



Department for
Communities and
Local Government

Stephen Halsey
Head of Paid Service
London Borough of Tower Hamlets Council
Town Hall
6th Floor, Mulberry Place
5 Clove Crescent
London
E14 2BG

6 May 2015

Dear Mr Halsey,

THE COUNCIL OF THE LONDON BOROUGH OF TOWER HAMLETS: INTERVENTION

I am writing to inform you that the Secretary of State has made today Directions, under section 15(5) of the Local Government Act 1999, in relation to your Council. I enclose a copy of the Directions.

The Secretary of State remains clear that public confidence in local government is an essential part of this country's democracy, and recent events in your Borough are deeply concerning. The Secretary of State considers that the additional Directions are needed to safeguard good governance throughout the Council until a new mayor and top officer team are in place and working together in the best interests of the residents of Borough.

These Directions implement, with certain clarifications, the Directions which the Secretary of State proposed on 29 April 2015 to address what he then provisionally considered to be an increased risk of non-compliance by the Authority with its best value duty, and which were set out in my letter to you of that date.

My letter of 29 April set out the context for those proposed Directions and the Secretary of State's reasons for making those proposals. My letter invited your Authority to make such representations as it wished about the Secretary of State's proposals. On 6 May 2015 at 9.31am the Secretary of State received representations from the Authority which comprised:

1. A letter from you (Stephen Halsey)
2. A concordat signed by all political parties related to Executive Decision making
3. A response from the Council's Executive Cabinet
4. A response from Councillor Rachael Saunders (Leader of the Labour Group)

5. A response from Councillor Peter Golds (Leader of the Conservative Group)

In your covering email to me you ask “given the unique circumstances facing the Council” that the above are accepted as the Authority’s response to the Secretary of State’s proposals.

These representations have been carefully considered by the Secretary of State who as explained below remains of the view that your Authority is failing to comply with its best value duty and that the Directions proposed on 29 April are both necessary and expedient to secure your Authority’s compliance with that duty. He is satisfied that the reasons that led him to propose the Directions are sound and that it would be appropriate now to implement his proposals.

The Secretary of State notes the comments you make about delivering the mayoral election and the by-election in the Ward of Stepney. He also notes that you suggest there were a number of factual inaccuracies and unsound assumptions in my letter of 29 April. Having considered your comments, the Secretary of State remains of the view that my letter of 29 April accurately characterises the circumstances of the Authority, and that the risks of poor governance and financial mismanagement are significantly greater than he was previously aware.

First, on statutory officers the Secretary of State is clear that these positions are currently held on an interim basis, and that all current post holders were in post at October 2014 when PwC concluded that “the current governance arrangements do not appear to be capable of preventing or responding appropriately to failures of the best value duty of the kind we have identified” and that this “calls into question the adequacy of these governance arrangements”. He also notes, for example, that the current interim head of paid service has been in post at least since 2013, and in any event the statutory officers have been, and currently remain, on the basis of interim appointments with the risks this brings.

Second, the Secretary of State considers that the need for the further Directions that he issued on 29 April in relation to the appointment of a head of paid service illustrates that currently there is an underlying and continuing culture of a reluctance to address compliance with the best value duty and of an acceptance of actions plainly incompatible with that duty, a culture that the Election Court judgement revealed. As to the fact that there are very limited Executive delegations from the office of Mayor, to which you refer, this remains the case and the Secretary of State considers this further reinforces the need for the Directions.

Third, as to the Authority’s response to the Commissioners’ request for arrangements to give its views on proposed grants, the Commissioners have confirmed that in their view the position is as set out in my letter of 29 April. Furthermore, the Secretary of State notes that the circumstances relating to burial grounds are indeed as set out in my letter of 29 April; you suggest that these circumstances arose due to a regrettable “administrative error”, which the Commissioners have now confirmed has taken the Authority four months to rectify.

Fourth, on information and records, you refer to an audit undertaken by the Information Commissioners Office in 2014. Having now seen a copy of that report, the Secretary of

State notes that the overall conclusion is that “there is a limited level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified considerable scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA”.

Fifth, in relation to certain matters regarding access to files and data retention that the Commissioners have reported, the Commissioners confirm that in their opinion the circumstances as described in my letter of 29 April accurately describe the situation.

The Secretary of State has also carefully considered the letter from Cllr Ohid Ahmed setting out the views of the Authority’s Executive Cabinet. Contrary to those views, the Secretary of State considers that the reasons set out in my letter of 29 April provide sound and evidence-based reasons for the additional Directions that he has proposed, and notes that the comments in Cllr Ohid Ahmed’s letter do not gainsay these. The Secretary of State notes that Cllr Ohid Ahmed has suggested what he considers would be a more “proportionate and considered approach that would prevent any executive key decisions from being made without the consent and approval of the group leaders of all political parties represented on the Council, and any non-key decisions would be adequately governed by the S151 statutory officer function and internal process and procedure that have not been subject to criticism in any report”. The Secretary of State does not consider that such an approach would provide adequate safeguards for good governance and sound financial management, not least given the weaknesses of the current governance arrangement as referred to by PwC as mentioned above in this letter.

As to the questions which Cllr Ohid Ahmed poses about powers for the Commissioners, the Secretary of State is clear that the proposed Directions do not relate to actions by the Commissioners, but to actions to be taken by the Authority (i.e. to comply with the 17 December 2014 and 29 April 2015 Directions, avoid poor governance or financial mismanagement which the Commissioners consider will risk further best value failures, and to provide the Commissioners with reasonable amenities and services and administrative support to carry out their responsibilities under the Directions). Finally, as to community cohesion, the Secretary of State is clear that this is most effectively facilitated if there is good governance throughout the Authority in which all communities in the Borough can have confidence.

The Secretary of State notes the letter from Cllr Rachael Saunders (Labour Group Leader) and her comments that the first priority for Government should be for free and fair elections in Tower Hamlets on the 7 May and 11 June. He notes that she is broadly supportive of the approach but hopes that the Directions will be interpreted in a way that facilitates rapid and reduced intervention following 11 June and the hope that these Directions come to an end at an earlier date than 31 October 2015. The Secretary of State is clear that these additional Directions should be in force only as long as necessary, and hence following election of a new mayor and the three statutory officers taking up their posts, the Secretary of State will review their continuing necessity and expediency, with these additional Directions ending by 31 October 2015 or earlier if appropriate.


The Secretary of State notes the letter Cllr Peter Golds (Conservative Group Leader) which is supportive of these additional Directions. In his letter he raises a number of

concerns, including about non-compliance with existing Directions, which illustrate the importance of these additional Directions.

Finally, the Secretary of State notes the steps made by both the Conservative and Labour Groups to secure a cross-party concordat to manage essential decisions until the 11 June. He also notes that the Authority's Executive Cabinet has joined in this exercise and he notes the copy of an "Executive Decision-Making Concordat" which you have now sent to me and which has been signed by Cllrs Rachael Saunders, Ohid Ahmed and Peter Golds. The Secretary of State welcomes this and views Tower Hamlets as being strengthened in the short term by having this concordat. However on balance, having had regard to all the representations the Secretary of State has received, he considers that whilst entering into this concordat may facilitate good governance, the need for the additional Directions as proposed remains.

I am copying this letter to your Authority's Section 151 Officer and to its Monitoring Officer.

Yours sincerely,

A handwritten signature in black ink that reads "P. Rowse". The signature is written in a cursive style and is underlined with a single horizontal stroke.

PAUL ROWSELL