



Department for Communities and Local Government

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

25 March 2015

Dear Mr Halsey,

THE COUNCIL OF THE LONDON BOROUGH OF TOWER HAMLETS: INTERVENTION

On 17 December 2014 the Secretary of State issued Directions under section 15(5) and (6) of the Local Government Act 1999 to the Council of the London Borough of Tower Hamlets ('the Authority'). Under cover of your letter of 17 March 2015 you submitted a strategy and action plan which you record as having been agreed with, and endorsed by, the Commissioners except in respect of Direction A3 relating to the matter of appointing a head of paid service. On 18 March 2015 the Secretary of State received a letter from the Commissioners stating that in their view your Authority has failed to comply with Direction A3, and that without further formal action progress on this matter will not be made. I enclose a copy of this letter for your information.

The Secretary of State has carefully considered your letter of 17 March, together with the enclosed strategy and action plan, and the Commissioners' letter of 18 March. He recognises it is now but 3 months after he issued the Directions to secure your Authority's compliance with its best value duty, and that necessarily many of the actions envisaged to be taken during the Direction Period have yet to be taken. He also notes the Commissioners' view about your Authority's failure to comply with Direction A3.

Accordingly, he remains satisfied that your Authority is failing to comply with its best value duty as provided in Part 1 of the Local Government Act 1999, and is considering exercising further his powers of direction in the 1999 Act by issuing further directions in relation to your Authority. He currently believes, having regard to the information available to him, that these further Directions are both necessary and expedient to secure your Authority's compliance with the best value duty, by addressing the steps that it needs to take in relation to the recruitment of head of paid service, steps which the Commissioners believe will not be taken in the absence of a Direction, and which the Secretary of State consistently has considered are essential both to remove the risk of further best value failures by your Authority and to rebuild its governance capacity to secure its future compliance with that duty.

Paul Rowsell
Deputy Director - Democracy
Department for Communities and Local Government
2nd Floor NE Quarter, Fry Building
2 Marsham St, London SW1P 4DF

Email paul.rowsell@communities.gsi.gov.uk

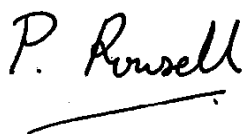
Having regard to the current circumstances of your Authority, particularly as reported to him by the Commissioners in their letter, the Secretary of State is thus now proposing **to direct your Authority to define and establish, within one month of the date of the direction and with the agreement of the Commissioners, a new senior officer position, the holder of which is to have direct or indirect line management responsibility for all the Authority's staff, other than political assistants, is to have delegated to him or her responsibility for exercising such functions as agreed with the Commissioners, and is to be designated as head of paid service.**

The Secretary of State is also proposing **to direct that the Authority undertakes a recruitment exercise, to be conducted under the direction of, and to the satisfaction of, the Commissioners, with the aim of making an appointment to this new senior officer position within 3 months of it being established, subject to Annex A paragraph 4 to the Directions of 17 December 2014. Also for the avoidance of doubt any reference to a recruitment exercise is a reference to an open competition, and an existing employee of the Authority may apply and be appointed to the position through such a recruitment exercise subject to Annex A paragraph 4 to the Directions of 17 December 2014. This new direction is to be substituted for Annex A paragraph 3 to the Directions of 17 December 2014 insofar as paragraph 3 relates to the recruitment to a post the holder of which is to be designated as the head of paid service.**

Your Authority is now invited to make such representations as it wishes about the Secretary of State's proposals. All such representations should be sent by email to LeadInspectionIntervention@communities.gsi.gov.uk, copied to Paul.Rowsell@communities.gsi.gov.uk, or in hard copy to the address below marked for the attention of Sally Frazer or Nicola Golding, so as to be received on or before Monday 13 April 2015. They will then be carefully considered by the Secretary of State in making a decision as to whether or not to make the further proposed Direction.

I am copying this letter to your Authority's interim Monitoring Officer and interim Chief Finance Officer.

Yours sincerely,



P ROWSELL

Enquiries to:

Tower Hamlets Commissioners
Tower Hamlets Town Hall
6th Floor Mulberry Place
5 Clove Crescent
London
E14 2BG

Commissioners@towerhamlets.gov.uk

www.towerhamlets.gov.uk

Rt Hon Eric Pickles MP
Secretary of State for Communities and Local Government
By Hand

18th March 2015

Dear Secretary of State

**London Borough of Tower Hamlets-Directions under Section
15 of the Local Government Act 1999
Appointment of a Permanent Head of Paid Service**

The Authority, in Annex A, paragraph 3 of the above Directions, is directed, as a matter of urgency, to undertake a recruitment exercise with the aim of making a suitable permanent appointment to a position, the holder of which can be designated Head of Paid Service. Such an exercise is to be conducted under the direction and to the satisfaction of the Commissioners.

Paragraph 35 of the accompanying explanatory memorandum notes the Secretary of State's rejection of the Mayor's proposal that the best way of doing this is to make permanent the current interim arrangement. An open competition is required to appoint a suitable candidate, whilst not excluding any internal applicants.

The only formal statements made by the Authority are in the Best Value action plan submission where it states that they will comply

Sir Ken Knight CBE QFSM | Max Caller CBE

with the Direction and in the Mayor's approved budget where the funding for a separate Chief Executive is deleted. It is worth noting that the authority has sufficient funds available to reinstate this funding in-year if an appointment was made.

We have had a number of discussions about how this Direction might be complied with. We have attended a meeting on 18th March 2015 attended by the Mayor and the two Group Leaders. However, there does not appear to be any consensus within the Council about what the role should be defined as and how might it be possible to promote an open competition to secure the best possible candidate.

The impasse appears to be that the Mayor is still pursuing an internal recruitment only approach which, in our judgment, cannot be reconciled with the terms of the Direction and its explanatory memorandum, specifically to appoint to a position, the holder of which can be designated Head of Paid Service. Despite discussing this specific Direction with the Mayor and the political group leaders at our initial meeting with them and at every subsequent opportunity, no proposal has come forward.

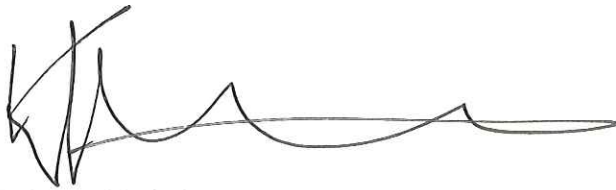
It is our view that, under the current Direction, it is not open to us to impose a solution on the Authority. It is also clear that by any measure the Authority has failed to comply with this Direction.

What is required is a definition of the role the Head of Paid Service is to undertake, a statement giving the postholder line management responsibility for all other staff, including those in the Mayor's office not providing explicit political support and a statement of the delegated powers intended to be devolved once the postholder is in place. It cannot be assumed that an internal candidate will be successful so that either a specific post needs to be created or a top management restructure will be required on appointment to rationalise the position. It is our view that none of this will take place unless a further Direction is in place to require such an outcome.

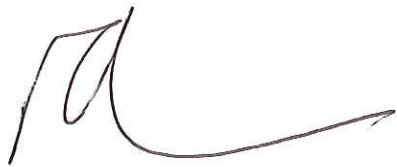
We have considered the type of intervention that might be required to achieve this. It is our view that Commissioners need to have the power to lead a process resulting in the determination of the role and responsibilities of the Head of Paid Service as outlined above and a process which we can satisfy ourselves that will lead to a successful appointment. It also seems to us essential that the postholder should lead the Authority's response to the suite of Directions then in place.

We would be happy to discuss this further with you or your officials. It is clear that without further formal action progress will not be made.

Yours Sincerely

A handwritten signature in black ink, appearing to be 'Sir Ken Knight', with a long horizontal flourish extending to the right.

Sir Ken Knight
Lead Commissioner

A handwritten signature in black ink, appearing to be 'Max Caller', with a long horizontal flourish extending to the right.

Max Caller CBE
Commissioner