
The country faces an unprecedented squeeze on public spending. The Coalition Government's Spending Review in November 2010 set out unprecedented cuts to the funding of public services. In his 2012 Autumn Statement, the Chancellor confirmed that the Government would maintain the same pace of spending cuts for three further years beyond the end of the current Spending Review, into 2017-18. Recent modelling by the Local Government Association

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shows a likely national funding gap for local authorities of £16.5 billion a year by 2019/20 - a 29% shortfall between revenue and spending pressures. For Tower Hamlets this is likely to mean that over the seven years of the austerity period, from the emergency budget in the autumn of 2010 to 2017/18, the council's budget, excluding schools funding, will have been cut by around 50% in real terms.

The graph below sets out the pressure on local government finance in London resulting from the combined impact of: continued austerity; accelerating population growth and; a projected increase in social care need. One London borough has predicted that, if nothing else changes, the cost of social care will rise so much that by 2028 this will account for all of the council's net budget. The following graph, illustrates this concern.

In many ways, Tower Hamlets is at a tipping point. Trends of demographic change have established themselves and national policies that could have significant effects on the demography of the borough are being implemented now. This situation raises important questions about who can live here, who wants to live here and who has the right to live here. Starting from the point of view that Tower Hamlets should remain an area where people from different backgrounds and with different incomes should be able to live together, then what we are seeing now is more than a tipping point, it is a crisis. And we'll soon start to see the impact of that crisis on residents, as health problems, particularly mental health, domestic violence, debt problems and homelessness inevitably begin to rise at a time when the capacity of public services to respond to such problems is severely constrained.



Source: London Councils, 2013

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This chapter is about poverty, about making ends meet on a very low income. 49% of Tower Hamlets children live in poverty, the highest rate in the UK, and a fifth of households have an income of under £15,000. Whilst Tower Hamlets has long been home to large numbers of people on low incomes, the current economic and political environment means that people already struggling to get by from month to month are finding it harder to cope, as their costs of living rise. There is now a lot less margin when things go wrong. Working age benefits will only rise 1% for the next three years, much lower than the rate of inflation. The linking of most benefits and tax credits to the Consumer Price Index rather than the Retail Price Index is also expected to add to downward pressure on the income of benefit recipients. The average annual 2012 electricity bill has risen by £26 since 2011, to £479. Meanwhile, the average annual 2012 gas bill across all payment types has risen by £81 since 2011, to £800. Across the country there has been a rise in the number of people using food banks, particularly as a result of benefit sanctions and delays in social security payments. The 'bedroom tax' is leaving people unable to pay their rent. It is estimated that 33,000 Tower Hamlets residents are in arrears with their debts. Welfare reforms are forcing people into impossible choices as they try to feed their family, keep a warm roof over their heads, pay their bills and get to school and work.

The council and local organisations have made a really proactive and positive start in responding to this increasingly difficult situation, assessing need, providing clear information to affected residents and co-ordinating support. This has built on strong borough-wide work in recent

years to promote financial inclusion and capability. The council is also providing financial support to those in need, offering crisis loans as well as providing funding to support families living in temporary accommodation.

In this chapter the Commission makes a number of recommendations which it hopes will have a significant impact on people's ability to cope with financial stress and weather the storm of welfare reform. These recommendations call for strong leadership and clear changes in local financial services. The Commission wants to see dramatically improved access to and awareness of good, affordable financial products; a borough-wide commitment to financial education from an early age; and effective support when things go wrong.

The first recommendation is an overarching one, relating to the 'poverty premium', the extra costs you often pay if you're poor, particularly if you can't access mainstream financial products. The Commission wants to see that premium eradicated. The second recommendation, on digital inclusion, is linked. Financial exclusion often means digital exclusion too. The next three recommendations seek to limit the impact of payday lenders and other sources of high-cost credit in the borough, and promote lower cost alternatives, including the Credit Union. The final recommendation in this chapter is about local organisations providing the best possible support to those who do find themselves at crisis point.

These recommendations will all require different organisations to come together, including some who perhaps haven't been involved in the borough-wide financial inclusion agenda before,



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to collaborate and effect change. What is clear is that Tower Hamlets is in a unique position given the global financial centre within its borders, full of expertise and resources which could make an impressive impact on the issues which will be raised in this chapter. The Commission strongly believes that the City and Canary Wharf's status as global leaders in financial services should similarly apply to financial inclusion and that the locally based banking sector is in a prime position to take a stronger leadership role in embedding fairness and equality as underlying principles of the British banking system.

THE POVERTY PREMIUM

In 2007 Save the Children introduced the concept of a 'poverty premium' to describe the extra costs that families living on low incomes can pay for essential goods and services. Food, fuel, credit, telephone services and insurance can all cost more if your income level prevents you from accessing cheap credit, mainstream banking services such as direct debit, or buying up front or in bulk. For example, if you have a pre-payment key arrangement to buy electricity or you can't pay by direct debit you will pay more per unit for your electricity. In 2010 Save the Children estimated that the poverty premium paid by a household was £1280 per year.

Toynbee Hall is currently undertaking in-depth research to gain a more sophisticated understanding of the level and nature of the poverty premium in Tower Hamlets. It has revealed that the poverty premium is not a fixed figure for all low-income families. People make decisions and trade-offs about what, how

and the price at which they buy the goods and services they need, based on their own individual circumstances. Some people prefer not to pay by direct debit for utilities, although they know it costs more, for fear of becoming overdrawn and being charged by their bank. Paying as and when they choose to gives them more control. Some people are able to borrow money and other resources from friends and families, others are more isolated and can't. Some families go to great lengths to shop around for food, buying different items from the cheapest available source, although were still unable to take advantage of bulk-buying options.

The Commission believes the poverty premium is indicative of a structural unfairness for certain, largely low income groups. We recommend that the council and its partners work together to eliminate the poverty premium in Tower Hamlets. Given the nature of the poverty premium, this will require work at a national level with energy, water and telecommunication companies to address their financial inclusivity, as well as with financial service providers to address the costs and access to credit. The Commission envisages this that work will be led locally by the existing Tower Hamlets financial inclusion partnership, significantly raising the ambition of that work.

The Toynbee Hall research illustrates the strong link between 'financial capability' and whether or not a household pays a poverty premium. The other strand of work to eliminate the premium in Tower Hamlets must therefore be financial education. For young people this should be through schools; the Commission is pleased to note that financial education will soon be on the

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national curriculum for secondary schools, but hopes that all schools develop a strong approach to this, starting in primary school. For older people, this will be through community programmes which have real impact. For example, the Money Mentors programme, delivered by partners across the borough has had significant positive impact for adults who had little ability or confidence in financial matters, who have now improved not only their own abilities in navigating financial processes, but are able to share that knowledge and confidence throughout their community.

DIGITAL INCLUSION

Achieving digital inclusion in Tower Hamlets is an essential element in creating a fairer environment in terms of both money and jobs. Access to the internet should be regarded in similar terms as access to water, electricity and gas – a fundamental utility that households should not be without. Tower Hamlets will not effectively tackle the poverty premium nor maximise access to job opportunities without reducing the number of people who can't access the internet. There is good evidence from cities such as Liverpool that a locally led digital inclusion strategy can have a significant impact at relatively low cost.

We therefore recommend that Tower Hamlets becomes an online borough and that a partnership is developed in which local universities, and or the creative and digital industries, take the lead in making free access to wireless internet universal in Tower Hamlets. Such a campaign should seek to involve local young people to better link them to the local digital economy, and use housing estates and

the hubs they create to promote universal access, especially as digital exclusion is higher amongst those living in social housing. An important element of becoming an online borough would be developing the skills of all residents to use IT and access online information and services. This would ensure that everyone in Tower Hamlets could make the most of this capability.

AN UNHEALTHY SAFETY NET: PAYDAY LOANS AND HIGH COST CREDIT

There is significant public concern regarding the significant expansion of the payday loan market, its practices and impact, and this concern has been voiced by a number of MPs, trade unions, Citizens Advice Bureau, faith and community organisations. One of the most powerful images of this in Tower Hamlets was during a Commissioner visit to Bethnal Green: on just one block of Bethnal Green Road there was a cash converter, a payday loan shop, a pawnbroker and a betting shop.

Payday loans are a focal point of a much wider dysfunctional and unfair credit market. The Commission strongly believes that Government, regulators and the banking sector will not be able to effectively rebuild the financial services sector reputation in the minds of many low income households whilst there is increasing evidence of exploitation and bad practice across the payday loan sector. The Commission is supportive of the Competition Commission and the Financial Conduct Authority's review of the payday loan sector. It is important that both of



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these reviews take a holistic view of the affordable credit and payday loan sector and seriously consider a cap on interest rates for the sector. At a local level the Commission would welcome further research into the use of payday loans in Tower Hamlets.

Local authorities around the country are doing what they can to limit the number and impact of payday lenders, gambling outlets and pawnbrokers, particularly on local high streets. The Commission has seen how the proliferation of these businesses, alongside fast food outlets and off licences selling low price alcohol, can create an environment in which the negative impacts on poverty and health accumulate. Unfortunately, the current legislation, particularly in relation to use classifications, makes it very difficult to use planning laws to prevent these 'unhealthy' businesses from opening and councils have struggled to effect change, losing legal battles when they are challenged. Earlier this year Newham Council refused to allow another betting shop on a street they felt already had too many, but their refusal was overturned on appeal. The Commission would like to see central government better support local authorities in this goal of making local environments healthier and more financially responsible and therefore recommends that Government gives local authorities greater power to limit unhealthy businesses, including payday loan and gambling outlets.

A recent London Councils report on improving London's high streets called for changes to the Use Classification Order system which would empower local communities. Specifically they recommended that betting shops, pawnbrokers

and 'cash for gold' shops be moved from use class A2 (financial services) to a new use class of their own. The Commission supports this recommendation.

CREDIT UNIONS AND AFFORDABLE CREDIT

In the current political and media campaign against high cost and exploitative payday lenders, credit unions are regularly held up as the affordable and responsible alternative. They are certainly one part of the solution to providing low-income families with access to affordable credit, but at the moment, they cannot be the whole solution. For credit unions to succeed and help more people on low-incomes, they need to be used by more people – people of all incomes, high, middle and low, need to save and most importantly, borrow, from credit unions to support their growth.

2010 legislation which allowed credit unions to expand their common bond and receive institutional investment has enabled many credit unions to expand their reach, attract new members and develop new products, but they still have some way to go to rival mainstream banks and payday lenders. One of the main barriers to expansion is the interest rates that they can charge, which are currently capped at 2% per month, or 26.8% APR, and their inability to recover administration charges on loans. This limits their ability to make small loans over a short period as they can't cover their costs.

Improving the legislative framework in which credit unions operate, by removing or significantly raising the interest rate cap and

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enabling them to recover their costs, would enable them to grow further, develop more products and compete on a level playing field with other lenders. A number of credit unions, such as London Community Credit Union and London Mutual, and other organisations such as Unite, are exploring in detail what would be required to enable credit unions to provide short-term loans and the Fairness Commission hopes the Government and financial institutions, as well as other credit unions, will consider these reports carefully. MPs proposed that the interest rate cap be raised to 3% per month, this was recently agreed and will come into effect in April 2014. The Commission believes that this is still too restrictive and does not go far enough in enabling credit unions to make competitive short term loans. Raising the cap further would enable credit unions to provide more affordable and sustainable loans, as a viable alternative to pay day loan companies.

In many ways the residents of Tower Hamlets are lucky in that the borough has a relatively well developed credit union. London Community Credit Union has three branches in the borough (and one in Hackney) and has developed new products such as current and 'jam jar' accounts. Credit unions like this do not exist in every part of the UK. But London Community Credit Union, like credit unions in many areas, still needs support to grow and succeed. The credit union sector needs investment in staff and volunteers to improve their ability to understand and assess risk, their knowledge of sound business practices and marketing skills. The Commission believes the financial services sector is well placed and has a responsibility to do this. The Post Office network is now linked to credit unions and can

also offer current accounts. The Post Office banking system could be built up more to provide local banking to people on low incomes. We recommend that the government and the financial services sector make a serious commitment to supporting the development of the credit union sector so it can provide a viable alternative to payday loans and competitive banking services for people on low incomes. This means the Government should significantly raise or abolish the interest rate cap for credit unions and allow credit unions to recover their administration costs in addition to interest. Furthermore, the market should be opened to ensure that clearing banks provide sort codes and 'own account' facilities to credit unions. This recommendation also requires that banks and other providers of financial services share their expertise and provide support to credit unions across the country, providing much needed training and business development support.

A NATIONAL CAMPAIGN

The Commission believes that the Government, the financial industry regulators and the financial services sector needs to take a stronger leadership role in creating access to fairer and more affordable credit products for low income households. The Money Advice Service in particular could focus on affordable credit supply as well as addressing issues of individual financial capability and advice.

The Commission therefore recommends that Government commission a national media and marketing campaign highlighting the implications of high cost credit and promoting public awareness of alternatives such as credit



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unions. The Commission feels that payday loans should be considered a social problem, and addressed in similar terms to a public health issue and that credit unions should be promoted as alternative source of credit and banking services to everyone, not just people on low incomes.

As part of this campaign there are a number of activities which could be done locally. Large employers such as the NHS organisations, the council, and businesses should all enable employees to join the borough's credit union, London Community Credit Union, through their workplace to broaden its reach and support its development. Individuals in receipt of personal budgets or local support grants from the council could be given information about credit union accounts. Public, third sector and faith organisation services could warn against the use of high cost credit and provide information to service users on affordable credit alternatives. The Money Advice Service website already has a range of information which can be used to support this.

HELP WHEN THINGS GO WRONG

Even in a perfect world of financially inclusive services things will go wrong and people will experience problem debt as a result of income shock, ill-health or family breakdown. Demand for financial advice indicates that 72% of residents in the Bromley-by-Bow ward are in need of financial advice compared to 9% in St Katherine's and Wapping. There is already growing evidence of increasing levels of rent arrears and other problem debt facing local households as welfare reforms kick in. Recent

changes in legal aid funding alongside reductions in a range of funding for third sector advice agencies mean that there is growing pressure on the ability of existing agencies to meet the needs of local residents. Residents impacted by welfare reform come to advice agencies for help, or they may be turning up at the homeless service, their GP, a children's centre or the Jobcentre, seeking help as things become more difficult. It is important that there is 'no wrong door' and those who are struggling can be directed to the right support, no matter where they initially present themselves.

The Commission recommends that the council works closely with local organisations who support people in financial crisis and other frontline services to develop a holistic response to residents affected by welfare reform. This should not just support them at their moment of crisis, but provide longer-term support. It will build on the work of the Tower Hamlets Community Advice Network and Welfare Reform Task Group.

MONEY

This box summarises the Commission's recommendations for making the distribution of MONEY fairer in Tower Hamlets.

RECOMMENDATION 1:

That the 'poverty premium' be eradicated in Tower Hamlets.

RECOMMENDATION 2:

Tower Hamlets becomes an online borough and that a partnership is developed in which local universities, and or the creative and digital industries, take the lead in making free access to wireless internet universal in Tower Hamlets.

RECOMMENDATION 3:

That Government gives local authorities greater power to limit unhealthy businesses, including fast food, payday loan and gambling outlets, particularly in terms of the Use Classification Order system.

RECOMMENDATION 4:

That the government and the financial services sector should support the development of the credit union sector so it can provide a viable alternative to payday loans and competitive banking services for people on low incomes.

RECOMMENDATION 5:

That there is a local and national campaign to raise awareness of the impact of high cost credit, promoting alternatives.

RECOMMENDATION 6:

That the council works closely with local organisations who support people in financial crisis and other frontline services to develop a holistic response to residents affected by welfare reform.



JOBS

This chapter is about Tower Hamlets residents being in good, sustainable and well-paid employment. The Commission strongly believes that having more residents in work is one of the most effective ways of addressing inequality. People affected by welfare reforms will be much better off if they are in work and there is strong evidence that people in work are healthier and happier. Employment levels in Tower Hamlets are low. The employment rate, at 60.5% of the working age population, is the second lowest in London. Female employment is even lower at 47.6%, again the second lowest in London. This was particularly worrying to the Commission given the significant investment and improvement in educational attainment, which doesn't seem to have translated into improved job outcomes for many local young people.

During the evidence gathering process the commissioners were struck by the sheer number of organisations working across the employment agenda, many of whom are doing excellent work. However, the Commission also heard that these organisations do not always work together well enough to provide the best support possible to the people seeking work. There was a surprising amount of competition amongst organisations and not enough sharing of information. The Commission felt that this contributed to a failure in the support for those who are furthest from the labour market and in need of the most help to find successful employment. These issues are very pressing given the drive towards work explicit within the welfare reforms; now more than ever people need good quality support to get back into work. The stakes are high: if people fail to engage with employment support they risk losing their

benefits and ultimately their home. The Commission was particularly concerned about the tougher benefit sanctioning regime being implemented by Jobcentre Plus. Over two thirds of visitors to food banks are there because of Jobseekers Allowance sanctions and this policy is clearly leaving people in desperate situations.

Some of the issues identified by the Commission are national issues. Many areas are experiencing high levels of unemployment as the economy has struggled to recover from recession. There are significant frustrations with the Department for Work and Pensions, and particularly the Work Programme, being voiced around the country. But what marks Tower Hamlets has different from other places of high unemployment is that there are jobs - 233,060 at the last count. Department for Work and Pensions data from September 2012 showed 900 vacancies and it is estimated this only accounts for 30% of all vacancies. The Tower Hamlets economy is doing well and growing, with growth sectors creating more and different opportunities. 55% of jobs are in the financial, IT and other business services but there are almost 18,000 jobs in the creative and cultural industries. However, less than one fifth of jobs are taken by Tower Hamlets residents and the Commission is concerned that many of these new opportunities are inaccessible to local residents, with structural inequalities in the local job market which need to be addressed.

The reasons residents don't access these job opportunities are many and varied: they may have poor English language skills; can't find affordable childcare or have other caring responsibilities; many people don't have social networks that reach into these employment

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sectors; some people have mental health needs or poor physical health; many lack the skills which these jobs require.

The Commission heard about two broad groups of local jobseekers, and noted that each requires a different approach in terms of local programmes to support them into work. Firstly, there are young people, leaving school and university, often with good qualifications and lots of potential. What they lack is not aspiration, but work experience and social networks which are so often part of the route into the top jobs in the borough – whether with a financial services company or a digital start-up. These young people do secure work, but we believe many of them are ‘underemployed’, not fulfilling their potential and not bringing the benefits of a local and diverse workforce to businesses in the borough.

The second group is more varied, women returning to work after having children, older or disabled residents or people with health conditions. What they have in common is that they experience one or more barriers in accessing employment – poor English skills, suitable and affordable childcare, lack of work experience and skills, maybe health issues or a disability, all of which need addressing before they can successfully secure and sustain employment. A number of the people in this group have voiced their frustrations at the employment ‘system’ in Tower Hamlets, which doesn’t seem to understand and meet their needs. In turn, employment advisors say they find some people in this group reluctant or difficult to engage. This feedback suggests that more complex needs are not always well catered

for, and that there are improvements to be made in support which responds to the individual needs of a person seeking employment. This individual approach needs to be central to any new model of delivery.

This chapter discusses each of these issues, setting out the Commission’s findings and recommendations in relation to education, employment services and the role and responsibilities of business in relation to local employment. It also addresses low pay and calls for all local employers to pay the London Living Wage. Finally, it considers childcare. Early years education is crucial to future educational attainment and therefore employment opportunities for the borough’s children, but childcare is also an important factor for most parents’ ability to work. The Commission’s recommendation aims to address the market failure in the supply of affordable, good quality childcare locally. As in the previous chapter, all these recommendations will require significant and ambitious collaboration between employers, the council, schools and other local organisations.

SUCCESS IN EDUCATION

Educational achievement is a key determinant of life chances for all people. It is of particular significance for those living in inner city areas such as Tower Hamlets and is rightly held up as an important route out of poverty. Nonetheless, despite the massive improvement that has taken place in education in the borough since 1997, the reality is that this investment has not translated into employment for many of the borough's young people.



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Tower Hamlets is widely regarded as a success story in the context of school level education in inner cities in the United Kingdom. In 1997, only 46% of the borough's children achieved the expected level in English at the end of primary school and only 26% of GCSE students achieved an A*-C grade in English, and 22% in maths. But with significant investment and attention, this situation has been successfully addressed. By 2006 the primary results overtook the national averages and have sustained that position to date. GCSE results are now above the national average. In 2013 74% of students achieved A*-C in English, and 75% in maths.

But despite this record of success, there remain two outstanding issues. Firstly, success at GCSE level is not matched by equivalent successes post-16, nor reflected in entry into further and higher education. Secondly, pre-16 educational attainment has not yet translated into job prospects and career advancement for many of the young people living and attending schools in Tower Hamlets. Explanations for these issues vary. With regard to the first issue, the Commission has heard from those who believe that post-16 education has not received equivalent investment as pre-16, and, conversely, that the problem is precisely that the extent of pre-16 intervention has made it more difficult for post-16s to flourish in an educational environment that requires more independent learning.

The Commission has also heard from those who believe post-16 education has not been particularly effective at providing young people with the skills that are needed for the jobs that are available. It has also heard from those who

argue that many young people are reluctant to travel away from east London to go to higher education. Those who make this point are not saying there is a lack of aspiration amongst young people, but rather that there can sometimes be an apprehensiveness, especially amongst parents.

The Commission feels strongly that young people should be given opportunities to expand their horizons through their education and consider the work opportunities available to them within and beyond the borough. Work experience is an important part of a student's education which all Tower Hamlets schools offer. Every year nearly 3000 students aged 14-17 undertake work experience with local employers, almost all of which are arranged by the Tower Hamlets Education Business Partnership. The majority of their placements are in small and medium-sized companies. EBP has struggled for many years to provide sufficient numbers of 'aspirational' work experience placements in large businesses such as those in Canary Wharf and the City Fringe – whilst there are a few good examples, they are limited in number. Offering work experience placements can benefit the company as well as the student and the Commission believe that all local businesses, large and small, should help to make more work experience opportunities available to local students.

Meaningful partnerships between schools and businesses, with aspirational work experience placements available, is all part of offering a wide and varied curriculum to the young people of Tower Hamlets. This should also include access to the arts, the opportunity to learn a musical

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instrument, to visit the theatre and the chance to play and compete in sports. These things should become the norm for children from low-income backgrounds, not the exception. All these experiences will broaden the horizons and aspirations of children and their parents. The Commission therefore recommends that all schools offer wide curriculum and provide aspirational opportunities to young people. The role of business in providing work experience placements is addressed below.

EMPLOYMENT SERVICES THAT WORK FOR RESIDENTS

There are lots of organisations working hard to support people into employment in Tower Hamlets – the council, Jobcentre Plus, housing associations, a vast array of community and voluntary sector organisations in addition to the Work Programme providers. Whilst there are clearly examples of good partnership working and referrals between organisations, as envisioned by the council's Routeway to Work model, it quickly became apparent to Commissioners that as a 'system' this work is not well co-ordinated, overlapping and duplicating effort, with limited sharing of information and best practice. This creates a confusing picture for jobseekers and employers and suggests that collectively, limited resources are not being used most effectively to harness opportunities and provide the best support possible to residents.

What has emerged strongly from the work of the Commission is that locally developed schemes appear to offer more personalised and effective support than those schemes that are being

commissioned nationally, particularly the Work Programme. This is also the finding of a recent London Councils report which argues for more local commissioning and delivery of employment programmes. The Commission also heard that where organisations work together in a 'community hub' model to provide a range of support based on the needs of an individual or a family, that support is more effective.

Jobcentre Plus is clearly the biggest provider of employment services and job brokerage in the borough. They support several thousand people into work each year and will need to be a fundamental part of any system change. However, the role of the Jobcentre Plus service has been raised as a concern in many of the Commission's conversations, despite the improvements they have made over the last few years. Business sector representatives, employability providers, job seekers and other stakeholders such as English language training providers have all raised concerns that JobCentre Plus do not effectively address the job support needs of local people and there is a poor perception of their job brokerage service by some of the employers we spoke to. One diagnosis is that they suffer from reputational issues which prevent some employers from recruiting through them, often linked to the huge volume of inappropriate applications employers have received when recruiting through Jobcentres in the past, as too many candidates attempt to hit their job application 'target' and prevent benefit sanctions.

It is the Commission's view that the benefit sanctioning role of JobCentre Plus should be decoupled from its jobseeking services. The



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convenience of having both services in one place is recognised, but it can be damaging to the relationship between the advisor and their client if the same person who is supporting them back into work, also wields the threat of withdrawing benefits. The Commission believes sanctions should be used as an absolute last resort, and their use is an indication that the support has failed the person, rather than the other way round.

Although there have been no moves to separate benefit 'policing' from jobseeking support, the Commission heard from Jobcentre Plus about the significant improvements in their offer to employers and in making their support packages more tailored. In terms of support to clients, they can refer to a variety of provision, including English language classes, work placements and training, although the Commission also heard advisors' frustration with the quality and suitability of some of this provision. There is obviously a long way to go in making sure that residents, particularly those a long way from being job-ready, are given the support they need. The Commission recognises that jobseekers need to demonstrate they are working towards employment, but a daily or weekly target of applications is not necessarily a useful exercise – time spent developing skills is just as productive.

English language training in the borough is symptomatic of a mismatch between provision of services and local need. Tower Hamlets has a high proportion of residents for whom English is not their first language, 34% compared with 22% in London and 8% national. There are a large number whose English language skills are a

significant barrier to employment. Whilst there are places on courses at most levels, and funding available to deliver these, the Commission learned of the shortage in 'pre-entry' courses, the most basic courses aimed at those who have limited literacy skills, even in their first language. There is a higher demand for these courses than is currently being met as the Government have withdrawn funding for such courses. It became clear to the Commission that a more local approach to English language training, matching supply to demand, is required to enable fairer access to employment.

In conclusion, it appears to the Commission that there is a significant opportunity for Government, the council, business and wider civil society to come together to reimagine employability support to be much more locally focused, delivering more tailored personal support and maximising local job opportunities. In their discussions, the Commission looked back to the original labour exchanges, first introduced in London over 100 years ago. They were struck by the basic notion of a place where workers were matched to jobs and felt this also could be a guiding principle of a new local approach (obviously without the queues and smokey rooms), alongside the tailored support. The Commission therefore recommends that Jobcentre Plus and other employment service providers, together with employers, reimagine local services so they work better for local people and businesses, creating a 'modern labour exchange' and decoupling benefit sanctioning from job seeking activities.

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At its most ambitious, this means devolution of funding and responsibilities from the national to the local level. It requires that all local partners – Jobcentre Plus, Work Programme providers, the council, Tower Hamlets College, local universities, housing associations, community and voluntary sector organisations – work together to create a more co-ordinated system which uses resources most effectively and provides personalised support to individual jobseekers. This will create a place, physical or virtual, where employers can come to successfully recruit and jobseekers can access support if required and secure employment.

THE ROLE OF BUSINESSES IN LOCAL EMPLOYMENT

The Commission's discussions frequently turned to the sense of 'other worldness' of both Canary Wharf and the City from the perspective of many local residents. The Commission was concerned as a Commission is that this local perception creates a barrier to residents accessing employment opportunities. Although some firms do offer local engagement opportunities, especially though not exclusively for young people, and there is good participation in volunteering schemes with schools the Commission believes businesses have responsibility to do more. The recommendation above called for schools to ensure that all young people have access to a wide range of opportunities, including opportunities to engage with business and employers. This should include more aspirational work experience placements. The Commission also believes more effort could be made by the businesses in Canary Wharf to

recruit locally, and they could engage with local employment brokerage services to do this, as per the previous recommendation.

The Commission believes that Canary Wharf businesses alone could provide 25% of the borough's young people with aspirational work experience placements. This would equate to at least 750 placements a year every year, a dramatic increase from the number who currently get such an opportunity. The Education Business Partnership could work with these businesses to make these placements a success.

The Commission therefore recommends that local businesses, especially the large businesses based in Canary Wharf, effect a step change in their engagement with local people, guaranteeing to provide 25% of work experience placements every year and committing to increasing apprenticeship and other local employment opportunities.

ADDRESSING IN-WORK POVERTY

The Commission shares the growing local concerns about the levels of in-work poverty and believe this is a structural problem which causes high and persistent levels of poverty in Tower Hamlets. In-work poverty among adults has become more prevalent due to the above-inflation increase in benefits for pensioners and children, and the relative stagnation of benefits for those in work. The Trust for London's Poverty Profile cites in-work poverty as one of the most serious aspects of poverty due to its scale and because it has got steadily worse despite increasing financial support via tax credits. The Commission is very supportive of the



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campaign for a London Living Wage that has been successfully initiated by London Citizens and local trade unions and has been pleased to note the significant corporate support that has been secured for the implementation of the London Living Wage in Tower Hamlets. The council, which has implemented the London Living Wage for all employees and contractors, has an important flagship and leadership role in this campaign and should become an accredited London Living Wage employer, embedding it across its supply chains, which it has already begun to do.

Though many organisations have already committed to paying the London Living Wage in Tower Hamlets, there is still a long way to go to address the levels of in-work poverty experienced in the borough. As the council is doing, large organisations who have committed themselves to being London Living Wage employers can use their procurement power to call on suppliers to do the same.

The Commission therefore recommend that all employers in Tower Hamlets adopt the London Living Wage. The Commission recognises this is more difficult for small and medium-sized businesses, and those with large proportions of low wage staff but feel very strongly that this is an essential element of creating a fairer Tower Hamlets. Recommendations to implement the Living Wage have been part of every Fairness Commission report published to date who have also noted the important benefits that employers can get from paying the Living Wage particularly in terms of improvements in productivity and staff retention. Research by IPPR and the Resolution Foundation finds that it will be more

difficult for low wage sectors like retail and hospitality to pay the London Living Wage, but suggest a rate of 90% of the Living Wage could be introduced initially, phasing the impact.

CHILDCARE

There are three reasons why the Commission felt strongly that they wanted to make a recommendation about childcare. First, affordable childcare is inextricably linked with many parents being able to work. Second, there is substantial evidence that the provision of at least 15 hours of good quality early education can have a significant positive impact on a child's development and educational outcomes. The Commission recognised that these two imperatives don't necessarily match up in terms of the type of provision – working parents often need a lot more than 15 hours a week, and sometimes non-typical hours to enable them to work. Finally, it became apparent that there is a market failure in the supply of affordable childcare in Tower Hamlets, as there is nationally.

The Government has recently expanded provision of free early years education. From September 2014, all two year olds from the lowest income families are entitled to 15 hours of childcare per week. This will provide free early years education for around half of two year olds in Tower Hamlets, the highest proportion in the country.

Finding these extra childcare places is proving to be a huge challenge for the borough, for two reasons. The first is space. The Commission feels the council could do much more to prioritise the provision of new childcare spaces in its planning

JOBS

and development, and there continues to be bureaucratic problems which prevent existing spaces being turned into a childcare facility. Whilst the council is concentrating on finding the statutorily required places through school nurseries and childminders, the Commission believes that there is scope to consider alternative models of provision such as workplace childcare settings, provision co-produced with parents and staff co-operatives, supported by the council's early years team. A wider variety of premises need to also be considered, working in partnership with employers, housing associations and other landlords. The second challenge relates to the childcare workforce. Expanding provision and ensuring good quality childcare relies on a well-trained and motivated workforce. Unfortunately the low pay and low status of childcare work makes it hard to attract good quality staff. There are low minimum standards in the qualifications that staff are required to have, many looking to come into the profession locally have poor English skills and low educational attainment themselves, and there is significant turnover of staff. New and alternative models of provision could attempt to better match the local people who want to work in childcare with suitable training and development opportunities.

The Fairness Commission believes that good quality early years education is an imperative for the young children of Tower Hamlets, and an effective way of addressing the unfairnesses they face. The affordability and hours of provision is also an important factor in enabling parents to return to work. This could be addressed through alternative models. The Commission therefore recommends that the council sets ambitious

targets for the expansion of childcare provision and leads work to develop new and alternative models of provision such as workplace childcare, co-produced and co-operative provision.

The quality of this provision is really important. Good quality childcare requires staff to stay longer in their job. This is linked to salary - childcare staff are often not well paid, given the skills required (most are paid at or slightly above the London Living Wage) and this affects their motivation, how long they stay in a role and therefore the quality of provision. The council should work with providers and employers to improve professional development, staff retention and promote the benefits of paying childcare staff higher wages. Centre-based provision is the ideal, as this makes it easier to provide a range of activities and encourages children to be more social, but this can be achieved in other ways, such as clusters of childminders meeting regularly to do different activities.

 **JOBS**

This box summarises the Commission's recommendations for making the distribution of JOBS fairer in Tower Hamlets.

RECOMMENDATION 7:

That all schools offer a wide curriculum and provide aspirational opportunities to students.

RECOMMENDATION 8:

That Jobcentre Plus, employers and providers of employment services, 'reimagine' local employment services so they work better for local people and businesses, creating a modern labour exchange, which is separate from benefit sanctioning activities.

RECOMMENDATION 9:

That local businesses, especially the large businesses based in Canary Wharf, effect a step change in their engagement with local people, guaranteeing to provide 25% of work experience placements every year and committing to increasing apprenticeship and other local employment opportunities.

RECOMMENDATION 10:

That all employers in Tower Hamlets become accredited London Living Wage employers.

RECOMMENDATION 11:

That the council sets ambitious targets for the expansion of childcare provision and leads work to develop new and alternative models of provision such as workplace childcare, co-produced and co-operative provision.

HOMES

This chapter is about homes, about fair access to suitable and affordable housing, for the people who want to live in Tower Hamlets. There are significant local and regional factors which create much unfairness in relation to housing, but it is clear to Commissioners that we are facing a national crisis in the supply and demand for affordable housing and particularly in the supply of social homes: 4.5 million people are currently in housing need and 1 million children are living in overcrowded accommodation and national house building is at its lowest level since the 1920s. Every Fairness Commission so far has highlighted housing as a driver of poverty and a source of unfairness. This chapter makes recommendations for action at the local and regional level, but ultimately Government intervention is required to unlock an increasingly desperate situation.

In Tower Hamlets the housing landscape has changed significantly over the last 30 years, as has the population. This is due to very high levels of development in the borough which is projected to continue. The number of homes is growing by over 3000 a year, the quickest rate in the country, and there are now around 111,000 homes, up from 82,300 in 2003. Projections suggest this will rise to 140,000 by 2026. Large swathes of the borough have regenerated, particularly along the river. In 1981 97% of homes were in the social sector with the council owning 86%. Now the council own only 12% of the stock and just under half of homes are in the social sector. There has been huge growth in the private rented sector, which now accounts for 33% of homes.

Tower Hamlets has prioritised building of new affordable homes and builds more than any other local area, but demand far outstrips supply. The 2011 Census identified Tower Hamlets as the fastest growing borough in London, with 50,000 more residents since 2001. There are 23,500 households in the housing register and 1500 households in temporary accommodation, placed by the council after they've become homeless. Many households live in a low income, high rent environment and overcrowding is commonplace. Most new homes are unattainable to low-income residents, and the impact of the benefit cap and the Affordable Rent model could be particularly devastating for Tower Hamlets.

The Commission took as a starting point the belief that people have a right to a secure home in the place where they have put down roots of community and family and that this right should not be subservient to a housing market which links property only to investment values. The Commission rejects the argument that parts of London which are 'too expensive' should be unavailable to poor Londoners. Tower Hamlets has both new and long established sets of residents. Both have a right to secure housing. It is the mix of communities which creates a fair and sustainable society.

The recommendations in this chapter consider the barriers to increased investment by local authorities and housing associations in social homes and innovative ways of increasing that. The impact of the wider London property market on Tower Hamlets is also considered, as well as improvements which could be made to make the private rented sector fairer.



As in the previous two chapters, most of these recommendations require collaboration, ambition and commitment from a range of organisations. To secure the continued existence of mixed income communities and to create a range of affordable housing options for local people will require state intervention. The market and its attendant forces will not on its own supply enough decent housing to people on low incomes.

Freedom for local authorities to build and invest
The council and housing associations currently develop on the edges of significant private sector development and the number of affordable homes they can provide has diminished as a proportion of the overall number of homes in the borough. The Government's funding model for building affordable homes has shifted fundamentally. They have redefined affordable rents as up to 80% of market rents, and drastically reduced grant funding, receipt of which is dependent on charging the higher rents. The Government has also introduced borrowing caps for councils, to prevent rises in public sector borrowing. A campaign to remove the cap is backed by a number of organisations including the National Federation of ALMOs, the Chartered Institute of Housing and the National Housing Federation, as well as the Mayor of London's Finance Commission.

A large number of council and other social rented properties have been sold through the Right to Buy programme, and many of them are now let in the private rented sector, having been sold on or let by the original tenant. The Commission believes that Right to Buy has had a malign impact in Tower Hamlets. It has reduced

the stock of much needed social housing and increased the 'churn' of private sector tenants on estates. Furthermore, the share of proceeds which councils receive from right-to-buy sales does not cover the cost of replacing the housing stock lost.

The Fairness Commission believes that local authorities should be given more freedom to innovate in the housing sector and ultimately build more genuinely affordable homes. Our first housing recommendation is therefore that the Government reduce restrictions on local authority borrowing to build social housing, abolishing the Housing Revenue Account debt cap, does not 'topslice' the New Homes Bonus and allows local authorities to keep all the proceeds from Right to Buy sales, to reinvest in new homes. Also that covenants be introduced to Right to Buy sales to limit the ability of leaseholders to convert properties into buy-to-let. Research by London Councils suggests that removing the Housing Revenue Account debt cap alone could deliver £1.4 billion investment in housing and 54,000 new homes.

THE LONDON PROPERTY MARKET

At the regional level, London faces some specific challenges. Its population is growing faster than anywhere else meaning demand for housing is very high. There are many very deprived areas with exceptionally high demand for social housing, such as Tower Hamlets. And whilst homes are being built in the capital, many are luxury developments, driven by demand from overseas investors and sold at prices way beyond the reach of many ordinary Londoners. 60% of new homes in central London are bought by



overseas investors, who spent £5.2 billion on London property in 2011, more than government investment in affordable housing for all of England. Many of these properties are left empty, creating 'ghost towns' in some parts of the City. This relentless demand for properties keeps house prices and private sector rent levels very high, meaning many families are forced to live in overcrowded properties, become homeless or leave the city altogether.

The next housing recommendation is therefore that Tower Hamlets Council takes the lead in illustrating the negative impact on residents of London as a property investment market, working with other London boroughs, London Councils and the GLA to develop pan-London solutions. This work would follow on from the findings of the London Finance Commission. One solution already being implemented in borough such as Camden, Southward and Lewisham is higher council tax on empty properties and high value homes. A land value tax has also been suggested by a number of policy think tanks.

RENTS BASED ON INCOME, NOT THE MARKET

The high value of land and properties in Tower Hamlets makes the market rental value also very high, skewing any calculations of affordability based on market rents, as with the Government's new Affordable Rent model. This requires that housing providers charge up to 80% of market rates for new social homes. Grant funding is only available on this basis. Given the very high rent

levels in Tower Hamlets, 80% of market rate is completely unaffordable for almost all prospective tenants on the housing waiting list. The council and its partners have commissioned research which shows that an affordable rent for most people would be 65% of market rent for a 1 bedroom property, 55% for a 2 bed and 50% for a 3 bedroom property. The Commission support this research and the charging of these lower, genuinely affordable rents, which are based on the average incomes of residents in Tower Hamlets. This is one way of ensuring that rents are based on the income of tenants, rather than the market. Other ways of doing this are by considering individual tenants' incomes and setting a rent that is fair for them, reviewing periodically in case their circumstances have change. The Commission feels strongly that this is an important principle. The Commission therefore recommends that rent models are based on the principle that social rents should relate to the income of tenants, not the market rate.

INNOVATION IN INVESTMENT IN LOCAL HOUSING

Whilst the first three recommendations will provide longer term solutions to the housing crisis in Tower Hamlets and beyond, we also believe there are fruitful, but more local, solutions that could be implemented now. Financial institutions and social investment organisations could collaborate with local authorities and housing providers to create new and innovative partnerships for the social good, working together to create new financial models



for investment in affordable housing. This could include social investment in housing, and ‘special purpose vehicle’ partnerships which would be joint ventures between the council and house builders.

There are a range of small pieces of underused land around Tower Hamlets on existing Tower Hamlets Homes estates which, with the right investment model, could be developed to provide affordable homes without grant funding. To this end we recommend that financial institutions work with the council and housebuilders to develop new models of long-term investment in social housing, particularly on council-owned ‘micro sites’. Fairness Commissioners have already begun to explore this with Barclays Bank who have committed to working with the council’s housing team to explore different options. This will enable the building of significant numbers of new homes, to be let at rents affordable to local people, with ownership and management linked back to a democratic mandate. In addition, the Commission believes these new homes should be built to lifetime homes standards.

THE PRIVATE RENTED SECTOR

Apart from the unaffordability of much housing in Tower Hamlets, one of the biggest issues raised by residents when they spoke to the Fairness Commission was the instability and insecurity faced by residents in private rented sector housing, and the impact that the increasing number of private rented properties was having on communities and estates. A family renting in the private sector will pay around five

times as much as a family renting a council owned property and their tenancy is much less secure, with landlords able to raise rents regularly. Not all private landlords are motivated solely by profit but it would be stabilising if the council were able to create better relationships with private landlords and have more influence in the sector.

The Commission heard about and was impressed by the landlord registry scheme recently introduced in Newham to improve standards of accommodation in the private rented sector, and better protect tenants. We recommend that a landlord registry scheme is introduced in Tower Hamlets. As well as protecting tenants, promoting higher standards of accommodation, it could also promote more stable tenancies and affordable or ‘living’ rents.



This box summarises the Commission's recommendations for making the distribution of HOMES fairer in Tower Hamlets.

RECOMMENDATION 12:

That the Government reduce restrictions on local authority borrowing to build social housing, abolishing the Housing Revenue Account debt cap, does not 'topslice' the New Homes Bonus and allows local authorities to keep all the proceeds from Right to Buy sales, to reinvest in new homes. Also that covenants be introduced to Right to Buy sales to limit the ability of leaseholders to convert properties into buy-to-let.

RECOMMENDATION 13:

That financial institutions work with the council and house builders to develop new models of long-term investment in social housing, particularly on council owned 'micro sites'.

RECOMMENDATION 14:

That Tower Hamlets takes a lead in illustrating the negative impact of investment in the London property market.

RECOMMENDATION 15:

That rent models are based on the principle that social rents should relate to the income of tenants, not the market rate.

RECOMMENDATION 16:

That the standard of private rented accommodation is improved, and tenants better protected, through a landlord registry scheme for Tower Hamlets.

CONCLUSION

Tower Hamlets is certainly at a cross roads. Many residents are already at crisis point, swimming against a strong tide of rising costs, reducing income and a national Government committed to reducing the state's safety net.

The Commission has come up with 16 recommendations. Some require Government to listen, understand and take action. But many of them can be achieved locally with enough commitment, creativity and ambition from local public and third sector organisations, businesses and individuals. Whilst Tower Hamlets does face overwhelming challenges, it is also a place of such energy and opportunity that I am confident these recommendations can be realised here if people are willing. Tower Hamlets has a better chance than most of making a difference.

As set out in the introduction to this report, if the Commission has had one 'big idea' it is this sense of collaboration, the creation of a new public sphere and reimagining of organisational roles and boundaries, in which all sectors must have a sense of social responsibility and come together to address unfairness. The alternative is the the status quo, and as I hope this report makes it clear, that is not a sustainable option.

To the public sector and community and voluntary organisations I'd say reach out, to each other, to residents and to business. Share ideas and start small but think big. Lead others when you know you can and should. To the business community I'd say join in, do more, give more. Work with local organisations to address unfairness in your local community, understand where you can be most effective and act upon that. Tell others what you're doing, so they'll do

it too. Think about how your workforce could better reflect the local community, because then it all means more. Encourage your customers and suppliers to do the same.

The Fairness Commission, over the course of the last 11 months has learned what an extraordinary place Tower Hamlets is. What it now needs is an extraordinary response from everyone here. This report is a call to action. It's now time to act.

Dr Giles Fraser

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EVIDENCE PACKS

The Fairness Commission produced a series of evidence packs summarising key information which has been drawn on in this report. These can be found at:

www.towerhamlets.gov.uk/fairness

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