



TOWER HAMLETS

# Poverty: key facts

## A profile of poverty in Tower Hamlets

### About this briefing

This briefing presents key statistics about poverty in Tower Hamlets. The analysis draws together selected indicators that offer different perspectives on the scale and severity of poverty in the borough.

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This briefing was produced by the Council's Corporate Research Unit (Chief Executive's Directorate). Research briefings provide timely and in-depth analysis of data about Tower Hamlets and are designed to improve the use and sharing of data across the Partnership.

### SUMMARY OF FINDINGS

#### Households in income poverty

- In Tower Hamlets, it is estimated that 44 per cent of households are in income poverty – defined as those living below 60 per cent of the median (or 'middle') UK household income, after housing costs (2007/08)<sup>1</sup>. This is the highest rate of income poverty across all local authorities in England and Wales and double the national average (22 per cent).

#### Council Tax Benefit claimants

- In Tower Hamlets, just over one third (35 per cent) of households were in receipt of Council Tax Benefit (CTB) - as at March 2011<sup>2</sup>. CTB is a means tested benefit for those on low incomes who need help paying their Council Tax. CTB statistics provide useful proxy data on low income households and their characteristics. *Note: CTB data presented in this report are drawn from the Mayhew Harper Associates Tower Hamlets Population Study.*
- At ward level, the percentage of households in receipt of CTB ranges from 18 per cent of households in St.Katharine's & Wapping ward up to 55 per cent of households in East India & Lansbury ward.
- Across the borough's 130 Lower Super Output Areas (LSOAs)<sup>3</sup>, rates are even more polarised: the percentage of households on CTB ranges from only 3 per

cent in the riverside part of Millwall up to 66 per cent in part of Bromley by Bow. The majority of the borough's LSOAs have CTB rates well above the London average.

- Pensioner households and families with children are the two family types most likely to be receiving Council Tax Benefit:
  - 61 per cent of households with dependent children were on CTB compared with 26 per cent of households without children.
  - 68 per cent of single pensioner households receive CTB.
- Almost two thirds (63 per cent) of households in social housing were receiving CTB compared with 16 per cent of households in other tenures.
- CTB households are typically larger in size than non-CTB households. For this reason, while just over a third of households are on CTB, at an individual level, almost half (47 per cent) of the borough's population live in households in receipt of CTB.
- There are considerable ethnic differentials in CTB claimant rates: 78 per cent of Bangladeshi residents live in CTB households compared with 33 per cent of non-Bangladeshi residents.

### Child poverty rates 2009

- The latest child poverty rates for 2009 show that 29,680 children in Tower Hamlets live in poverty which represents 53 per cent of all children - the highest rate in the UK<sup>4</sup>. The poverty rate measures the percentage of children who live in families in receipt of out-of-work (means tested) benefits or in receipt of tax credits where income is less than 60 per cent of median income.
- Tower Hamlets is the only local authority area in the UK where the percentage of children in poverty is more than half - Islington has the second highest rate at 44 per cent.

- Around one third of all children in poverty in Tower Hamlets are from families with four or more children – the highest proportion of all UK local authorities. The percentage of children in poverty rises with family size: 41 per cent of children who live in one child families are in poverty compared with 66 per cent of those who live in families with four or more children.

- In Tower Hamlets, just over half (54 per cent) of all children in poverty live in couple families and the remaining 46 per cent live in lone parent families. Tower Hamlets is unusual in this respect as in all other local authority areas – more children in poverty live in lone parent than couple families.
- All wards in Tower Hamlets have child poverty rates well above the national average (21 per cent): the rate ranges from 38 per cent in St Katharine's & Wapping up to 59 per cent in East India & Lansbury.
- At Lower Super Output area level, there is even more variation in rates: the child poverty rate ranges from 4 per cent in part of Millwall (Canary Wharf area) up to 71 per cent in part of Mile End East.

### Residents receiving out-of-work benefits

- In Tower Hamlets, 27,430 working age claimants were in receipt of out-of-work benefits as at May 2011<sup>5</sup> - this represents around 16 per cent of the working age population.
- Out-of-work claimants comprise three groups: those in the *ESA*<sup>6</sup> and *incapacity benefits* group who are unable to work due to health problems and/or a disability (44 per cent of all claimants); those in the *jobseeker's group* who are unemployed and actively seeking work (37 per cent of claimants); and lastly, *lone parents and others* on income-related benefits who comprise just under one fifth of all claimants.

- Over one third (34 per cent) of the out-of-work benefits group have been on benefits for 5 years or more. Those in the ESA/Incapacity benefit group are the claimant group most likely to be long-term claimants: 60 per cent have been claiming benefits for five or more years.
- The percentage of working age residents on out-of-work benefits is high in Tower Hamlets (16 per cent) relative to both the national and London average - both 12 per cent. Within London, the claim rate ranges from 3 per cent in the City of London up to 19 per cent in Hackney. Tower Hamlets is ranked 6<sup>th</sup> highest in London on this indicator and has the same rate as Greenwich and Brent.
- At ward level, the percentage of working age residents claiming out-of-work benefits ranges from 10 per cent in Millwall up to 24 per cent in East India & Lansbury; 15 out of the borough's 17 wards have claim rates above the London average.

#### Pensioner poverty rates<sup>7</sup>

- In May 2011, 9,820 of the borough's residents aged 60 and over claimed the Pension Credit Guarantee – this is a means tested benefit paid to pensioners living on low incomes with little or no savings. This represents almost half (46 per cent) of all the borough's pensioners – the highest proportion in England and more than three times the national average (15 per cent).
- All wards in the borough have Pension Credit Guarantee rates well above the national average – the percentage ranges from 31 per cent in St Katherine's & Wapping ward up to 65 per cent in Spitalfields & Banglatown ward.
- Taking into account the partners of claimants, the percentage of the borough's pensioners who are reliant on the Pension Credit Guarantee rises to 56 per cent. Again, this is the highest rate in England and more than three times the national average (18 per cent).

#### Indices of Deprivation 2010

- The Index of Multiple Deprivation (IMD)<sup>8</sup> profiles the scale and severity of deprivation across small areas in England. The index aims to reflect the nature of multiple disadvantage in its widest sense, and is based on 38 different indicators spanning a range of topics (eg income, employment, education, health, crime, housing).
- The 2010 IMD shows that deprivation is very widespread in Tower Hamlets: the majority (72 per cent) of the borough's 130 Lower Level Super Output Areas (LSOAs) are in the most deprived 20 per cent of LSOAs nationally.
- Wards containing LSOAs with relatively high levels of deprivation include: East India & Lansbury, Mile End East and Bromley by Bow. In these wards, most or all of the LSOAs are in the 20 per cent most deprived nationally.
- The *average IMD score* measure, which reflects the average level of deprivation across LSOAs in an area, shows that Tower Hamlets is the 7<sup>th</sup> most deprived local authority district in England out of 326 areas. On the *IMD extent* measure - which depicts how widespread levels of deprivation are in an area – Tower Hamlets is ranked 3rd most deprived in England.
- The IMD is made up of seven 'domains' – one of which focuses on income deprivation. On this measure, almost two thirds (63 per cent) of all LSOAs in Tower Hamlets fall into the 10 per cent most income deprived nationally - the highest percentage of all local authorities in England.
- Tower Hamlets also has the highest percentage of both children and older people living in income deprived families in England, consistent with the earlier analysis.

### Financial Inclusion

- Experian has developed a statistical model that predicts levels of financial capability across the population and the likely need for money advice services<sup>9</sup>. The concept of financial capability is about having the confidence and skills to manage your finances and is an issue inextricably linked with poverty – as those in poverty are most at risk of the adverse consequences of poor financial decision making.
- The 2010 Experian data show that the majority of postcode areas (71 per cent) in Tower Hamlets are areas where the population has high levels of financial vulnerability<sup>10</sup> - almost three times higher than the London-wide percentage (26 per cent). This group are the most likely to be under-confident in financial matters, the most likely to be in debt and the least likely to have financial safety nets such as savings or insurance.
- At ward level, the percentage of areas in the most vulnerable group ranges from 95 per cent in Bromley-by-Bow down to 29 per cent in St Katherine's & Wapping.
- ING direct<sup>11</sup> has produced modelled estimates of household savings levels at local authority level. These relate to the amount of readily accessible cash savings that households typically have.
- In Tower Hamlets, the median household savings is £776, which compares with a UK figure more than four times higher - £3,225. Tower Hamlets has the fifth lowest savings levels in England and Wales after Manchester (£569), Hackney (£749), Islington (£751) and Lambeth (£753).

### Future work

- This briefing has presented a range of data that illustrate the scale and severity of poverty in Tower Hamlets. The Corporate Research Unit is planning future work to explore poverty and welfare data in more detail. The analysis will be designed to

provide evidence to help assess the likely impacts of the welfare reforms taking place and, more specifically, to profile the groups most at risk as a result of these reforms.

### Notes (Summary of findings)

<sup>1</sup> Office for National Statistics, Model based estimates (2007/08), released November 2010.

<sup>2</sup> Here, CTB data are drawn from the Mayhew Harper Associates (MHA) Tower Hamlets Population Study 2011 - these data may differ from CTB data obtained directly from the Council's Benefits Team.

<sup>3</sup> Tower Hamlets has 130 LSOAs and they typically cover a population of between 1,000-3,000 people.

<sup>4</sup> HMRC, Child Poverty Statistics 2009

<sup>5</sup> DWP benefit claimants working age client group dataset. Key out-of-work benefits include the groups: job seekers, ESA and incapacity benefits, lone parents and others on income related benefits.

<sup>6</sup> Employment and Support Allowance is a new benefit being rolled out and is replacing Incapacity Benefit.

<sup>7</sup> Pension credit rates presented here have been calculated by LBTH and are based on benefits data from the DWP and ONS 2010 population estimates.

<sup>8</sup> CLG, Indices of Deprivation 2010

<sup>9</sup> Experian Financial Capability data 2010

<sup>10</sup> Most vulnerable groups are Experian segments 9-11

<sup>11</sup> ING Direct, Consumer Savings Monitor, Q3 2011

## 1 Introduction

### Defining and measuring poverty

There is no one single definition of what poverty means and how it should be measured. However, there is some consensus that poverty needs to be understood in relation to typical living standards in society. Professor Peter Townsend defines relative poverty as follows:

*'Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged and approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual of family, that they are, in effect, excluded from ordinary living patterns, customs and activities'* (Source: P Townsend, *Poverty in the United Kingdom: a survey of household resources and standards of living, 1979, p31*)

There are, of course, numerous ways to measure and profile the broad concept of poverty. The Government's official statistics on poverty relate to income poverty and seek to measure the percentage of households who live below the 'poverty line' – this is commonly defined as incomes that are below 60 per cent of median or 'middle' incomes (though, in practice, various interpretations and measures exist). Other studies cast the net wider and explore concepts such as deprivation and exclusion, as well as related evidence about the underlying causes and consequences of poverty.

### The scope of this report

While there is a considerable body of research and analysis about poverty measures at a national and regional level - local data is less readily available. This analysis aims to fill this gap and presents a range of evidence about the scale and nature of poverty in Tower Hamlets. The analysis includes direct measures of income poverty alongside a number of proxy measures which are useful in building intelligence about those most at risk of poverty. No one measure is favoured over another – they all provide insight about different aspects of poverty.

The data presented provide a snapshot of poverty in Tower Hamlets at a point in time and are the latest available. However, in practice, the various indicators span the period 2007-2011.

### How this work relates to strategy development and needs assessments

The analysis has been undertaken to inform the Council's developing strategies on both financial inclusion and homelessness and will form part of the evidence base being prepared to underpin these strategies. The analysis is also intended to help with the updating of needs assessments across the Partnership, and to inform future work on the impacts of welfare reforms.

### Measuring poverty – data quality

There are various challenges in measuring poverty at a local level and no data source is perfect – they each have strengths and limitations. Common problems are:

- Some indicators are drawn from surveys or are modelled data. This means these data are estimates not precise measures - and as such - have a degree of error attached to them.
- Indicators based on benefits data are subject to potential undercounting - as not everyone who is eligible for benefits claims them. [Appendix A](#) quantifies the extent of this problem in relation to income-related benefits and tax credits. This means, that benefits based indicators will inevitably understate the true extent of income poverty in the borough.

Issues in relation to specific indicators are raised in the relevant sections. In short, data quality is inevitably variable and this is why it is sensible to consider a variety of different indicators on poverty – this way, we can assess whether the various indicators are painting a consistent picture.

### **A guide to the geographies used in this report**

To explore variations in poverty within the borough, where possible, data have been broken down into small areas. Three different geographical areas are used in this report (depending on data availability):

Wards: Tower Hamlets has 17 wards which relate to the Council's electoral areas.

Middle Layer Super Output Areas (MSOAs): Tower Hamlets has 31 MSOAs - these areas are smaller than wards and vary in population size from between 5,000-10,000 residents. While most MSOAs nest within wards some cross ward boundaries.

Lower Layer Super Output Areas (LSOAs): LSOAs are small geographical areas used for statistical purposes. Tower Hamlets has 130 LSOAs and they typically cover a population of between 1,000-3,000 people. These areas nest within wards - each ward has between 5-9 LSOAs.

### **Structure of report**

The report covers the following indicators:

Section 2	Households in income poverty
Section 3	Households on Council Tax Benefit
Section 4	Child poverty rates
Section 5	Working age adults on out-of-work benefits
Section 6	Pensioner poverty
Section 7	Indices of Deprivation 2010
Section 8	Financial inclusion

Appendix A summarises the latest data on take-up rates relating to benefits.

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## 2 Households in income poverty

### About this indicator

This indicator provides an estimate of the proportion of households living under the poverty line at small area level. These data are modelled estimates produced by the Office for National Statistics (ONS). They were designed to be consistent with the survey based national and regional poverty figures produced by the Department for Work and Pensions<sup>1</sup>. The data fill an important gap in official statistics by providing a local poverty indicator to match the national measures the Government monitors.

The data have three limitations: first, as the data are modelled estimates not precise measures they have a degree of error attached to them; second, they relate to 2007/08 so are not as timely as other indicators; third, the figures are 'experimental' which means the methodology may be subject to change in the future.

### Defining the poverty line

On this indicator, households in poverty are defined as **those living on income below 60 per cent of UK median income (equivalised) after housing costs**. Equivalisation is a way of adjusting the data to provide a like for like comparison between different sizes and types of household (this accounts for the fact that smaller households need less to live on than larger families to achieve the same standard of living). Income relates to net income and relates to all sources of household income less certain deductions (eg tax), and after housing costs have been paid.

**Table 1 Equivalent money values of the 'poverty line' for different family types**

<i>Money values as at 2009/10 prices</i>	UK weekly income (after housing costs)	
	Median income	60% of median income: the poverty line
Single with no children	£207	£124
Couple with no children	£356	£214
Single with two children aged 5 & 14	£427	£256
Couple with two children aged 5 & 14	£577	£346
Couple with three children aged 5, 9 & 14	£648	£389
Couple with four children aged 5, 9, 12 & 14	£719	£431

*Source: DWP, Households Below Average Income 2009/10 (Table 2.4ts and Appendix 2). Note: OECD equivalence scales conventionally take a couple with no children as the reference point.*

Table 1 gives an idea of what the poverty line is for different family types (at 2009/10 prices). Using this measure, a couple with no children would be in poverty if their income after housing costs was less than £214 per week. Whereas, for a couple with three children, the poverty line would be higher (£389) – reflecting the fact they require more money to achieve the same standard of living.

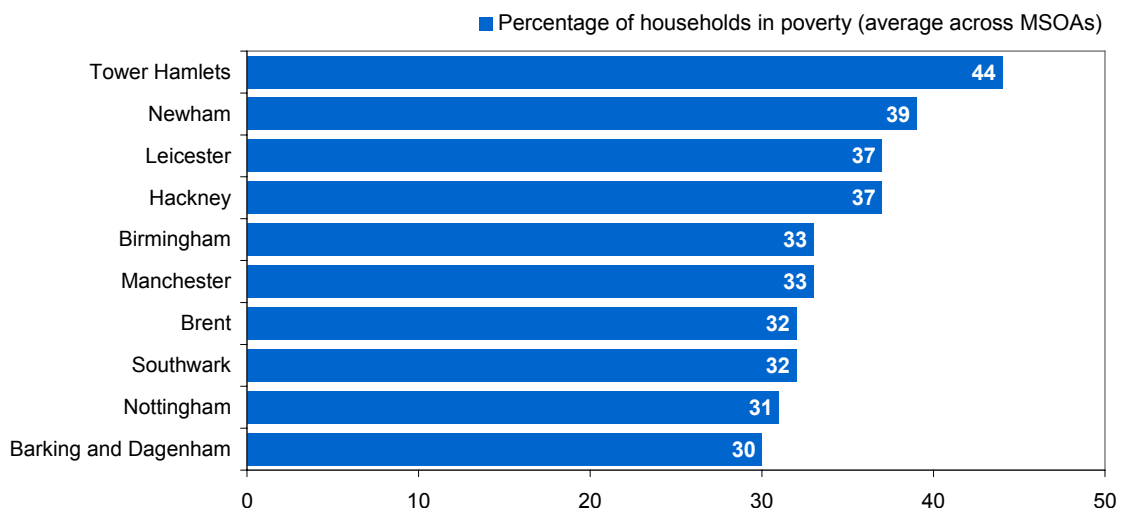
<sup>1</sup> Regional and national poverty data are from the Households Below Average Income dataset, which is derived from the Family Resources Survey (FRS). The FRS sample size is not large enough to produce estimates below regional level which is why these modelled estimates have been produced. The modelling draws on the regional level survey alongside localised administrative benefits data.

### Income poverty estimates for local authority areas

In Tower Hamlets, the estimates for 2007/08, suggest that around 44 per cent of households are in income poverty (ie are living on incomes below 60 per cent of the average UK income, after housing costs). This is the highest poverty rate of all local authorities in England and Wales and double the national average (22 per cent). Applying this rate to the current number of households in the borough would suggest around 46,000 Tower Hamlets households are in poverty<sup>2</sup>.

Newham has the second highest poverty rate (39 per cent) followed by Leicester and Hackney (both 37 per cent). London boroughs and other metropolitan areas make up the ten areas with the highest poverty rates nationally (Figure 1). At the other end of the spectrum, areas in the South East and East of England regions dominate the list of areas with low poverty rates. Hart (Hampshire) is the area with the lowest rate in England and Wales – where 10 per cent of households are in poverty, closely followed by Wokingham, Surrey Heath and South Cambridgeshire (with rates of 11-12 per cent).

**Figure 1: The ten local authority areas with the highest average proportion of households in poverty (in England and Wales), 2007/08**



Source: Office for National Statistics; Model based estimates of poverty at MSOA Level, 2007/2008

### Poverty rates within Tower Hamlets at MSOA level

The 44 per cent figure for Tower Hamlets is a simple average<sup>3</sup> of the rate across the 31 Middle Layer Super Output Areas (MSOAs) in the borough. Figure 2 shows the poverty estimates for MSOAs in the borough alongside the confidence intervals attached to the estimates. Figure 3 shows the same data mapped by area.

The data highlight the widespread nature of poverty in Tower Hamlets – in most areas (28 out of the 31 MSOAs) the poverty rate is above the London average of 26 per cent. The three areas with below average rates are all riverside areas.

<sup>2</sup> Estimate based on the total number of households in Tower Hamlets (104,935) as at March 2011 (Source: Mayhew Harpers Associates Tower Hamlets population study).

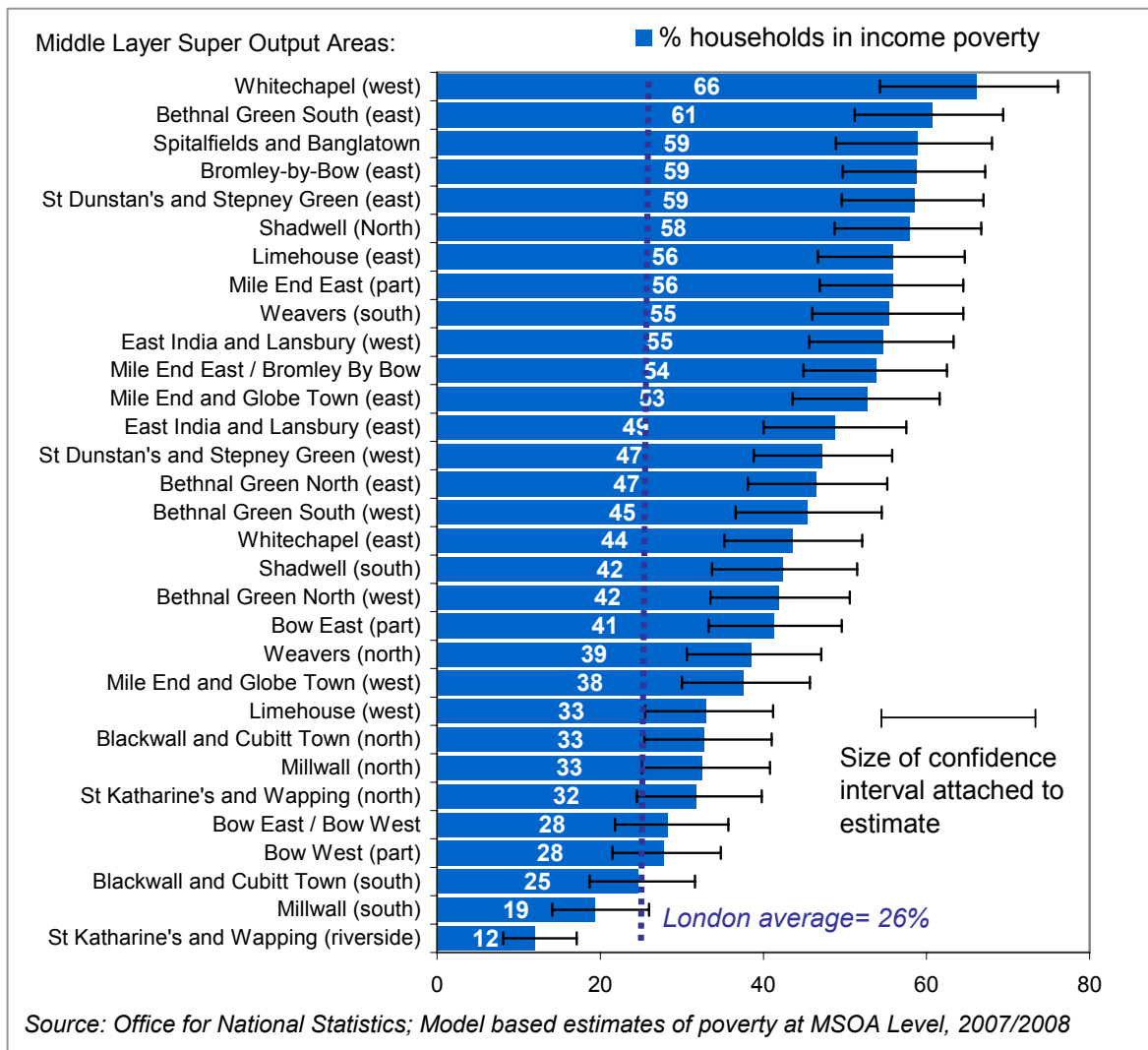
<sup>3</sup> This average is a mean measure of the MSOA poverty rates divided by the number of MSOAs. This is a 'crude' average as it does not account for the fact that MSOA's may differ in population size. For more detail on methodology - [see Regional Trends 43](#).



The data also highlight the unusually high levels of poverty across the borough – in 12 of the 31 MSOAs in Tower Hamlets, more than one half of households are in poverty.

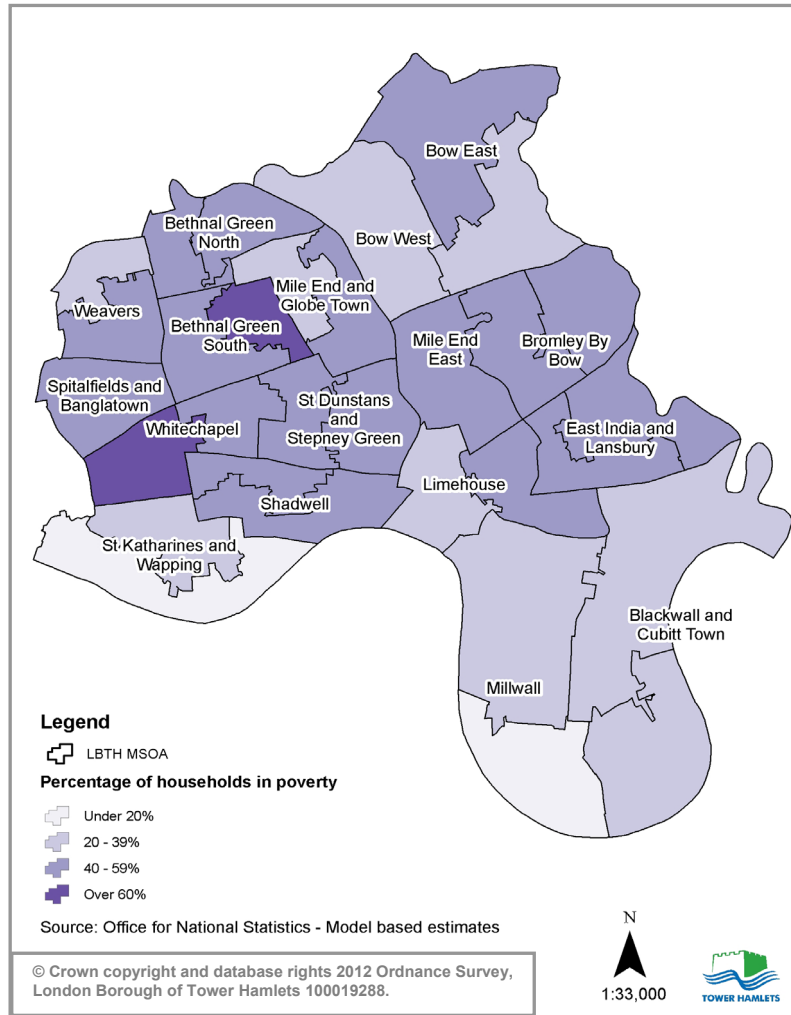
Across the 31 MSOAs, the percentage of households living in income poverty ranges from 12 per cent in the riverside area of St Katherine’s & Wapping ward up to 66 per cent in part of Whitechapel (the highest rate in London). **However, these individual MSOA estimates do need interpreted with some caution due to their sizeable confidence intervals**<sup>4</sup>. For example, the true figure for Whitechapel (west) could be up to 10-12 percentage points lower or higher than the estimate suggests.

**Figure 2: Percentage of households in poverty in Tower Hamlets by Middle Layer Super Output Areas (MSOAs), 2007/08**

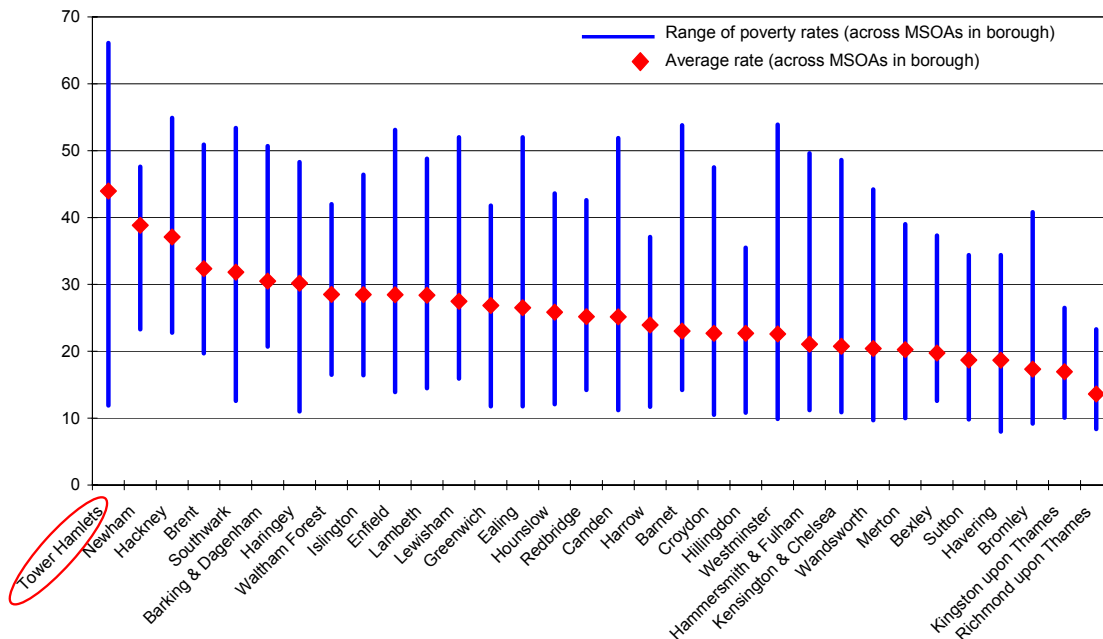


<sup>4</sup> **Confidence intervals** allow us to take a view, based on statistical probability theory, about how close an estimate is likely to be to the true value. Here, the ONS modelled estimates are subject to some uncertainty due to both survey sampling and the modelling process; eg for Whitechapel (west), the confidence interval is 54 to 76 per cent - therefore we can be 95% confident that the true income poverty figure for Whitechapel West lies within this range.

**Figure 3: The percentage of households in income poverty, Tower Hamlets: Middle Layer Super Output Areas, 2007/2008**  
 (Note: this map shows MSOA areas but ward names are shown to aid navigation)



**Figure 4: Percentage of households in poverty, London Boroughs, 2007/08**



Source: Office for National Statistics; Model Based Estimates of poverty at MSOA Level, 2007/2008

### Income poverty rates compared for London Boroughs

Across London Boroughs, the poverty rate ranges from 14 per cent in Richmond upon Thames up to 44 per cent in Tower Hamlets<sup>5</sup>. Figure 4 shows the spread of poverty rates for MSOAs within each London Borough.

The chart shows that Tower Hamlets has the largest spread of rates at MSOA level. The difference between the highest and lowest poverty rate in Tower Hamlets is 54 percentage points compared with only 15 percentage points in Richmond upon Thames (where all MSOAs have poverty rates below the London average).

Newham has the second highest poverty rate in London at 39 per cent but the spread of rates (24 percentage points) is far narrower than that of Tower Hamlets. Hackney has the third highest rate with a spread of 32 percentage points – which is fairly typical for London. Tower Hamlets is – by far - the most polarised London borough on this particular measure.

### Further information

Data on income poverty can be downloaded directly from [ONS neighbourhood statistics website](#).

For more detail on the methodology used to produce the estimates, see journal article: *Understanding household income poverty and small area level*, Regional Trends 43, November 2010. Web-link: <http://www.ons.gov.uk/ons/rel/regional-trends/regional-trends/no--43--2011-edition/understanding-household-income-poverty-at-small-area-level.pdf>.

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<sup>5</sup> Data for the City of London are included in the calculation of London-wide averages but are excluded from the borough level analysis (as there is only one MSOA in the City).

### 3 Council Tax Benefit – profile of claimants

#### About this indicator

Council Tax Benefit (CTB) is a means tested benefit for those on low incomes who need help paying their Council Tax. Figures relating to CTB claims provide useful proxy data on households in income poverty. Unlike the ONS income poverty measure which simply gives a poverty rate, CTB data are able to provide valuable information about the characteristics of households on low incomes.

Here, CTB data are drawn from the Mayhew Harper Associates (MHA) Tower Hamlets Population Study. In 2011, Tower Hamlets Council and NHS Tower Hamlets commissioned MHA to create a population database for the borough using administrative data (eg GP registers, electoral and school rolls, council tax records and housing records). The final database includes information on households in receipt of CTB alongside a range of other information – in this analysis we consider CTB receipt by household type, tenure, ethnicity and area of residence.

*NOTE: As these data are drawn from the MHA study, they may differ from data provided directly by Tower Hamlets Council Benefits section, or indeed from published DWP data based on statistical returns from local authorities.*

The main limitation of CTB statistics is that they will not capture those on low incomes who fail to claim. The DWP estimate that, across Great Britain, take-up rates for Council Tax Benefit are between 63 and 70 per cent<sup>6</sup> – this means that around one third of Britain's households miss out on CTB that they are entitled to. Take-up rates of CTB are particularly low among pensioners (56-64 per cent). See [Appendix A](#) for more information on take-up rates.

#### Council Tax Benefit receipt by household type

Estimates from the Tower Hamlets Population Study suggest that, in March 2011, just over one third (35 per cent) of Tower Hamlets households were in receipt of Council Tax Benefit – around 36,800 households.

Tower Hamlets has a high proportion of households on CTB relative to London: DWP data suggest that one quarter of households in London are in receipt of CTB<sup>7</sup>.

Households with children have relatively high rates of CTB receipt: 61 per cent of households with dependent children were on CTB compared to only 26 per cent of households without children ([Figure 5](#)). Three generational households with children had the highest claim rate of all (81 per cent). Households with children comprise almost half (46 per cent) of all households on CTB.

Pensioner households also have high CTB rates: 68 per cent of single pensioner households and 58 per cent of older co-habiting<sup>8</sup> households receive CTB. The household types least likely to receive CTB are adult households without children:

<sup>6</sup> DWP Income related benefits estimates of take-up in 2008-09 (See Appendix A)

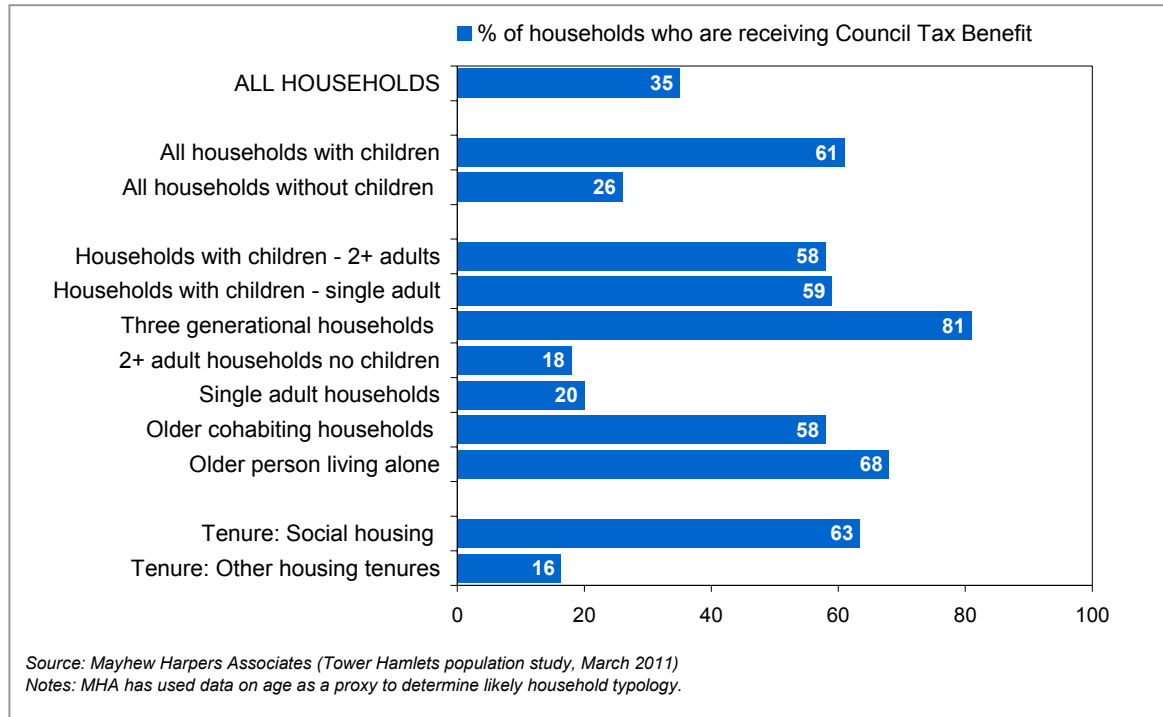
<sup>7</sup> Calculation based on DWP official CTB returns and GLA demographic household projections.

<sup>8</sup> Older co-habiting households are where 2+ people live together and at least one is aged 65+.

20 per cent of single adult households receive CTB and 18 per cent of households with two or more adults living together (or sharing) receive CTB.

Those living in social housing are far more likely than other households to be on CTB: the percentage of households in social housing who are on CTB is 63 per cent compared with 16 per cent of households in other tenures. Households in social housing comprise almost three quarters (72 per cent) of all CTB households.

**Figure 5: Percentage of households in receipt of CTB by household type and tenure, Tower Hamlets, 2011**



**Percentage of the population living in CTB households**

CTB households are typically larger in size than non-CTB households – consistent with the high proportions of family households on CTB. The average occupancy level (ie number of people living in a household) of a CTB household is 3.13 persons per household compared with 1.87 for a non-CTB household (Table 2).

For this reason, while just over a third of households are on CTB, at an individual level, almost half (47 per cent) of the borough’s population live in CTB households.

**Table 2 Council Tax Benefit receipt: people and households, Tower Hamlets, 2011**

	Number of households	Number of people	Average occupancy
<b>TOTAL</b>	<b>104,935</b>	<b>242,462</b>	<b>2.31</b>
In receipt of CTB	36,823	115,140	3.13
Not in receipt of CTB	68,112	127,322	1.87
<b>% in receipt of CTB</b>	<b>35</b>	<b>47</b>	

Source: Mayhew Harpers Associates (Tower Hamlets population study, March 2011)

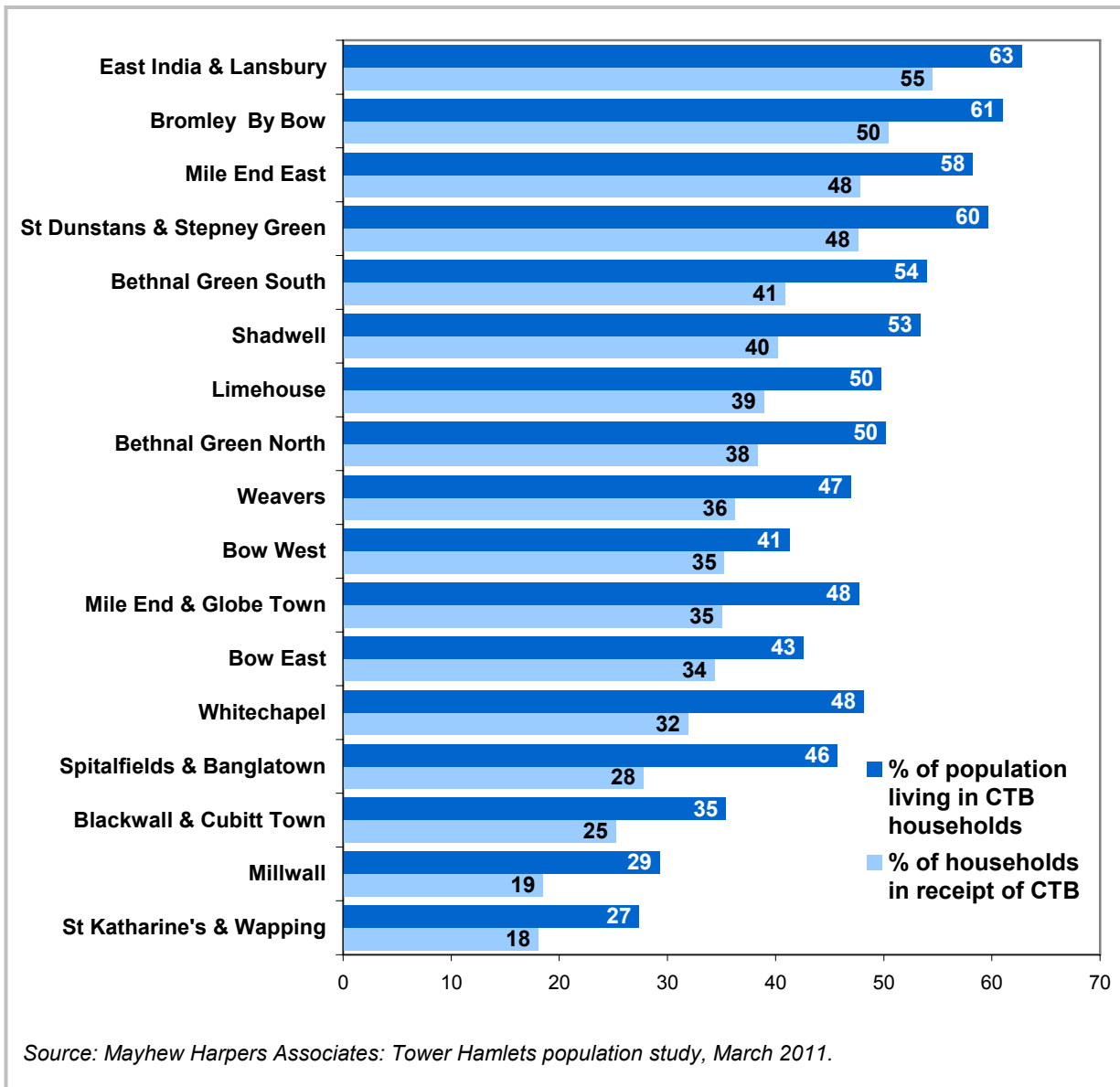
**Council Tax Benefit recipients at ward level**

At ward level, the percentage of households in receipt of CTB ranges from 18 per cent of households in St.Katharine’s & Wapping ward up to 55 per cent of households in East India & Lansbury ward (Figure 6).

The majority of the borough’s wards (14 out of 17) have CTB rates above the London average of 25 per cent. The three wards whose rates are around or below the average are all riverside wards: St. Katharine’s & Wapping; Blackwall & Cubitt Town; and Millwall.

Figure 6 also shows the proportion of people living in CTB households. As CTB households are typically larger than non CTB households, these percentages are generally higher - ranging from 27 per cent in St. Katharine’s & Wapping up to 63 per cent in East India & Lansbury.

**Figure 6: Council Tax Benefit recipients, wards, Tower Hamlets, March 2011**

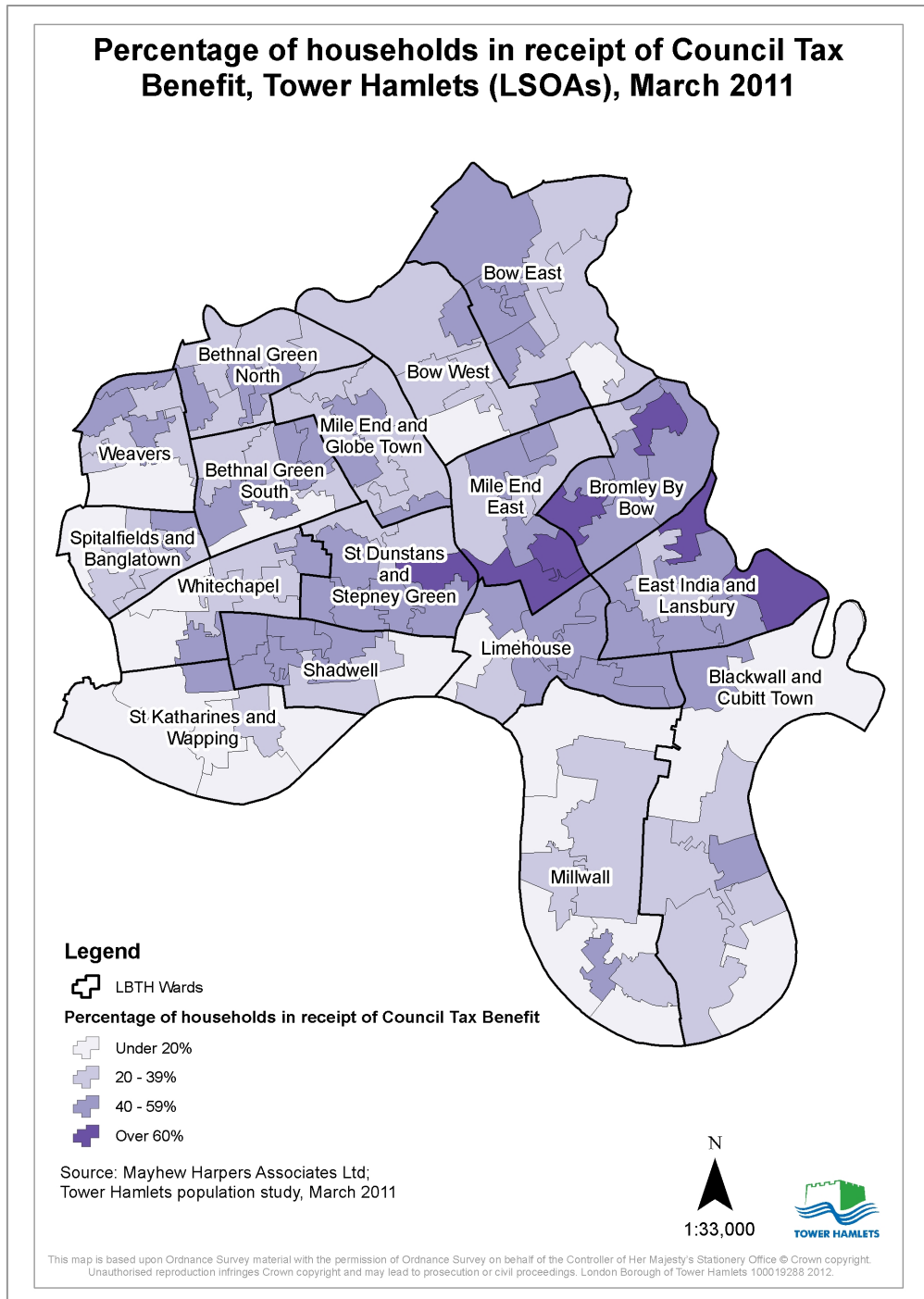


**Council Tax Benefit recipients at Lower Level Super Output Area (LSOA)**

At LSOA level, rates are even more polarised: the percentage of households on CTB ranges from only 3 per cent in the riverside area of Millwall (South) up to 66 per cent in part of Bromley by Bow (Figure 7). Seven LSOAs have very high CTB rates of over 60 per cent and these are clustered in the wards of Bromley By Bow, East India & Lansbury and Mile End East.

The majority of the borough’s LSOAs (99 out of 130) have CTB rates above the London average.

**Figure 7**



### Bangladeshi residents and CTB receipt

There are considerable ethnic differentials in CTB claimant rates (Table 3). Bangladeshi residents are more than twice as likely to live in CTB households compared with other ethnic groups: 78 per cent of Bangladeshi residents live in CTB households compared with 33 per cent of non-Bangladeshi residents<sup>9</sup>.

In terms of population composition, the data show that, while Bangladeshi residents account for 32 per cent of the population generally, they comprise just over half (52 per cent) of the Council Tax Benefit population.

**Table 3 People in Council Tax Benefit households by ethnicity, Tower Hamlets, March 2011**

	MHA 2011 population estimate for group	People in CTB households	% rates (percentage of population in CTB household)
<b>All ethnic groups</b>	<b>242,462</b>	<b>115,140</b>	<b>47</b>
Bangladeshi ethnic group	77,501	60,243	78
All other ethnic groups	164,961	54,897	33
<i>% of total population from Bangladeshi ethnic group</i>	32	52	

*Source: Mayhew Harpers Associates (Tower Hamlets population study, March 2011)*

### Further information

This section illustrates how the Tower Hamlets Population Study can be used to provide insight into the characteristics of CTB claimants in the borough. For more information about the study, please contact [Benn Huntley](#) in the Corporate Research Unit.

For official statistics relating to Council Tax Benefit for all local authority areas, monthly data can be downloaded from the DWP website at the following link: <http://research.dwp.gov.uk/asd/index.php?page=hbctb>

<sup>9</sup> The MHA database provides data on ethnicity but the data are limited. First, the ethnicity data are incomplete as it was not possible to assign ethnicity data to everyone and second, as the data were modelled, the level of data quality was variable for some ethnic groups. While the data relating to Bangladeshi residents are thought to be fairly reliable, data for smaller ethnic groups and for white groups is thought to be less good. This is the reason why the ethnicity analysis presented here simply considers Bangladeshi residents against the characteristics of all non-Bangladeshis in the borough.



## 4 Child poverty rates

### About this indicator

There are different ways to measure child poverty, but at a borough level, the most commonly used measure is the HM Revenue & Customs (HMRC) child poverty rate which is based on benefits records. This measure is different from the survey based measure the Government uses to measure regional and national child poverty rates.

The latest data relate to August 2009 and measure: **the proportion of children living in families in receipt of out-of-work (means tested) benefits<sup>10</sup> or those in receipt of tax credits where their reported income is less than 60 per cent of median income.** The definition of children used refers all those aged under 16 and dependent children aged between 16-19 (these include children still in full-time education who live with their parents). Data on child benefit claimants are used to estimate the number of dependent children living in each area so that poverty rates can be calculated.

The main strength of this indicator is that it is entirely based on administrative counts so it is a precise measure of those on particular benefits. However, it should be borne in mind that it will fail to capture children in families who may be living in poverty but are not in receipt of such benefits. Indeed, HMRC data show that take-up rates of Working Tax Credits are relatively low at between 59-63 per cent<sup>11</sup> suggesting that many families fail to claim tax credits they are entitled to. This means the child poverty indicator is likely to understate the level of in-work poverty among families - see [Appendix A](#).

### Children poverty rates for London Boroughs

The HMRC data for August 2009 show that 29,680 children in Tower Hamlets live in poverty – this represents **53 per cent of all children** in the borough and is the highest child poverty rate in the UK<sup>12</sup>.

The borough's child poverty rate is more than double the rate nationally (21 per cent), and well above the London average of 30 per cent. At a regional level, London has the highest rate of child poverty across the UK – double the rate in the South East region (15 per cent).

Tower Hamlets is the only local authority area in the UK where the percentage of children in poverty is more than half and it is the highest rate by some way - the second highest rate is Islington at 44 per cent. [Figure 8](#) shows child poverty rates for all London Boroughs and the chart illustrates the massive variation in rates across the capital: the child poverty rate in Tower Hamlets is more than four times higher than the rate in Richmond (12 per cent). Across the UK, Tower Hamlets, Islington and Hackney have the highest rates, closely followed by Manchester and Newham.

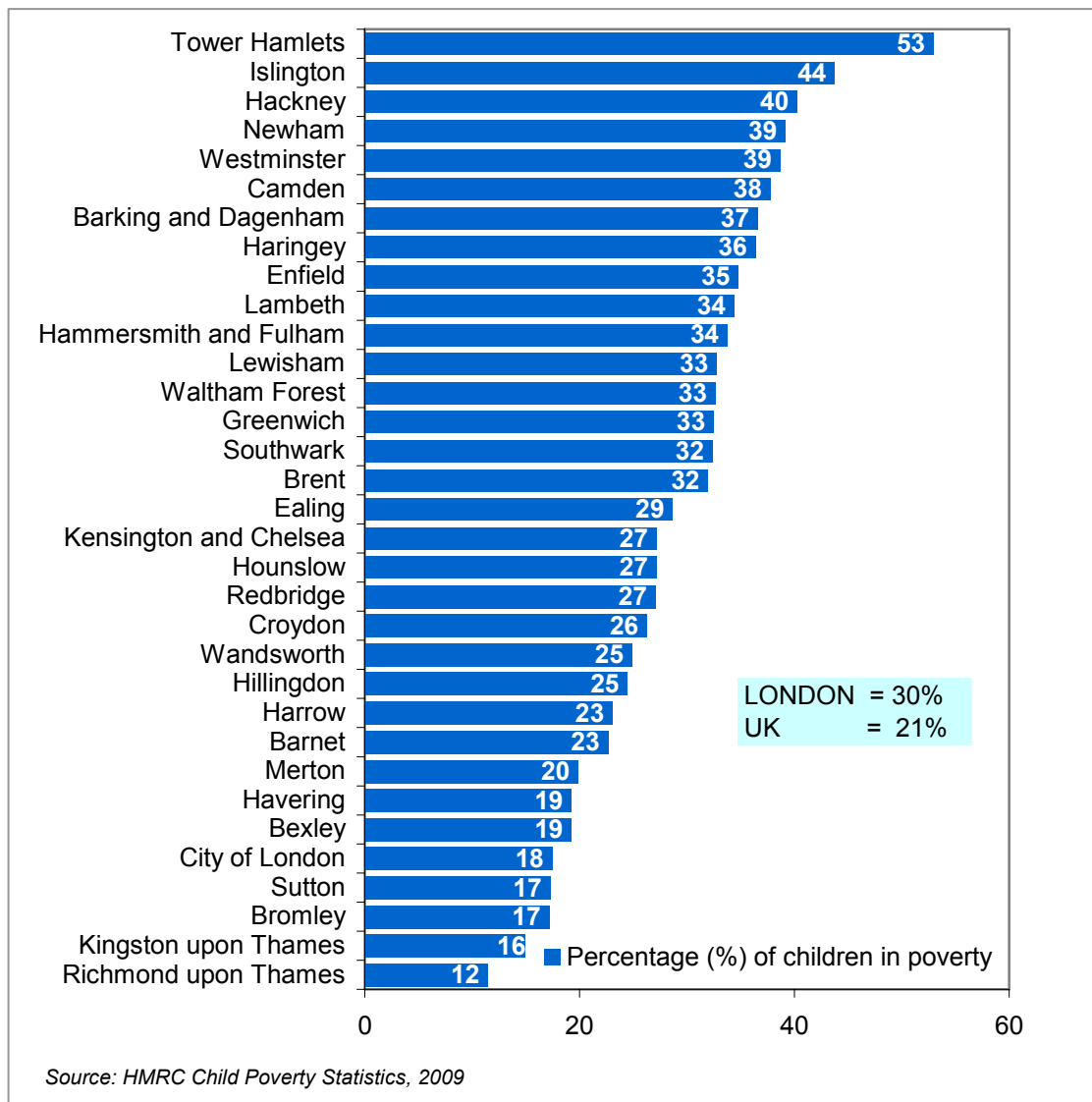
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<sup>10</sup> Out-of-work benefits include: Income Support, Jobseeker's Allowance, Employment and Support Allowance / Incapacity Benefit and Pension Credit. The measure is equivalised to take account of differences in household type and composition, but unlike the income poverty measure, no adjustment is made for housing costs.

<sup>11</sup> HM Revenue & Customs, Take-Up Rates, 2009-10

<sup>12</sup> HM Revenue & Customs, Child Poverty Statistics 2009; (revised definition, former NI 116).

Figure 8: Child poverty rates by London Borough, 2009



### Child poverty by working status of families

The child poverty data provides some proxy information on the likely employment status of the families in poverty. These show that, of all children in poverty in Tower Hamlets: just over three quarters (76 per cent) were known to be in workless families (those reliant on out-of-work benefits) and 14 per cent were known to be in families with someone in work (as indicated by the fact they were in receipt of Working Tax Credit). The work status of the remaining 10 per cent is not known<sup>13</sup>.

The percentage of children in poverty living in workless families in Tower Hamlets is broadly similar to the London and national average (76 per cent compared with 79 and 78 per cent respectively). However, as was explained earlier, given that take-up rates of Working Tax Credits are relatively low (59-63 per cent<sup>14</sup>) - this indicator could well understate the level of in-work poverty among families.

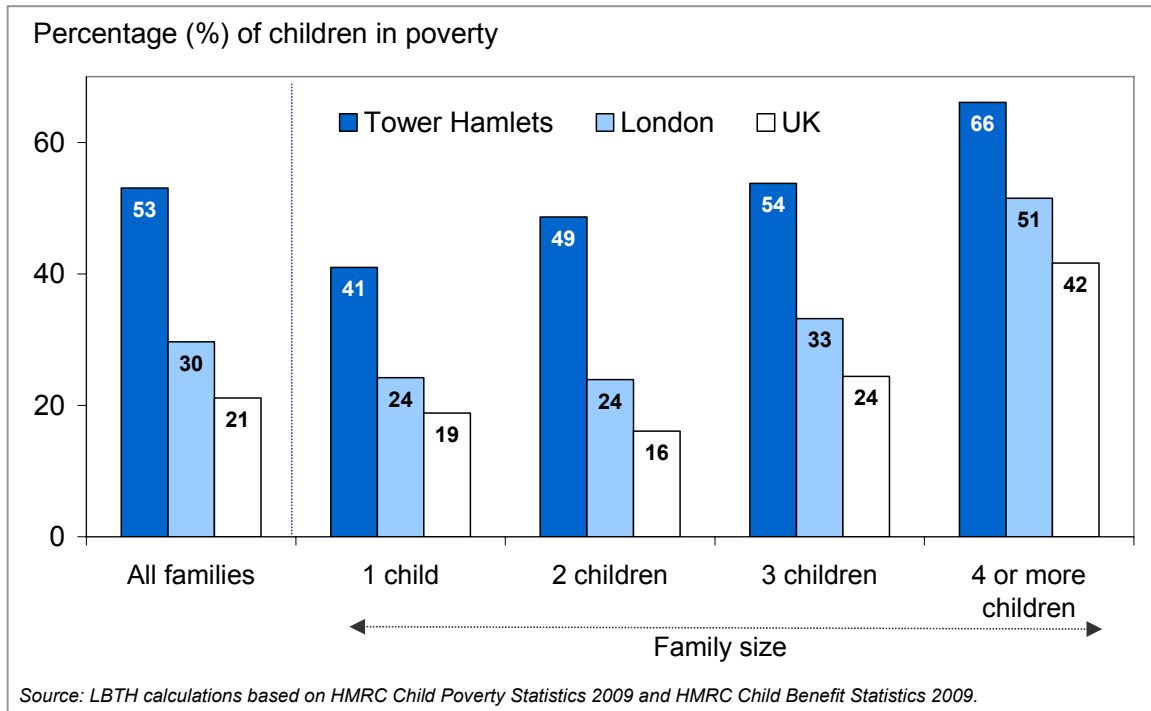
<sup>13</sup> HMRC advise that while it is known that this group are on incomes below the 60 per cent median income the work status of the family is not known.

<sup>14</sup> HM Revenue & Customs, Take-Up Rates, 2009-10

**Children in poverty by family size**

Figure 9 charts child poverty rates by family size. The analysis illustrates that children in larger families tend to face a much higher risk of poverty. In Tower Hamlets, the percentage of children in poverty rises from 41 per cent for those in one child families up to 66 per cent of those living in families with four or more children. In London and the UK, there are similar patterns by family size, though child poverty rates are significantly lower than rates in Tower Hamlets – across all sizes of families.

**Figure 9: Child poverty rates by family size, 2009**



In Tower Hamlets, children in larger families (with four or more children) comprise just over one third (34 per cent) of all children in poverty (Table 4). This is far higher than the proportion in London and UK (23 and 20 per cent respectively) and is the highest percentage of all UK local authorities. This reflects the fact that the average family size is larger in Tower Hamlets<sup>15</sup> as well as the fact that that the borough’s larger families have higher poverty rates than large families elsewhere (as shown in Figure 9).

**Table 4 Children in poverty by family size (% composition), August 2009**

	No. of children in poverty	Percentage of children in poverty by family size (%)					All children = 100%
		1 child	2 children	3 children	4 or more children		
<b>Tower Hamlets</b>	<b>29,680</b>	<b>16</b>	<b>26</b>	<b>24</b>	<b>34</b>		<b>100</b>
London	531,970	21	32	24	23		100
UK	2,871,170	24	33	23	20		100

Source: HMRC Child Poverty Statistics, 2009

<sup>15</sup> The average number of children in Child Benefit households in Tower Hamlets is higher than the UK average (2.05 vs. 1.75); HMRC Child Benefit data, 2009.

### Child poverty by family type

In Tower Hamlets, 54 per cent of all children in poverty live in couple families and the remaining 46 per cent live in lone parent families. Tower Hamlets is unusual in this respect as in all other areas, the majority of children in poverty are in lone parent families: in both London and the UK, more than two thirds of children in poverty live in lone parent families (Table 5). Tower Hamlets is the only local authority<sup>16</sup> in the UK where children in poverty were more likely to be in couple families than lone parent families.

**Table 5 Children in poverty by family type (percentage composition), August 2009**

	Number of children in poverty	Percentage in each family type		
		Couple	Lone parent	All children = 100%
<b>Tower Hamlets</b>	<b>29,680</b>	<b>54</b>	<b>46</b>	<b>100</b>
London	531,970	29	71	100
UK	2,871,170	32	68	100

Source: HMRC Child Poverty Statistics, 2009

### Child poverty rates for wards and LSOAs in Tower Hamlets

All wards in Tower Hamlets have child poverty rates well above the national average: the rate ranges from 38 per cent in St Katharine's & Wapping ward up to 59 per cent in East India & Lansbury ward. In 12 of the borough's 17 wards, the rate of child poverty is above 50 per cent (Table 6).

**Table 6 Percentage of children in poverty by ward, Tower Hamlets, 2009**

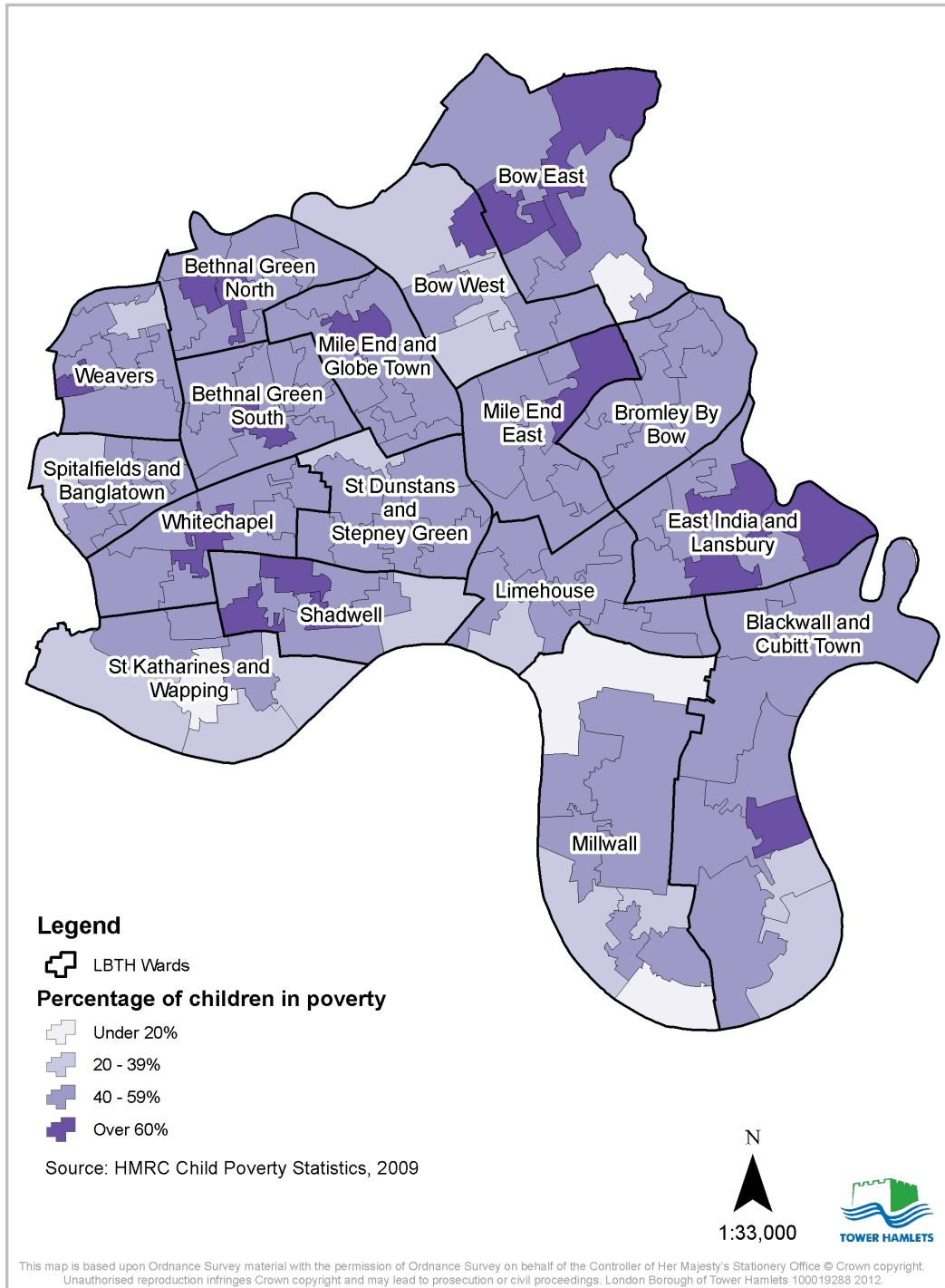
Ward (ranked in order of highest to lowest rate)	Number of children in poverty	Percentage of children in poverty (%)
East India & Lansbury	2,830	59
Shadwell	2,165	56
Bethnal Green South	1,945	56
Bromley-by-Bow	2,370	56
Bow East	1,445	55
Mile End East	2,045	55
Mile End & Globe Town	1,770	55
Bethnal Green North	1,640	54
Whitechapel	1,590	54
St Dunstan's & Stepney Green	2,430	54
Weavers	1,365	53
Limehouse	2,085	53
Blackwall & Cubitt Town	1,710	50
Spitalfields & Banglatown	945	49
Bow West	1,265	46
Millwall	1,365	46
St Katharine's & Wapping	720	38
<b>Tower Hamlets (all wards)</b>	<b>29,680</b>	<b>53</b>

Source: HMRC Child Poverty Statistics, 2009 (counts rounded to nearest 5).

<sup>16</sup> With the exception of the Isle of Scilly – which was excluded from this analysis (as numbers were extremely small).

At Lower Super Output area (LSOA) level<sup>17</sup>, rates are particularly polarised (Figure 10); the percentage of children in poverty ranges from 4 per cent in part of Millwall (Canary Wharf area) up to 71 per cent in part of Mile End East - which is the highest LSOA child poverty rate in London. Only four of the borough's 130 LSOAs have child poverty rates below the national average of 21 per cent.

**Figure 10: Child poverty rates for Lower Level Super Output Areas in Tower Hamlets, 2009**



<sup>17</sup> Tower Hamlets has 130 LSOAs and they typically cover a population size of 1,000-3,000.

Areas in Tower Hamlets dominate the list of London LSOAs with the highest levels of poverty: the top percentile (ie the highest one per cent) of London's LSOAs have child poverty rates of between 59-71 per cent and areas in Tower Hamlets comprise around one half of these areas. Recent GLA analysis of patterns of child poverty at LSOA level across London, confirms that Tower Hamlets has some of the highest concentrations of child poverty in London<sup>18</sup>.

#### Further information

A full set of child poverty data for local authorities can be downloaded directly from the HMRC web-site: [http://www.hmrc.gov.uk/stats/personal-tax-credits/child\\_poverty.htm](http://www.hmrc.gov.uk/stats/personal-tax-credits/child_poverty.htm)

The GLA has produced a useful London-wide analysis of the HMRC data: *Children in Poverty, Update 14-2011*:

<http://www.london.gov.uk/who-runs-london/mayor/publications/society/facts-and-figures/poverty>

The Council produced a Child Poverty Needs Assessment for the borough in 2010. While some of the data have now been superseded, the assessment provides a far more in-depth analysis of the extent and nature of child poverty in Tower Hamlets than is provided here. The assessment is available on the Council's website at the following link:

<http://www.towerhamlets.gov.uk/idoc.ashx?docid=d7bda100-561d-4a04-9c04-c8a278173a16&version=-1>

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<sup>18</sup> Greater London Authority, Children in Poverty, [Intelligence Update 14-2011](#).

## 5 Working age residents receiving 'out-of-work' benefits 2011

### About this indicator

This indicator relates to the percentage of the working age population who are receiving 'out-of-work' benefits and it provides information about worklessness – one of the main causes of poverty. The measure is produced quarterly by the Department for Work and Pensions and relates to people aged 16-64 who are in receipt of certain benefits.

This indicator has a number of advantages: it avoids double counting of claimants of multiple benefits as it counts those who in receipt of one or more benefits; and also, it is relatively up to date and based on a precise administrative count. However, its main value is that it provides intelligence on the reason why people are out of work.

The main limitation of this indicator is that it is a fairly narrow measure of worklessness. Not everyone who is out of work is in receipt of benefits; some may not be eligible for benefits, and others who are eligible fail to claim. Indeed, the DWP estimate that only around 47-59 per cent<sup>19</sup> of those eligible for income-related Jobseeker's Allowance (the key benefit for unemployed people) claim it. Furthermore, as data relate to claimants they tell us little about dependants and other family members who are living in the household.

### Residents on out-of-work benefits in Tower Hamlets

In Tower Hamlets, around 27,430 working age claimants are in receipt of out-of-work benefits (May 2011). This represents around 16 per cent of the working age population. However, as claimants often receive benefits on behalf of their families, the proportion of the population reliant on these benefits will be significantly higher.

**Figure 11: Working age claimants of out-of-work benefits, Tower Hamlets, 2011**

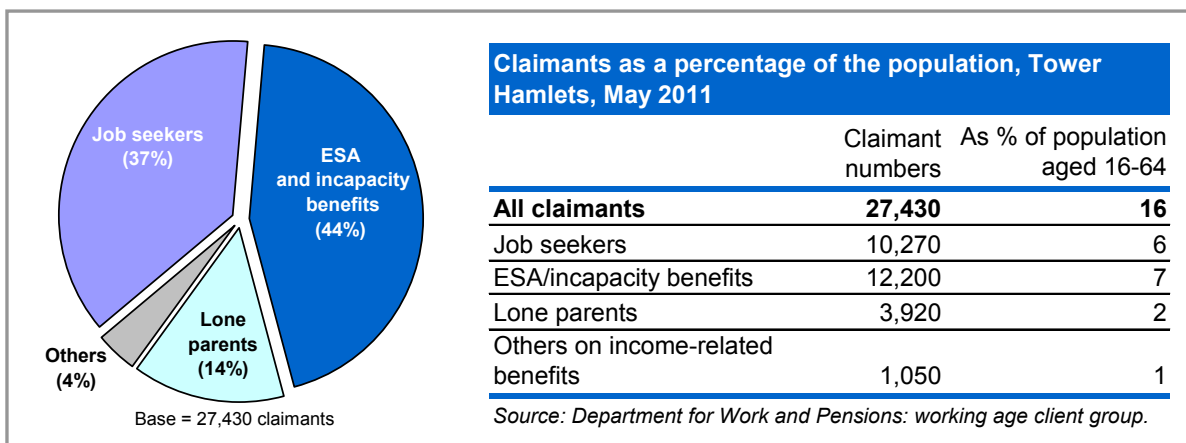


Figure 11 shows the latest data broken down by claimant group which indicates the main reason for claiming benefits. The largest single group are those in the ESA (Employment and Support Allowance) and incapacity benefits<sup>20</sup> group - typically,

<sup>19</sup> DWP Income-related benefits: estimates of take-up in 2008-09 (See Appendix A).

<sup>20</sup> ESA is a new benefit for people who are unable to work due to a health problem or disability. ESA is currently being rolled out and will eventually replace Incapacity Benefit.

people in this group are unable to work due to health problems and/or a disability. They comprise 44 per cent of all claimants of out-of-work benefits and represent seven per cent of the borough's population.

The second largest group of claimants are those in the jobseeker's group – these residents are unemployed and actively seeking work, and usually receive Jobseeker's Allowance. They account for 37 per cent of all claimants and represent 6 per cent of the borough's working age population.

The remaining claimants comprise lone parents and others reliant on income support. (Note: the total number of lone parents on out-of-work benefits is likely to be higher than these data suggest because some lone parents will be included within the Jobseekers or ESA/Incapacity groups – particularly those with older children who are no longer eligible for Income Support<sup>21</sup>).

### Duration of claiming out-of-work benefits by claimant type

Just over one third (34 per cent) of claimants have been on out-of-work benefits for 5 years or more (Table 7). Those on incapacity-related benefits are the most likely to have been on benefits long-term: 60 per cent have been on out-of-work benefits for more than 5 years, and just over three quarters have been on benefits for more than two years. The majority (63 per cent) of lone parent claimants have been on benefits for more than two years.

Jobseekers have a quite different profile and only a minority have been receiving benefits long-term: three quarters of the jobseeker group have been in receipt of Jobseeker's Allowance for a year or less. This reflects the profile of this group who are – by definition – unemployed and seeking work. The eligibility criteria for Jobseeker's Allowance require that the claimant must be actively seeking work and available for work, and the accompanying sanctions regime is thought to discourage people from staying on the benefit long-term.

**Table 7 Duration of claim by claimant group, Tower Hamlets, May 2011**

Duration of claim	By claimant group (% totals)				
	All out-of-work benefits	Job seeker	ESA and incapacity benefits	Lone parent	Others on income-related benefits
<b>All = 100%</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
- Up to 6 months	27	55	10	10	19
- 6 months up to 1 year	12	20	6	10	9
- 1 year and up to 2 years	12	14	8	16	17
- 2 years and up to 5 years	16	8	17	28	30
- 5 years and over	34	3	60	35	25
<i>Base: number of claimants</i>	<i>27,430</i>	<i>10,270</i>	<i>12,200</i>	<i>3,920</i>	<i>1,050</i>

Source: Department for Work and Pensions, working age client group data.

<sup>21</sup> From 2012, lone parents will only be eligible for Income Support (IS) if their youngest child is aged 5 or below; this is part of a phased reduction in the age limit which began in 2008, from age 16 to 5.

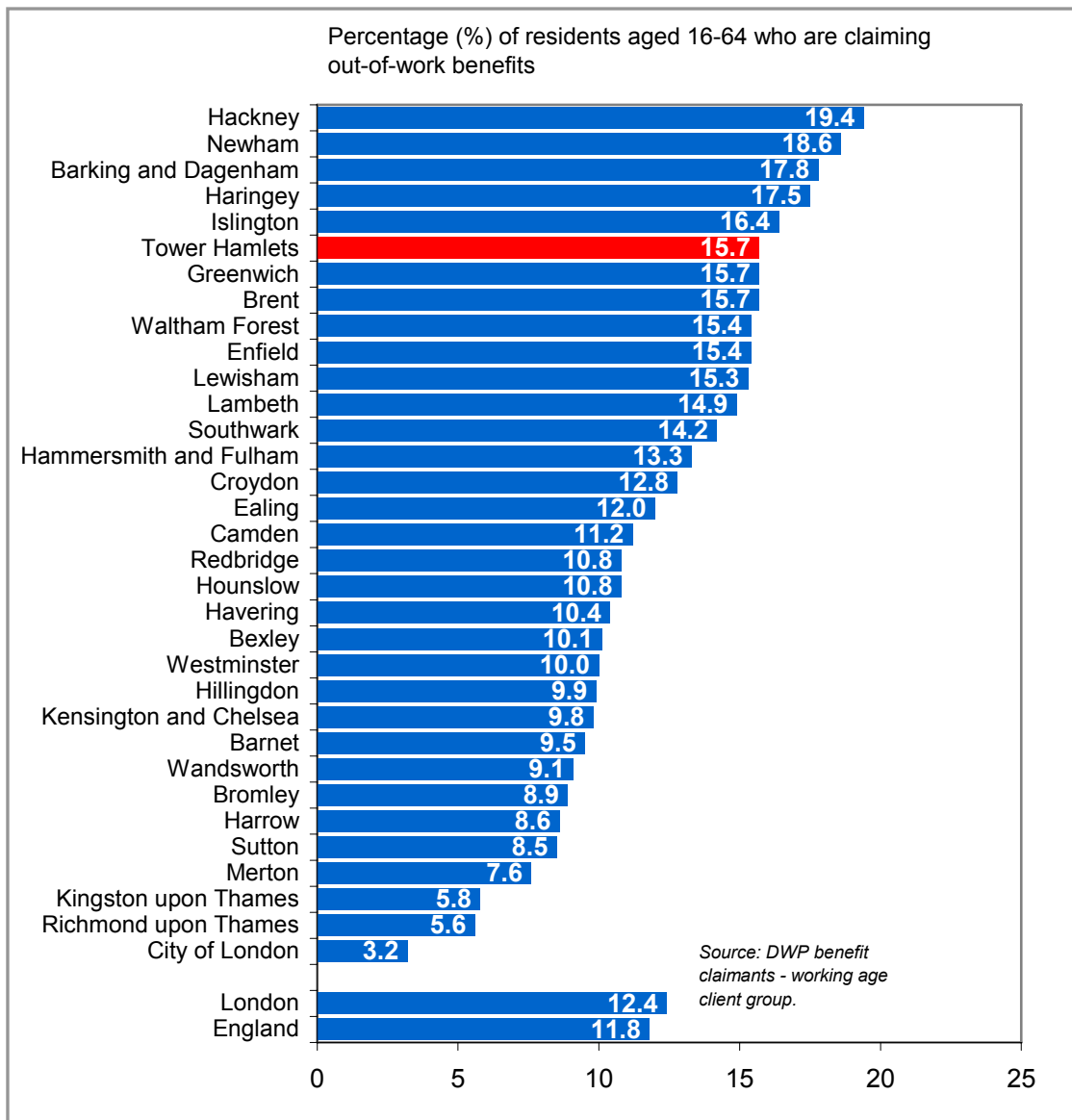


### Claimants of out-of-work benefits across London Boroughs

The percentage of working age residents on out-of-work benefits is high in Tower Hamlets (16 per cent) relative to both the national and London average (both 12 per cent). Within London, the claim rate ranges from 3 per cent in the City of London up to 19 per cent in Hackney. Tower Hamlets is ranked 6<sup>th</sup> highest in London and has the same rate as Greenwich and Brent (Figure 12).

The borough's ranking on this measure is less negative compared with the previous measures of income poverty which ranked the borough highest. This is because it measures something quite different. First, as it focuses on those out of work, it doesn't capture those in work who fall under the poverty line. Further, unlike broader household income measures, it does not capture the circumstances of pensioner households nor does it take no account of the dependants of claimants (eg children or partners).

**Figure 12: Percentage of working age residents claiming out-of-work benefits by London Borough, May 2011**

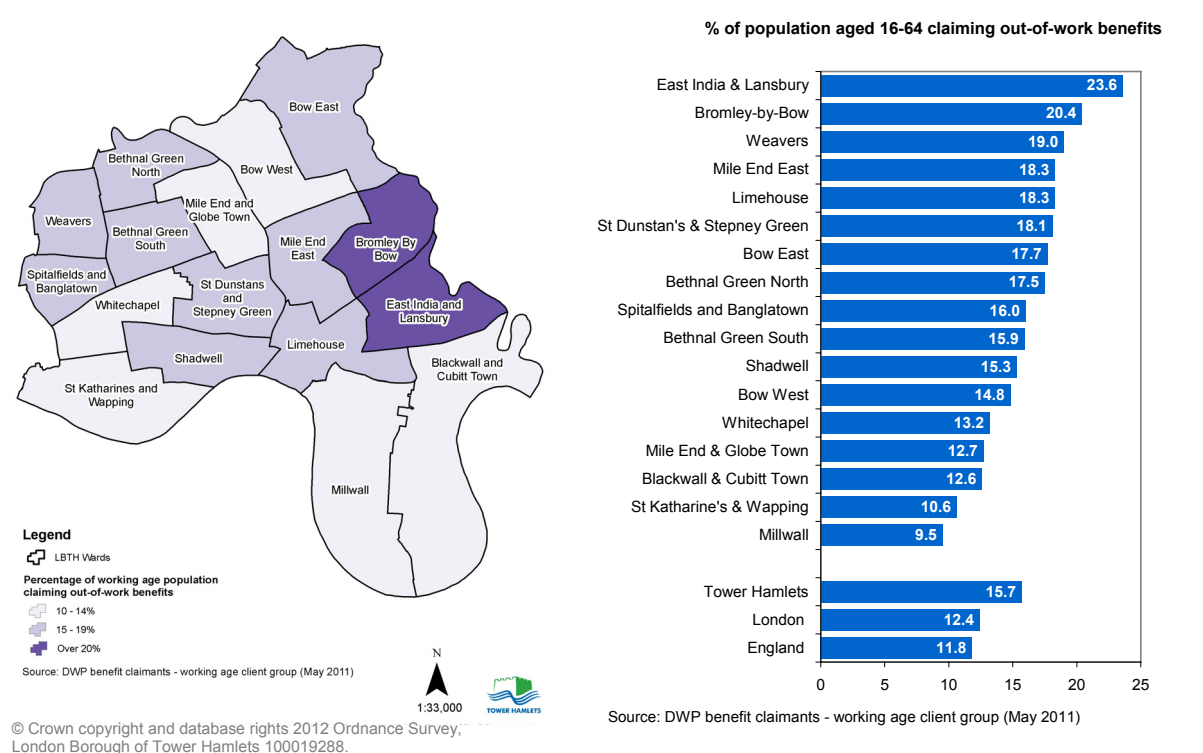


**Claimants of out-of-work benefits at ward level**

Within Tower Hamlets there is considerable variation in claimant rates at ward level. The percentage of working age residents claiming out-of-work benefits ranges from 10 per cent in Millwall up to 24 per cent in East India & Lansbury.

Most wards (15 out of the 17) in Tower Hamlets have claim rates above the London average (Figure 13).

**Figure 13: Percentage of residents (aged 16-64) claiming out-of-work benefits, wards, Tower Hamlets, May 2011**



**Further information**

The Council recently conducted a detailed Local Economic Needs Assessment for Tower Hamlets and part of this involved a Worklessness Assessment<sup>22</sup>. The assessment provides more in-depth analysis of data about claimants of out-of-work benefits including trends over time and benchmarking against other London Boroughs. For a copy of the Worklessness Assessment, please contact [Matthias Schnepfel](#) in the Corporate Research Unit.

The latest official data on claimants on out-of-work benefits is published quarterly on NOMIS (<http://www.nomisweb.co.uk>) which is the ONS funded website for official labour market statistics.

<sup>22</sup> Tower Hamlets Local Economic Assessment, Volume 3: Worklessness Assessment, December 2010 (prepared by Nathaniel Litchfield and Partners on behalf of Tower Hamlets Council).

## 6 Pensioner poverty

### About this indicator

This section explores income poverty among older residents in the borough and draws on Pension Credit statistics from the Department for Work and Pensions.

Pension Credit is a means tested benefit paid to people aged 60 and over and guarantees all pensioners a minimum level of income (£137.35 for a single person, and £209.70 for a couple as at January 2012). There are two parts to Pension Credit: the Guarantee Credit - the part that ensures a guaranteed level of income for those on low incomes; and the Savings Credit - for people who have made some (modest) savings provision for their retirement. Pensioners can receive one or both parts. Here, the indicator used relates to **the percentage of people aged 60 and over who are in receipt of the guarantee part of Pension Credit (either by itself or in addition to the savings credit)**. In effect, this captures pensioners living on low incomes with little or no savings.

The main strength of this indicator is it is based on a precise administrative count of claimants and is very up to date (May 2011). The major limitation is that not all pensioners claim the benefits they are entitled to. DWP estimate that, nationally, take-up rates for the Guarantee part of Pension Credit are between 71 and 83 per cent<sup>23</sup> – this means that around one quarter of pensioners in Britain are missing out on Pension Credit they are entitled to. For this reason, the figures that follow are likely to understate the number of pensioners living on low incomes in the borough.

### Pension credit claimants in Tower Hamlets

Tower Hamlets has a relatively small pensioner population compared with other areas: nine per cent of the borough's population are aged 60 and over compared with 22 per cent across England<sup>24</sup>. Despite the fact the proportionately fewer pensioners live in the borough, those that do, face unusually high levels of income poverty.

**Table 8 Pension Credit (Guarantee) recipients, May 2011**

	Number Pension Credit Guarantee claimants		Population aged 60 + (2010)	Claimants as % of population aged 60+	
	Claimants	Beneficiaries*		Claimant	Beneficiaries
<b>Tower Hamlets</b>	<b>9,820</b>	<b>11,960</b>	<b>21,500</b>	<b>46</b>	<b>56</b>
Greater London	251,670	297,060	1,236,400	20	24
England	1,751,380	2,098,820	11,746,500	15	18

Sources: LBTH calculations based on: DWP (claimant data - 100% count); and ONS mid-year population estimates 2010. \* Beneficiaries figure includes the partners of claimants.

In Tower Hamlets, 9,820 pensioners receive the guarantee part of Pension Credit (Table 8). These represent half of all people aged 60 and over (46 per cent) – this is the highest pension credit guarantee rate in England and more than three times the national average (15 per cent).

<sup>23</sup> DWP, Income related benefits estimates of take-up in 2008-09 (See Appendix A for more details).

<sup>24</sup> Office for National Statistics, Mid-year estimates of population 2010.

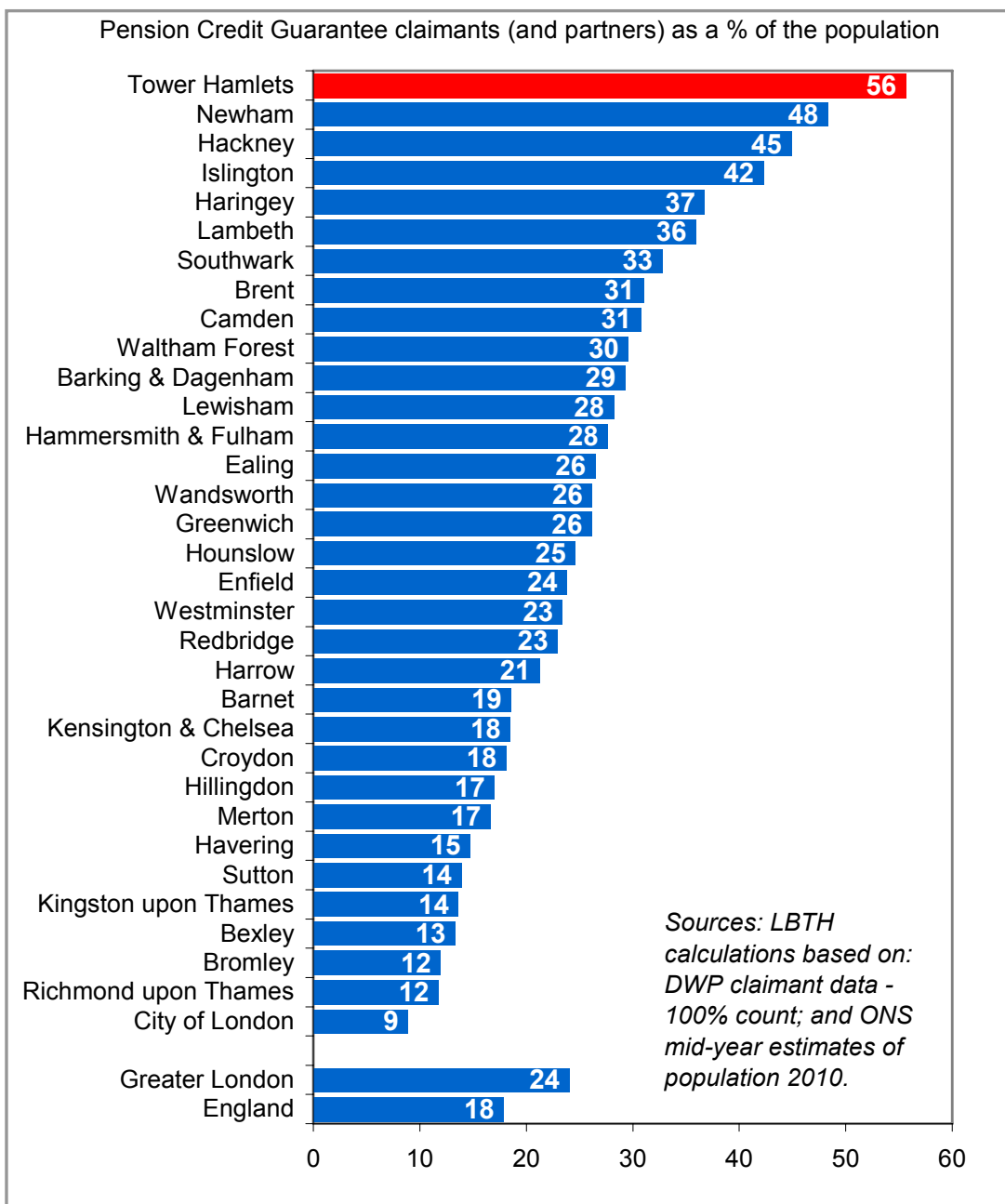
### Partners of claimants

While the majority of claimants are single pensioners, just over one-fifth of claimants are claiming on behalf of themselves and a partner. If we take this into account, the percentage of the borough's pensioner population who are reliant on the Pension Credit Guarantee rises to 56 per cent. Again, this is the highest rate of all local authorities in England and more than three times the national average (18 per cent).

### Pension credit guarantee claim rate by borough

Within London, there is significant variation in the Pension Credit Guarantee claimant rates (including partners of claimants). In May 2011, the rate ranged from 9 per cent in the City of London up to 56 per cent in Tower Hamlets (Figure 14).

**Figure 14: Pension Credit Guarantee claimants (and their partners) as a percentage of the population aged 60 and over, May 2011**



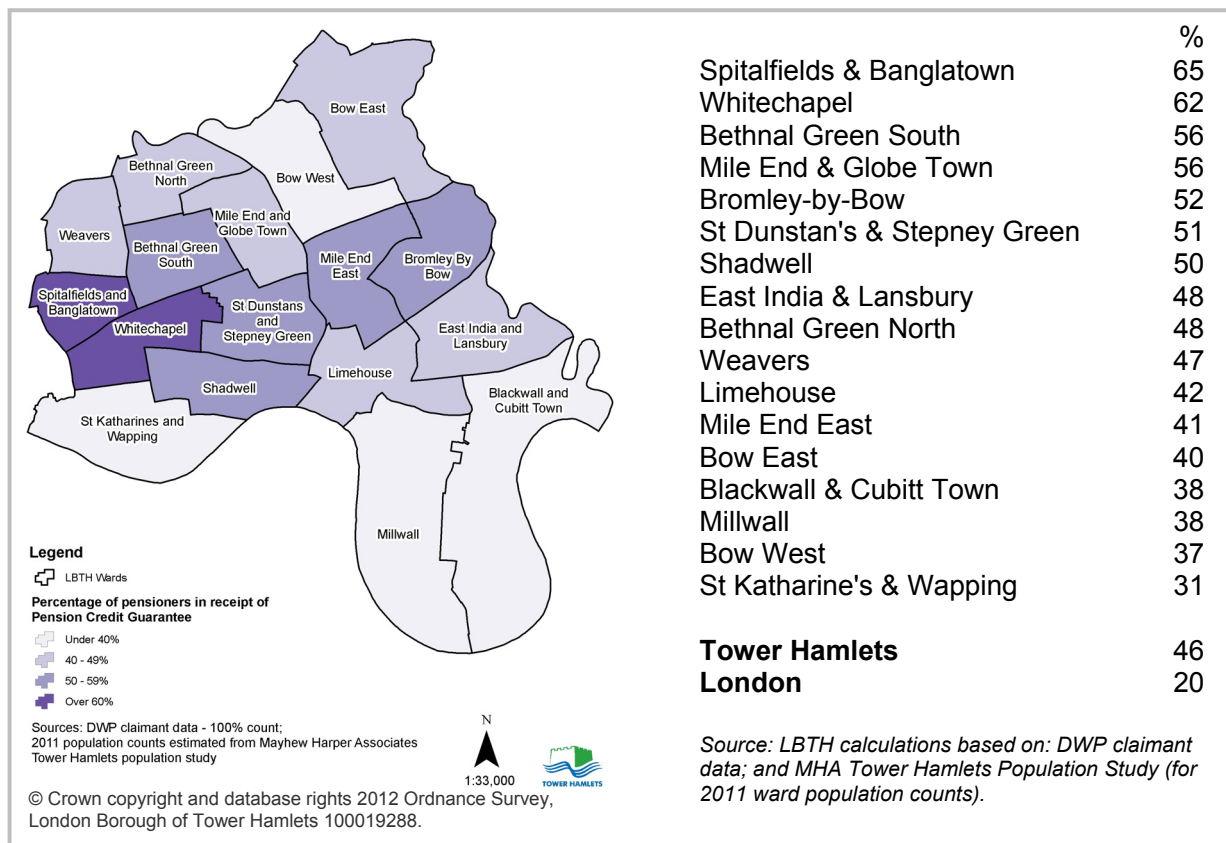
Tower Hamlets has the highest rate in England - by some way – Newham and Hackney are the areas with the second and third highest rates but both are below 50 per cent (48 and 45 per cent respectively). Six out of the ten local authorities in England with the highest claim rates are in London.

**Pension credit guarantee claimants - rates by ward**

Figure 15 maps the percentage of the population who claim the Pension Credit Guarantee by ward. Note: unlike the previous analysis, these data relate to claimants only and do not include partners of claimants.

While all wards in the borough have rates well above the national average, there is considerable variation in claim rates by area. Around two-thirds (65 per cent) of pensioners in Spitalfields & Banglatown ward are receiving Pension Credit – twice as high as the percentage living in St Katharine’s & Wapping ward (31 per cent).

**Figure 15: Percentage of people aged 60 and over who are in receipt of Pension Credit (Guarantee), Tower Hamlets wards, May 2011**



**Further information**

More localised data at LSOA level are also available on pensioner poverty from the 2010 Indices of Deprivation. These data measure income deprivation (also based on benefits data) and show similar patterns of pensioner poverty across the borough. These data are explored further in the next section (see page 35).

Data on pension credit statistics is published quarterly on NOMIS -the ONS funded website for official labour market statistics: <http://www.nomisweb.co.uk>.

## 7 Indices of Deprivation 2010

### About this indicator

The Indices of Deprivation 2010 (ID2010) provide a relative measure of deprivation for small areas across England. The indices were published by CLG in March 2011 and are the official measure of deprivation in England. The indices are designed to measure deprivation in its broadest sense.

The most widely used part of the indices is the **Index of Multiple Deprivation (IMD)**. The IMD combines data from 38 different indicators across seven broad 'domains' reflecting the multiple issues many deprived households face (Figure 16). A range of statistical techniques are used to standardise and combine the various data to produce a final set of deprivation scores<sup>25</sup>. Two supplementary indices are also produced to identify areas with high rates of child and pensioner income poverty.

**Figure 16: The Indices of Deprivation 2010**

7 main domains	<ul style="list-style-type: none"> <li>• Income Deprivation</li> <li>• Employment Deprivation</li> <li>• Health deprivation and disability</li> <li>• Education, skills and training deprivation</li> <li>• Barriers to housing and services</li> <li>• Living environment</li> <li>• Crime</li> </ul>	} • <b>Index of Multiple Deprivation (IMD)</b>
Supplementary indices	<ul style="list-style-type: none"> <li>• Income Deprivation Affecting Children Index (IDACI)</li> <li>• Income Deprivation Affecting Older People Index (IDAOP)</li> </ul>	

The IMD ranks all 32,842 Lower Super Output Areas (LSOAs) in England against each other on the basis of their levels of relative deprivation or 'scores'. It is important to bear in mind that the scores are a summary of deprivation in an area - not all deprived people live in deprived areas, and not everyone living in a deprived area is deprived. Further, the ID 2010 is not quite as up to date as it sounds - most of the underlying data relate to 2008.

### Index of Multiple Deprivation: LSOA analysis

Deprivation is very widespread in Tower Hamlets. The majority (72 per cent) of the borough's LSOAs are in the most deprived 20 per cent of LSOAs nationally on the IMD 2010 (Figure 17). Forty per cent of the borough's LSOAs are in the 10 per cent most deprived in England – the 7<sup>th</sup> highest percentage of all English local authority areas. Only 6 per cent of LSOAs in Tower Hamlets are in the 50-100% least deprived areas in England. Figure 18 maps the geographic distribution of relative deprivation at LSOA level across the borough.

<sup>25</sup> The English Indices of Deprivation 2010 – Technical Report  
<http://www.communities.gov.uk/publications/corporate/statistics/indices2010technicalreport>

Figure 17: Distribution of Tower Hamlets LSOAs by IMD 2010 rankings

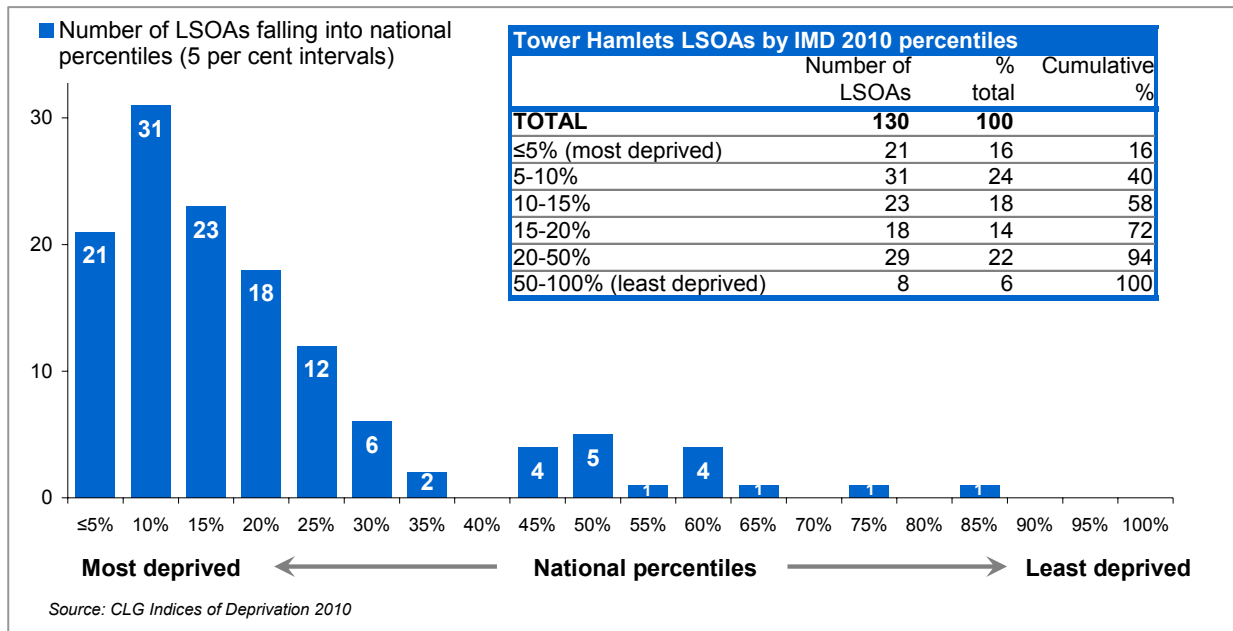
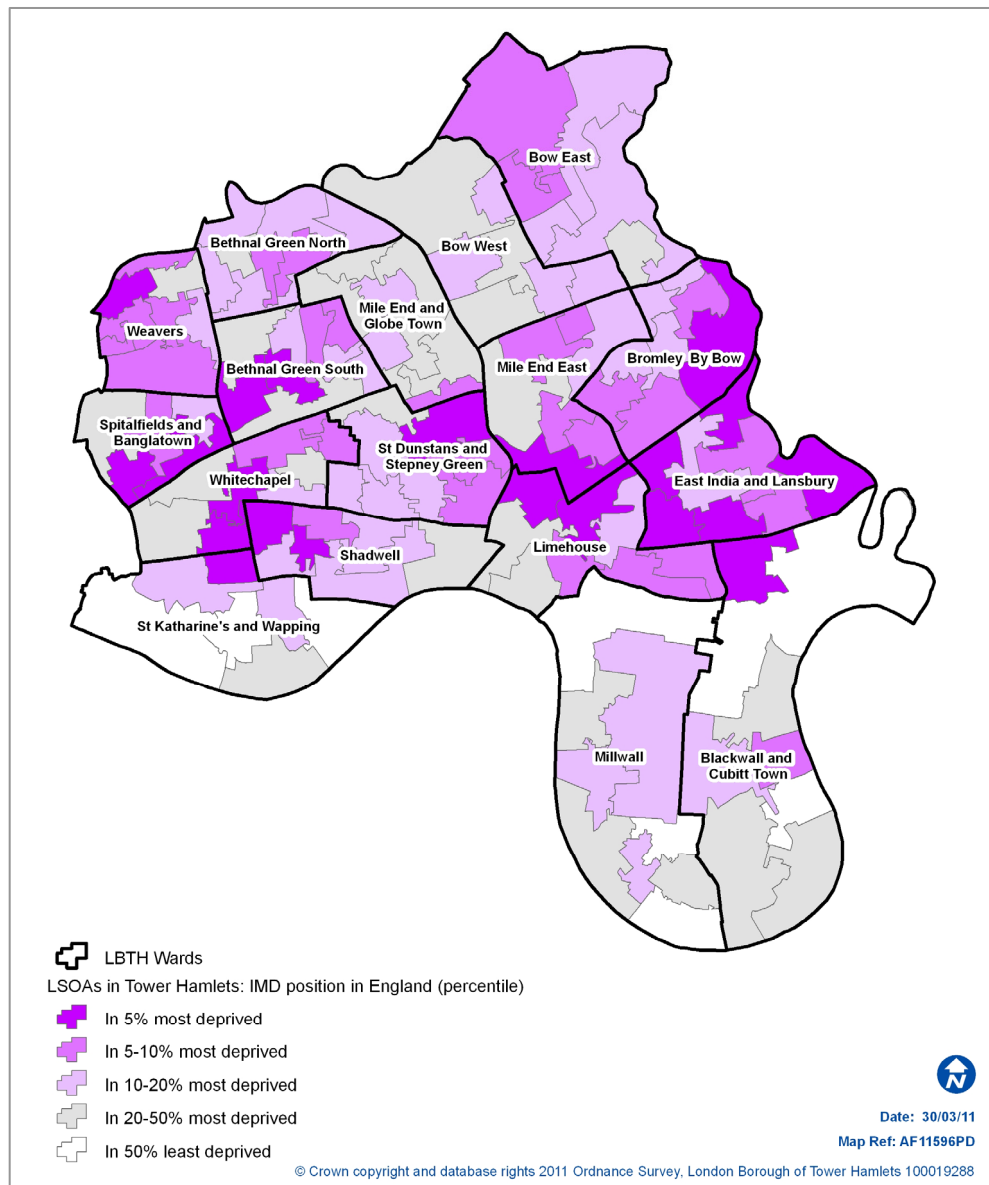


Figure 18: Index of Multiple Deprivation 2010, Tower Hamlets LSOAs by IMD rankings (Source: CLG Indices of Deprivation)

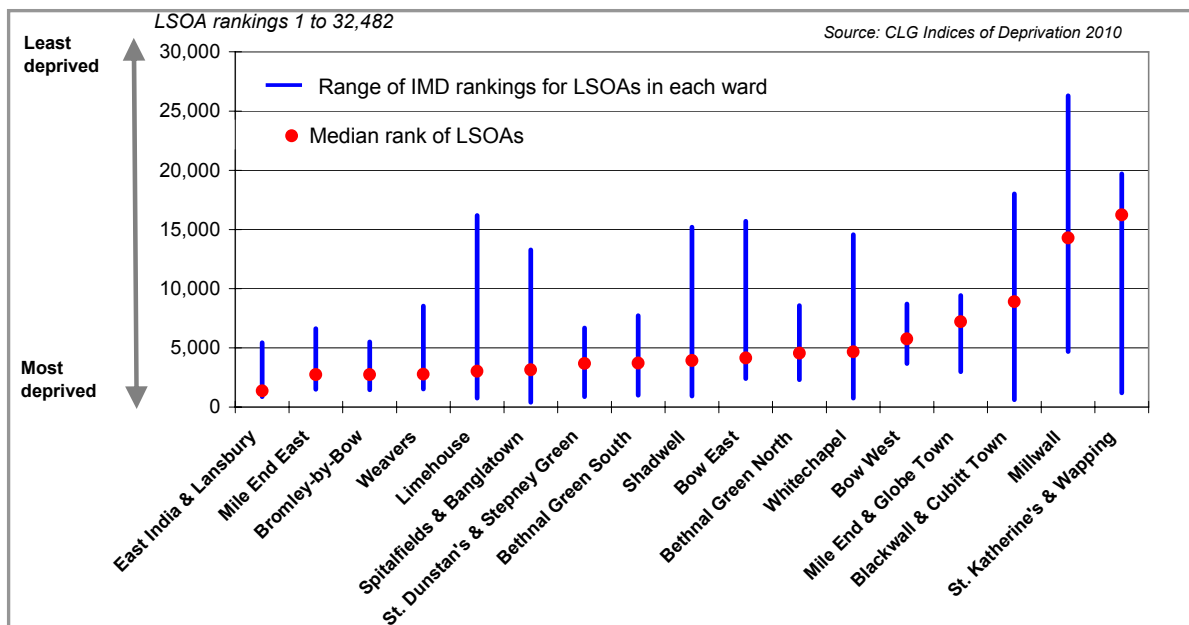


While deprivation in Tower Hamlets is widespread, none of Tower Hamlets 130 LSOAs appear in the most severely deprived areas in England - that is the most deprived 1 per cent of LSOAs (the top 324 LSOAs); just over half of these LSOAs are based in the North West of England and none are in London. However, relative to other areas in London, concentrations of deprivation remain very high in Tower Hamlets. Indeed, the most deprived LSOA in all of London is in Tower Hamlets within Spitalfields & Banglatown.

### Index of Multiple Deprivation 2010: Ward analysis

While the IMD is produced at LSOA level, it is possible to produce some basic ward level analysis by comparing the deprivation rankings for LSOAs within each ward. Tower Hamlets has 17 wards, and there are between 5 and 9 LSOAs in each ward<sup>26</sup>. Figure 19 shows the range of LSOA rankings within each ward. The wards are ranked from lowest to highest on the basis of the median LSOA rank – that is the ‘middle’ LSOA with half the LSOAs ranked above and below.

**Figure 19: IMD 2010: LSOA ranks by ward (minimum, maximum and median)**



The wards with the lowest median rankings (more deprived) are East India & Lansbury, Mile End East and Bromley by Bow. In these wards, most or all of the LSOAs are ranked in the bottom 20 per cent nationally.

At the other end of the scale, the three wards with the highest median rankings (less deprived) are St Katherine's & Wapping, Millwall and Blackwall & Cubitt Town. These three wards also have the largest polarity of ranks within the borough. For example, in Millwall, where there are 9 LSOAs, rankings range from 4,678 to 26,281 – so this area includes LSOAs in both the most and least deprived 20 per cent, nationally.

<sup>26</sup> At the time of writing, the GLA had just published a detailed London-wide analysis of ward level IMD data based on weighted scores which take account of LSOA population size.

<http://www.london.gov.uk/publication/ward-level-summary-measures-deprivation-and-older-peoples-and-childrens-indices>



### Index of Multiple Deprivation (IMD) 2010: Local authority rankings

Deprivation across LSOAs is summarised at local authority level using six different measures; these allow local authority districts to be ranked according to how deprived they are relative to other districts. The different measures reflect different dimensions of the scale, severity and nature of multiple deprivation in an area - no one measure is favoured over another (Table 9).

The *average IMD score* measure – which reflects the average<sup>27</sup> level of deprivation across LSOAs in the borough – shows that Tower Hamlets is the 7th most deprived local authority district in England out of 326 local authority districts. The top 6 were: Liverpool, Hackney, Newham, Manchester, Knowsley and Blackpool.

The *average IMD rank* measure is a similar measure but is based on average IMD rankings across LSOAs. The *average rank* measure is less affected by the impact of extreme scores than the *average score* measure. On this measure, Tower Hamlets is ranked as the 3rd most deprived local authority district in England.

**Table 9 Tower Hamlets IMD 2010 rankings on summary LA measures**

	National rank (out of 326 English LAs)	London rank Out of 33 LAs
<i>1=most deprived</i>		
Average IMD score (across LSOAs)	7	3
Average IMD rank (across LSOAs)	3	3
Extent (% living in most deprived LSOAs nationally)	3	3
Local concentration (profiles hotspots)	38	1
Income Scale (number income deprived)	10	2
Employment Scale (number employment deprived)	38	7

Source: CLG, *Indices of Deprivation 2010*

On the *extent* measure - which depicts how widespread<sup>28</sup> levels of deprivation are in a district – Tower Hamlets is also ranked 3rd most deprived in England. On these three measures (average score, rank and extent), Tower Hamlets is ranked 3rd highest in London, after Hackney and Newham.

On the *local concentration* measure, Tower Hamlets is ranked 38<sup>th</sup> most deprived in England and the most deprived in London. This measure captures the severity of deprivation in an area by profiling and comparing deprivation in ‘hotspot’ areas<sup>29</sup>.

The final two measures are the *income and employment scale* measures – these reflect the actual number of people experiencing income and employment deprivation in an area. On the *income scale* measure, Tower Hamlets ranks 10<sup>th</sup> most deprived in England and on the *employment scale* measure, the borough ranks 38<sup>th</sup> most

<sup>27</sup> Averages are population weighted to account for the differing population size of LSOAs.

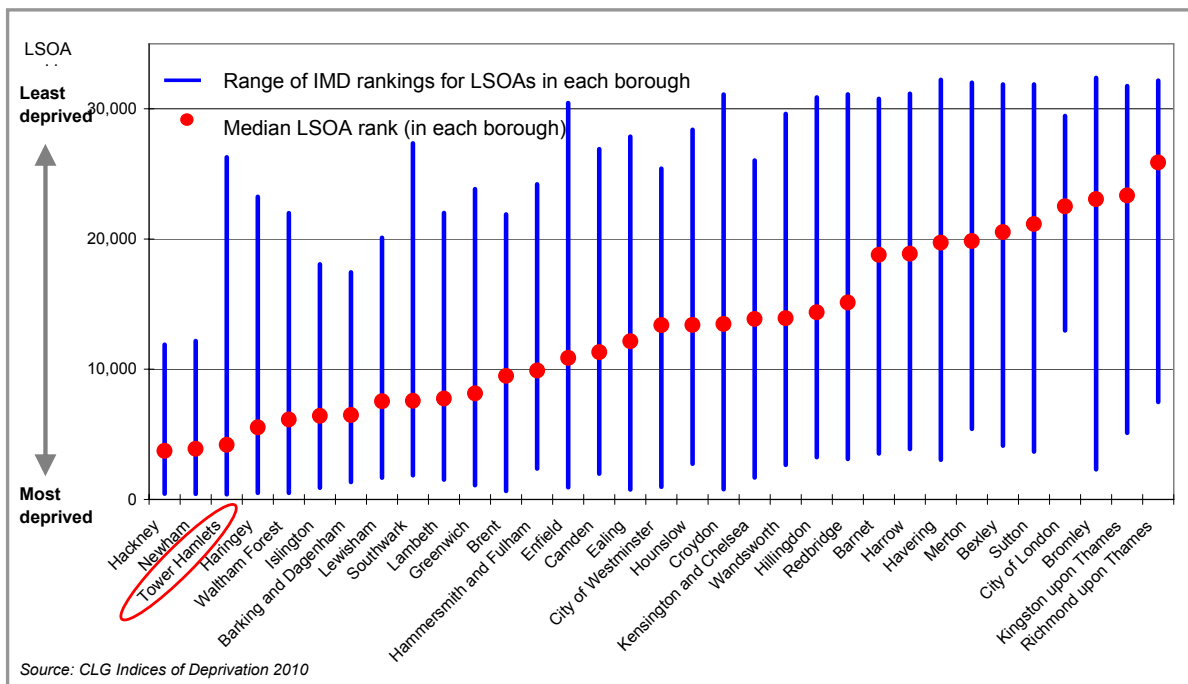
<sup>28</sup> The extent measure captures the proportion of an area’s population that live in the most deprived LSOAs in England - ‘most deprived’ LSOAs include all of those in the most deprived 10% LSOAs and then a proportion (on a sliding scale) of those living in the 11-30% most deprived.

<sup>29</sup> The measure is a population weighted average of the ranks of a local authority district’s most deprived LSOAs that contain exactly 10% of the district’s population.

deprived. As these measures are scale measures, they are heavily influenced by population size as well as the proportion of people experiencing deprivation; on both measures Birmingham (which is large in population size) is ranked the most deprived and the Isles of Scilly the least deprived.

Overall, Hackney and Tower Hamlets are the only two boroughs in London that feature in the most deprived 50 local authorities in England on all six summary measures (Newham just misses being included as it is ranked 51<sup>st</sup> on the concentration measure). The City of London, Richmond upon Thames and Kingston upon Thames emerge as the least deprived areas in London on all six measures.

Figure 20: Range of LSOA ranks on IMD 2010 for London boroughs



**Polarity and variation within Boroughs**

Local authority summary measures – while widely used – disguise the considerable variation in deprivation levels within boroughs. Figure 20 illustrates this by showing the spread of deprivation rankings for LSOAs within each borough. The boroughs are ranked from lowest to highest on the basis of the median LSOA rank; the median is the ‘middle’ LSOA with half the LSOAs ranked above and below.

Many London boroughs have a wide spread of rankings and contain LSOAs in the most and least deprived areas nationally. However, Tower Hamlets is distinct in that, while its median LSOA rank is very low, reflecting the significant clustering of LSOAs at the deprived end of the range, the spread of ranks between the most and least deprived areas is fairly wide – especially when compared with Newham and Hackney. Put another way - IMD rankings are more polarised in Tower Hamlets than in its East London neighbours. Indeed, unlike Tower Hamlets, neither Newham nor Hackney has any LSOAs in the least deprived 50 per cent nationally. This helps explain why Hackney and Newham are more deprived than Tower Hamlets on some of the summary local authority level indicators.

### Income Deprivation

The IMD is made up of seven ‘domains’ which capture different dimensions of deprivation. One of the domains focuses on income deprivation – this measures the proportion of the population in an area that live in income deprived families<sup>30</sup> – this captures those who are out of work as well as those in work but who have low earnings. Data on means tested benefits and tax credits underpin this measure.

On this indicator, one third of the Tower Hamlets population live in income deprivation, the highest in England, though only just marginally ahead of Newham (Table 10). Almost two thirds (63 per cent) of all LSOAs in Tower Hamlets fall into the 10 per cent most income deprived LSOAs nationally; again, the highest in England.

**Table 10 The five areas with the highest level of income deprivation in England**

	% of people in income deprived families
Tower Hamlets	32.8
Newham	32.7
Hackney	31.3
Knowsley	27.6
Liverpool	27.1

Source: CLG, ID2010 Technical Report

**Table 11 The five local authorities with the highest levels of income deprivation affecting children and older people**

	% children in income deprived families		% older people in income deprived families
<b>Tower Hamlets</b>	<b>59.1</b>	<b>Tower Hamlets</b>	<b>52.5</b>
Islington	48.6	Newham	45.8
Hackney	47.8	Hackney	44.7
Newham	47.8	Islington	41.4
Haringey	45.2	Liverpool	37.3
London	32.1	London	23.8
England*	20.4	England*	20.5

Source: CLG, Indices of Deprivation 2010 Technical Report (\* except for England figure which was estimated by taking an average of all LSOA rates).

CLG has also produced two supplementary indices:

- the *Income Deprivation Affecting Children Index (IDACI)* which this measures the proportion of children aged 0-15 living in income deprived families;
- the *Income Deprivation Affecting Older People Index (IDAOPI)* which measures the proportion of adults aged 60 and over in income deprived households.

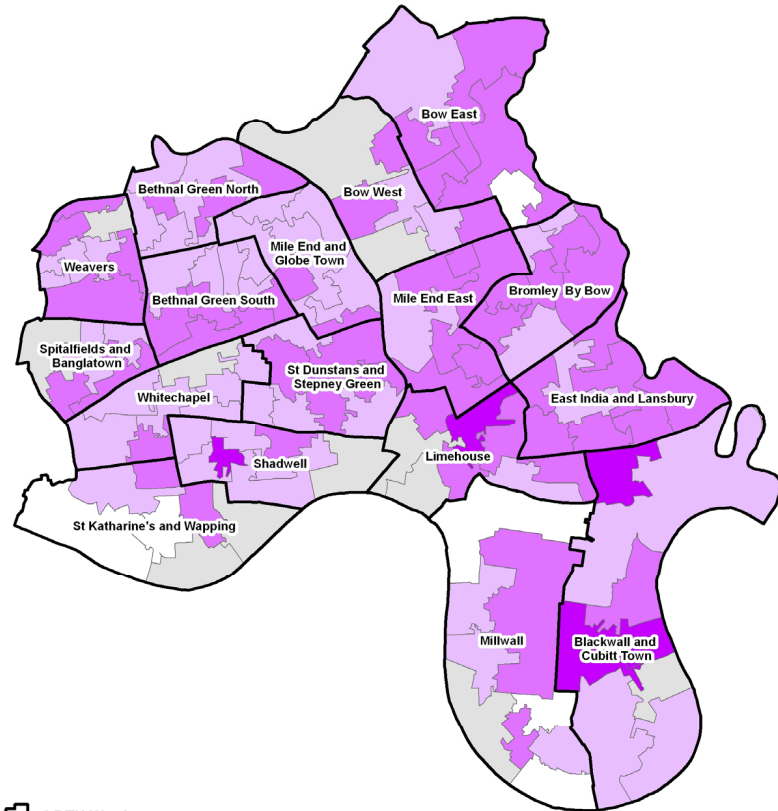
Table 11 shows the 5 local authorities with the highest rates nationally on both measures. On the IDACI measure, 59 per cent of children in Tower Hamlets live in income deprived families, the highest rate – by far - in England, and broadly consistent with the HMRC child poverty data presented in Section 4 which are based on a similar measure. The borough rate is far higher than the London rate (32 per cent) and almost three times higher than the national average (20 per cent).







<sup>30</sup> The term ‘families’ includes all family types (eg one person households, couples etc)

**Figure 21**

**Percentage of children living in income deprived families**

Source: Indices of Deprivation 2010, Department of Communities and Local Government, © Crown Copyright



 LBTH Wards  
**Percentage of children living in income deprived families**  
 Under 20%  
 20-39%  
 40-59%  
 60-79%  
 80% and above



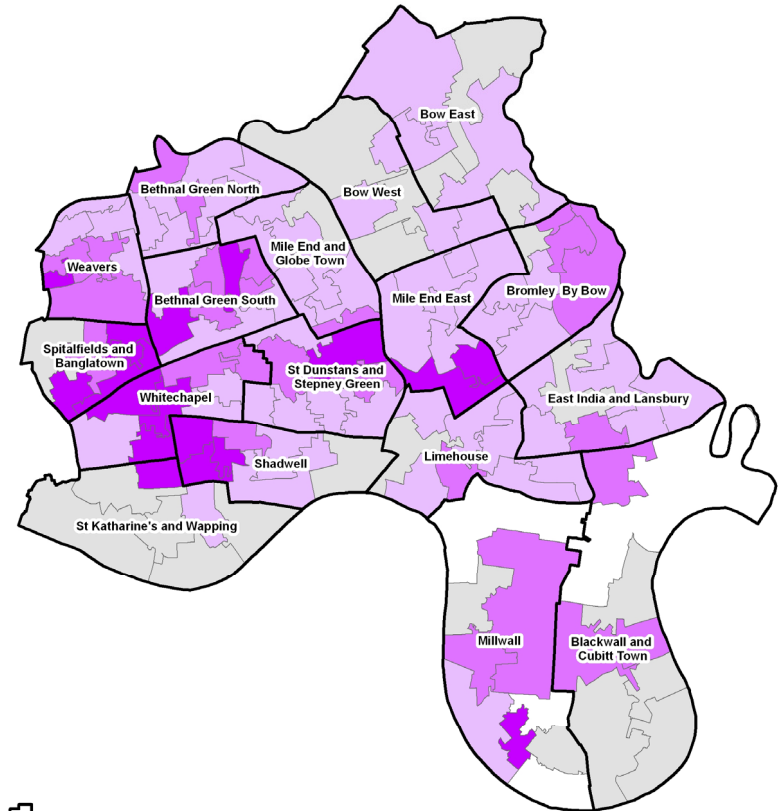
Date: 09/06/11  
Map Ref: AF11596PD







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**Figure 22**

**Percentage of older people living in income deprived families**

Source: Indices of Deprivation 2010, Department of Communities and Local Government, © Crown Copyright



 LBTH Wards  
**Percentage of older people living in income deprived families**  
 Under 20%  
 20-39%  
 40-59%  
 60-79%  
 80% and above



Date: 19/04/11  
Map Ref: AF11596PD

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On the IDAOPI measure, just over half (53 per cent) of older residents in Tower Hamlets live in income deprivation, also the highest rate in England. This reflects the high proportion of pensioners reliant on means tested benefits in the borough – the borough rate is more than twice as high as the rate both regionally and nationally. Again this indicator presents a similar picture to the pension credit statistics presented in [Section 6](#) which are based on a similar measure.

Pensioner and child poverty is very widespread across the borough and on both measures the vast majority of the borough's LSOAs fall into the most deprived LSOAs nationally. On the *Income Deprivation affecting Children Index* - 84 per cent of LSOAs in the borough fall into the most deprived 10 per cent of LSOAs nationally and on the *Income Deprivation affecting Older people Index* - 79 per cent of LSOAs in the borough fall into the most deprived 10 per cent of LSOAs nationally.

### Patterns of income deprivation by LSOA

[Figures 21 and 22](#) map levels of income deprivation among children and older people at LSOA level. The white areas on the maps show LSOAs where less than 20 per cent of families are income deprived – this is around the national average. As the maps show there are very few of these areas – only 6 LSOAs on the children index and 4 on the older people measure have levels below 20 per cent. The majority of LSOAs in the borough have high rates of income deprivation on both the children and older people measures.

Income deprivation is particularly widespread on the children index. In almost half (46 per cent) of all LSOAs in the borough, the percentage of children living in income deprivation is 60 per cent or higher. On the older people index, one third of all LSOAs have income deprivation rates of 60 per cent or more. The five most deprived LSOAs nationally on the older people index are all in Tower Hamlets.

### Further information

The Corporate Research Unit has produced a more in-depth analysis of these data for Tower Hamlets. This analysis is summarised in *Research Briefing 2011-03: Indices of Deprivation 2010* and is available on the Council's website.

<http://www.towerhamlets.gov.uk/idoc.ashx?docid=7d09b443-cc9a-4913-bb2b-b0a88c654f49&version=-1>

Also, the [Greater London Authority](#) has published a useful London-wide analysis of the ID2010 results: *English Indices of Deprivation 2010: A London Perspective*: <http://www.london.gov.uk/who-runs-london/mayor/publications/society/facts-and-figures/poverty>

The full set of ID2010 datasets in excel format is available at the following link: <http://www.communities.gov.uk/publications/corporate/statistics/indices2010>

## 8 Financial inclusion

In this section, the issue of financial capability is explored. HM Treasury defines ‘financial capability’ as follows:

*“...a broad concept, encompassing people’s knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market.” (Financial Capability: the Government’s long term approach, HM Treasury, 2007)*

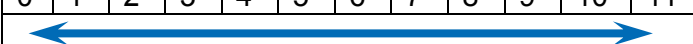
The concept of financial capability is essentially about having the confidence and skills to manage your finances, and is an issue inextricably linked with poverty. Those in poverty are more likely to suffer from a lack of access to the advice and financial products that they need (eg affordable credit), and are, of course, most at risk of the adverse consequences of poor financial decision making. Here, we examine two indicators of financial capability among Tower Hamlets residents: the Experian Financial Capability model and data on household savings levels from ING direct.

### The Experian model of financial capability

In 2007, a Treasury review<sup>31</sup> was set up to develop a national approach to delivering generic financial advice (GFA) to help improve levels of financial capability. To inform the review, Experian was commissioned to develop a statistical model to help map likely demand for such advice across the population. The model predicts the likely need for advice by assessing levels of financial vulnerability and capability among the population at postcode level<sup>32</sup>.

**Figure 23: The Generic Financial Advice (GFA) scale**

GFA need low & least vulnerable	Financial capability (GFA) scale											GFA need high & most vulnerable
	0	1	2	3	4	5	6	7	8	9	10	



The model adopts a 12-point scale (0 to 11) which maps relative levels of need: 0 points represents those who are the least likely to need advice services, while 11 points represents those who would benefit most from advice. The model was built around four key factors that were strongly associated with financial capability:

- Relative poverty (greater poverty – greater need for GFA);
- Financial instability (greater instability – greater need for GFA);
- The presence of children/families (more children – greater need for GFA);
- The level of investments (fewer investments – greater need for GFA).

Those at the top end of the scale (groups 9-11) are the most likely to be under-confident in financial matters, the most likely to be in debt, and the least likely to have financial safety nets such as savings or insurance.

<sup>31</sup> The Thoresen [review](#) (of Generic Financial Advice)

<sup>32</sup> This scale was based on analysis<sup>32</sup> of the FSA’s financial capability survey which explored consumer financial behaviour, capability and attitudes in the UK.

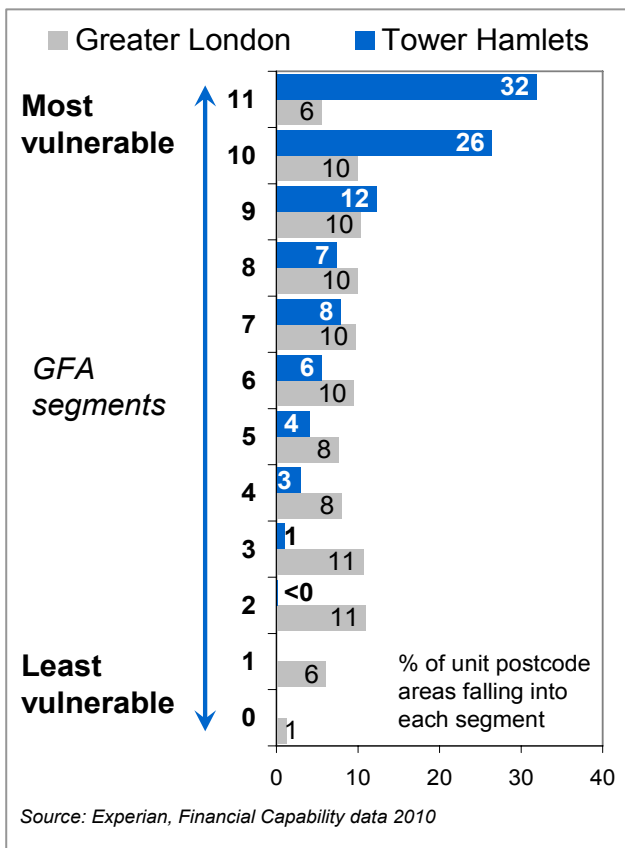
### Financial capability in Tower Hamlets

The majority of areas in Tower Hamlets are classified as areas where the population has high levels of financial vulnerability and low levels of financial capability: 71 per cent of postcode areas in the borough are in GFA segments 9 to 11 – almost three times higher than the London-wide percentage (26 per cent). People in groups 9-11 are the most likely to be at risk of adverse consequences from poor financial decision making and the most likely to benefit from financial advice.

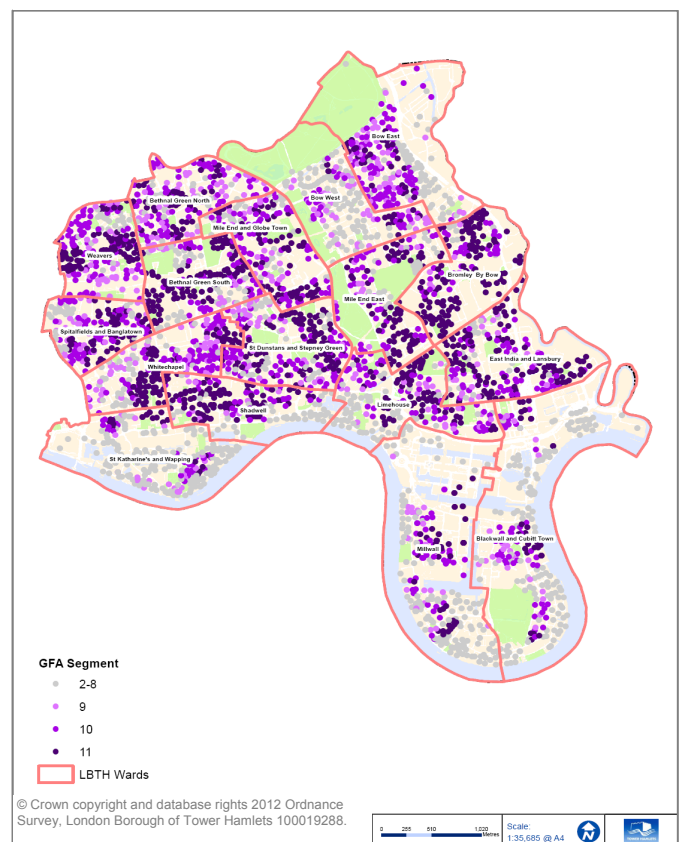
None of the postcode areas in Tower Hamlets fall into the least vulnerable GFA groups 0-1, and only 8 per cent fall into GFA groups 2-5. These groups typically have higher levels of financial capability and are the least likely to need financial advice.

Figure 25 illustrates patterns in more detail by mapping GFA segments at postcode level. The darker areas show areas in segments 9-11. There is considerable similarity between patterns of financial vulnerability and patterns of deprivation across the borough. The borough's riverside areas have relatively higher levels of financial capability and lower levels of deprivation. This is perhaps to be expected, given that relative poverty is one of the indicators Experian use in their model to predict GFA segments.

**Figure 24: Percentage of areas in GFA financial capability segments, Tower Hamlets & London, 2010**



**Figure 25: Postcode areas in Tower Hamlets by levels of financial capability, 2010**

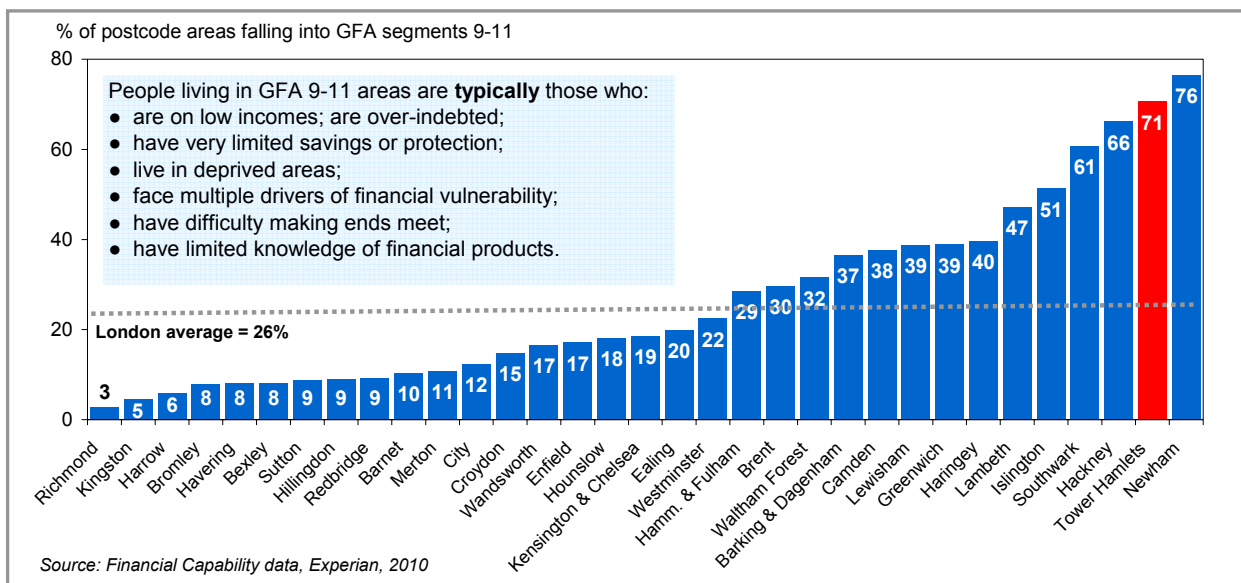


**Financial capability: Tower Hamlets compared with London**

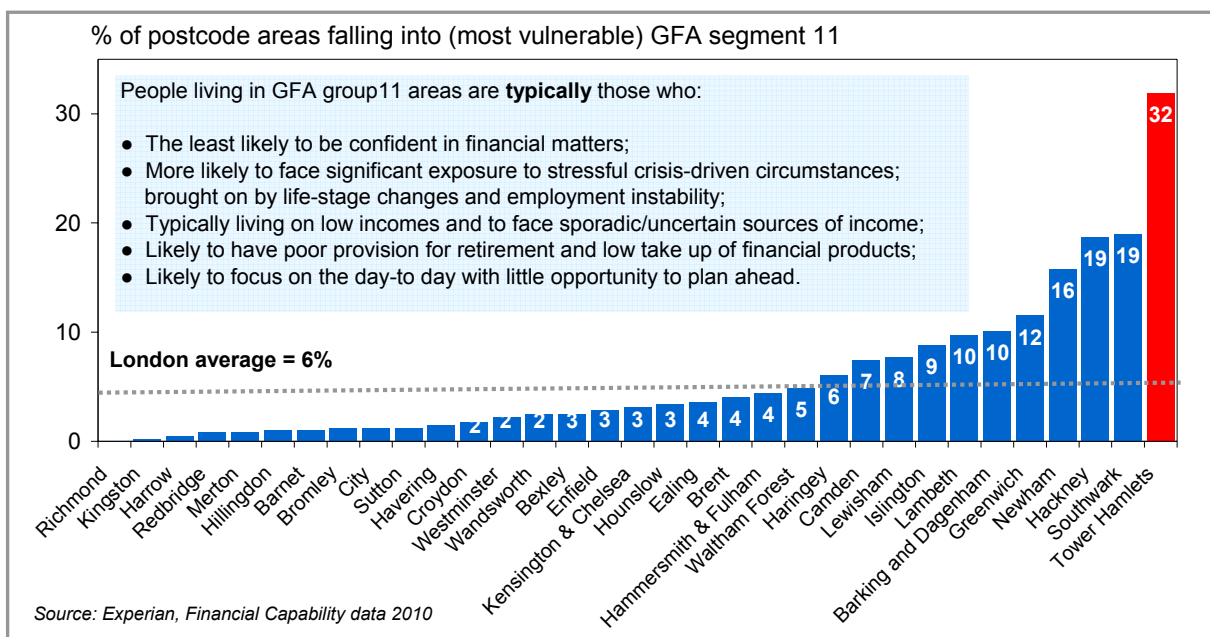
The percentage of postcodes falling into the most vulnerable groups (9 to 11) ranges from 3 per cent in Richmond up to 76 per cent in Newham (Figure 26). Tower Hamlets is second highest at 71 per cent, closely followed by Hackney (66 per cent).

Tower Hamlets has an exceptionally high percentage of postcode areas in GFA segment 11 - the most vulnerable of all GFA groups (Figure 27). One third (32 per cent) of areas in Tower Hamlets fall into this group – five times higher than the London average (6 per cent). People in the group are the least likely to be confident in financial matters and are most likely to be living on low and uncertain/sporadic sources of income.

**Figure 26: Percentage of areas in GFA groups 9-11 by London Borough, 2010**



**Figure 27: Percentage of areas in GFA group 11 by London Borough, 2010**





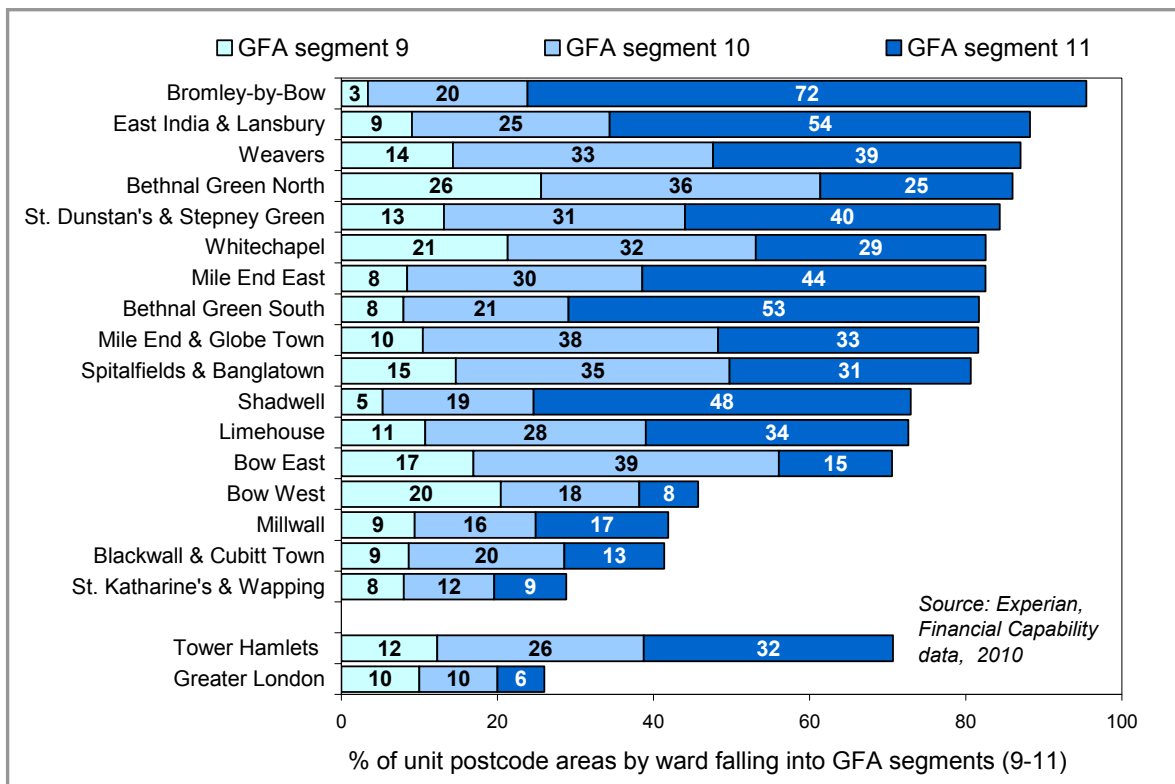
**Financial capability across wards in Tower Hamlets**

Within the borough, there is significant variation in levels of financial capability at ward level: the percentage of postcode areas falling into the most vulnerable GFA groups (9-11) ranges from 95 per cent in the ward of Bromley-by-Bow down to 29 per cent in St Katherine’s & Wapping ward - the percentage is above 70 per cent in the majority of wards in the borough (13 out of 17 wards).

In the remaining four wards (Bow West; Millwall; Blackwall & Cubitt Town; and St. Katherine’s & Wapping) the picture is more mixed. Fewer than half of the postcode areas in these wards are in the most vulnerable GFA groups 9-11. While, these areas have fewer financially vulnerable areas than other areas in the borough, relative to the London average they have proportionately more. In fact, all wards in the borough have a higher percentage of postcodes areas falling into the two most vulnerable GFA groups (10 and 11) relative to the London average.

The percentage of areas falling into the most financially vulnerable segment (GFA group 11) ranges from 9 per cent in St. Katherine’s & Wapping up to 72 per cent in Bromley-by-Bow - which is the highest ward percentage in London. Again, all wards in Tower Hamlets have a relatively high percentage on this indicator compared with the London average (6 per cent).

**Figure 28: Percentage of areas in GFA groups 9-11, wards, Tower Hamlets, 2010**

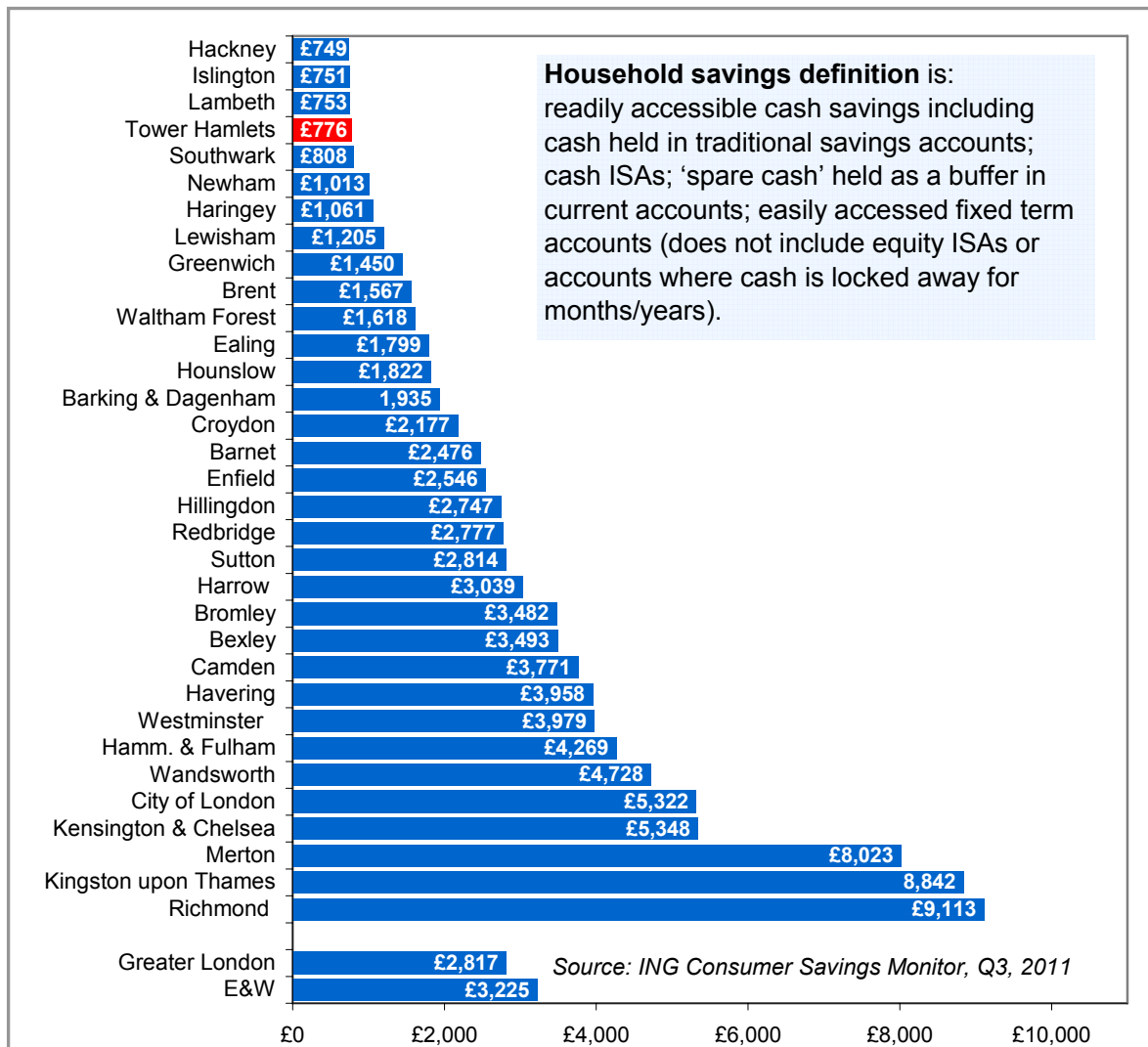


**Levels of savings by local authority 2011**

The Experian model identified that financially vulnerable households typically have limited or no savings. Savings levels are a useful measure of the overall financial health of households; savings help protect against falls in income and, importantly, reduce the need to take on debt at such times.

ING direct<sup>33</sup> has recently released modelled estimates of savings for all local authority areas in England & Wales. As part of the modelling process, ING identified four key predictors of savings levels: income levels, housing tenure, marital status, and age of adult household members.

**Figure 29: Median household savings (£), London Boroughs, 2011**



The estimates relate to the amount of readily accessible cash savings that households typically have. In Tower Hamlets – the average (median) savings per household is £776, the fifth lowest level across 376 areas across England and Wales, after Manchester (£569), Hackney (£749), Islington (£751) and Lambeth (£753). Within London, average savings levels range from £749 in Hackney up to £9,113 in Richmond (Figure 29).

Nationally, the average (median) level of savings is £3,225 per household – more than four times higher than in Tower Hamlets. Across England and Wales, areas with the highest savings levels are primarily in the rural South East. Chiltern has the

<sup>33</sup> ING Direct, Consumer Savings Monitor, Q3 2011, [http://www.consumersavingsmonitor.co.uk/reports/3642\\_CSM\\_Report\\_Q2\\_July2011\\_Final.pdf](http://www.consumersavingsmonitor.co.uk/reports/3642_CSM_Report_Q2_July2011_Final.pdf)

highest level of all areas - at £15,712 – more than twenty times higher than the Tower Hamlets average.

The data are limited in that they only provide one summary statistic per local authority; the £776 figure for Tower Hamlets is a median statistic so tells us that half of households have savings levels above this level and half have savings levels below (including those who have no savings at all). What is unknown is the proportion of households with no savings at all (which is 26 per cent nationally), or indeed, the proportion with high levels of savings.

Nevertheless, the data confirm that Tower Hamlets households typically have a far smaller safety net than households elsewhere. The considerable disparities in savings provision across London figures are broadly consistent with the patterns of financial vulnerability shown by the Experian financial capability data.

#### **Further information**

The Corporate Research Unit has produced a more in-depth analysis of the Experian Financial Capability data for Tower Hamlets. This analysis is summarised in Research Briefing 2011-07: Financial Capability data which is available [on request](#).

The GLA has made the full Experian datasets available for London Boroughs on the GLA datastore website:

<http://data.london.gov.uk/datastore/package/financial-capability-and-child-poverty>

## Appendix A: Take-up of benefits

The Department for Work and Pensions and HM Revenue & Customs both publish a range of statistics on the estimated take-up of benefits. These data aim to estimate what proportion of the population who are eligible for benefits actually claim them. The two tables below provide a summary of the key data published.

The take-up rates shown relate to caseload take-up rates. These compare the number of benefit recipients, averaged over the year, with the number who would be receiving if everyone took up their entitlements. The estimates are modelled and are based on both survey and administrative data.

Take-up rates are presented as ranges to reflect the fact that the figures are estimates with a degree of sampling variability attached (this is due to the both uncertainty attached to underlying survey estimates and as a result of potential bias in the estimation procedures).

### Benefits take-up rates for key income-related benefits, Great Britain, 2008-09

Benefit	Estimated take-up by caseload
Income Support & ESA (income-related)	78% to 90%
Pension Credit: All	62% to 73%
Pension Credit: Guarantee only	71% to 83%
Housing Benefit	77% to 86%
Council Tax Benefit	63% to 70%
Council Tax Benefit: Pensioners	56% to 64%
Jobseeker's Allowance (Income-based)	47% to 59%

*Source: Department for Work and Pensions (Income-related benefits estimates of take-up in 2008-09)*

The full DWP report can be found at the web-link below:

<http://research.dwp.gov.uk/asd/index.php?page=irb>

### Child Benefit and Tax Credit take-up rates, UK, 2009-10

Benefit	Estimated take-up by caseload
Child Benefit	95% to 97%
Child Tax Credit	79% to 83%
Working Tax Credit	59% to 63%

*Source: HM Revenue & Customs (Child Benefit, Child Tax Credit & Working Tax Credit Take up Rates 2009-10)*

The full report from HMRC can be found at the web-link below:

<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up.htm>

## Appendix B: Further Information

### **Corporate Research Unit**

This Briefing was produced by the Council's Corporate Research Unit which is based in the Chief Executive's Directorate. Research briefings provide timely and in-depth analysis of data about Tower Hamlets and are designed to improve the use and sharing of data across the Partnership.

Briefings can be downloaded from the Tower Hamlets Borough statistics web pages.

Readers can contact the research team via email: [CRU@towerhamlets.gov.uk](mailto:CRU@towerhamlets.gov.uk)

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