



**Ministry of Housing,
Communities &
Local Government**

Stephen Halsey
Chief Executive
London Borough of Tower Hamlets
By email

Max Soule
*Deputy Director, Local
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Interventions*

**Ministry of Housing,
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12 November 2024

Dear Mr Halsey,

Kim Bromley-Derry CBE DL, having undertaken an inspection of your Authority's compliance with its Best Value Duty, sent your Authority a Report on 8 August setting out the Inspection Team's findings, in accordance with section 13(3) of the Local Government Act 1999 (the '1999 Act'). I am now writing to invite your Authority, if it wishes, to make representations to the Secretary of State, under section 15(9) of the 1999 Act, about that Report and about a proposed intervention package. This letter and that Report, in line with the Inspectors' recommendations, will be published on gov.uk.

The Secretary of State has carefully considered the Report and other relevant material, namely correspondence between your Authority and the Ministry, and is satisfied that your Authority is failing to comply with the requirements of Part 1 of the 1999 Act, namely failing to comply with the Best Value Duty under section 3. The Best Value Duty is defined in the 1999 Act in that a 'best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'. This is described in more detail in the statutory guidance issued under section 26 of the 1999 Act and published on 8 May 2024. The Secretary of State is satisfied that the Authority is failing to comply with its Best Value Duty, specifically the themes of Continuous Improvement, Governance, Leadership, Culture and Partnerships as described in the statutory guidance.

The Secretary of State is minded to exercise powers of direction under section 15(5) of the 1999 Act in relation to your Authority to secure its compliance with the Best Value Duty. The proposed package of measures which would be implemented through appropriate Directions is set out in the attached Annex. I would like to take this opportunity to acknowledge the thinking you have shared on how to make changes in your Authority and the Secretary of State welcomes your intention to work in partnership with government to deliver change. As is explained in the Annex, the package of intervention measures has been designed to acknowledge and build upon your Authority's existing mechanisms to make improvements, including those in

response to the Local Government Association's (LGA) Corporate Peer Challenge Report of September 2023.

Your Authority is now invited to make such representations as it wishes about the Report and the Secretary of State's proposed Directions, in line with section 15(9) of the 1999 Act. All such representations should be sent by email to interventions@communities.gov.uk so as to be received on or before 25 November 2024. All correspondence received from the Authority by the Ministry since the start of the Inspection will also be considered as representations. They will then be carefully considered by the Secretary of State in making a decision as to whether to make any and, if so, what Directions.

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

Yours sincerely,

Max Soule

Deputy Director, Stewardship and Interventions

ANNEX

PROPOSED INTERVENTION PACKAGE

1. The Secretary of State is considering exercising powers of direction under section 15(5) of the Local Government Act 1999 ('the 1999 Act') in relation to the London Borough of Tower Hamlets ('the Authority') to secure its compliance with the Best Value Duty. This is on the basis of Kim Bromley Derry CBE DL and his Assistant Inspectors, Suki Binjal, Sir John Jenkins and Philip Simpkins, having conducted a thorough investigation and produced a detailed report ('the Report'), which was submitted to the Secretary of State on 31 July 2024.
2. The Report describes several positive features in the Authority that the Inspectors found, such as the finance service, planning service and delivery of affordable homes, and the enthusiasm shown by officers and members for serving the Borough. The Report also notes that the Authority has already taken steps to make improvements, including in response to the Local Government Association's (LGA) Corporate Peer Challenge (CPC) Report of September 2023 and in their correspondence to the Ministry. The Inspectors consider that while issues remain, the Authority is making good progress under the best value themes described in statutory guidance issued on 8 May 2024 under section 26 of the 1999 Act in relation to the Use of Resources and Service Delivery.
3. However, the Report also documents serious concerns across a number of areas which the Secretary of State considers amount to failings by the Authority of its Best Value Duty under Part 1 of the 1999 Act. These concerns have been identified in five of the seven best value themes: Leadership, Governance, Culture, Partnerships and Community Engagement and Continuous Improvement. The Inspectors noted that many of these concerns should have been raised and dealt with within the Authority without the need for external reviews. They found insufficient evidence that the organisation is open and transparent, and values the constructive criticism required to drive improvement. The Inspectors therefore express concern that the Authority will not make sufficient progress to deliver and embed these changes without external accountability.
4. In light of the conclusions and evidence in the Report, the Secretary of State is minded to implement the statutory support package set out below. The Secretary of State believes the proposed statutory support package is necessary and expedient for the Authority to secure compliance with its Best Value Duty. The proposed statutory support package has been designed to galvanise and strengthen the improvement work that has already begun in the Authority, and to set in motion a cultural reset of the organisation that ensures the Authority is compliant with its Best Value Duty and achieves the best outcomes for its residents and service users.
5. The Secretary of State has set out the proposals in order to assist the Authority to formulate any representations it may choose to make. The Secretary of State acknowledges that, save in cases of urgency, the Authority has a statutory right to

make representations if the Secretary of State is considering making a Direction. The Secretary of State will carefully consider those representations in deciding whether to make any and, if so, what Directions. The Secretary of State specifically reserves the ability to make further or revised Directions after implementing this, or any, intervention package (if that is what the Secretary of State decides to do).

Overall purpose and approach

6. The starting point is the evidence which highlights serious concerns. In particular, the Report includes the following:
 - On **Leadership**: The Report concludes that a lack of respect and co-operation between political parties prevents Councillors from engaging in a culture of genuine improvement. Inspectors note that the “polarised narrative about the past and current administrations is having a negative effect within the organisation and is contributing to a ‘toxic’ culture to work within for some officers”. A lack of trust has contributed to officer churn at the top few levels of the organisation. The questionable use and appointments of interims and consultants has further contributed to the state of flux at the top. Inspectors found insufficient challenge of the Executive and a perception among many staff that “many good managers had left the organisation as a result of ‘speaking truth to power’”. The size of the Mayor’s office is disproportionate compared to other London Borough comparators and is a contributing factor to the two-council culture observed by the LGA’s Corporate Peer Challenge, which has created confused lines of accountability and delays in decision making.
 - On **Governance**: Overall, the Report paints a picture of an organisation with a clear drive and mandate to deliver the Mayor’s priorities, but for whom due process is often treated as an obstacle to priorities rather than as a necessary check and balance. Whilst the Authority is currently in a strong position financially, it risks jeopardising this through its poor decision-making processes. A combination of no delegations from the Mayor to his Cabinet and a confusing network of committees means that there are both unnecessary bottlenecks on decisions and an unclear path to demonstrate accountability. The Inspectors consider the scrutiny culture at the Authority to be “weak and confused”, and the level of challenge “inadequate”, though the Report acknowledges that the Council has taken early steps to address this.
 - On **Culture**: The Report concludes that the entire organisation is impacted by a lack of trust and the Administration “is suspicious and defensive in its behaviour”. Professional challenge or constructive criticism seems not to be welcomed when it does not support either the Mayor’s point of view or his priorities. The culture appears to be one where decisions are taken based on advice from a small number of people who are trusted by the Mayor and has been described by many staff and partners as “toxic”. A culture of patronage, even if not at play in every appointment, is perceived as pervasive enough to undermine trust between members, staff and leadership within the Authority,

as well as with external stakeholders. This, in the Inspectors' view, is a barrier to the organisation moving forward positively.

- On **Partnerships and Community Engagement**: While the Report notes the strong community focus of the Mayor, Councillors and wider Council, it concludes that the “significant time and energy” spent in local communities “seems to distract from their critical and statutory strategic relationships”. While good quality working-level relationships and joint work at the frontline exists between operational staff and a range of partners, Inspectors found a lack of co-production and joint planning undertaken by the Council. Inspectors also saw insufficient evidence of the Authority undertaking meaningful and comprehensive consultation with key partners, staff, and service users before decisions were taken in some key areas. A range of voluntary and community sector partners believe engagement with the Chief Executive and Mayor is not occurring in the manner or to the extent that they would expect. This, conclude the Inspectors, is likely to have a significant negative impact on the Council's ability to deliver positive outcomes for all residents.
 - On **Continuous Improvement**: The Authority has made targeted and concerted improvements over the last two years but has lacked a strategic focus or a cultural prioritisation of continuous improvement. The culture set and exemplified by the leadership is to reactively respond and counter criticism rather than honestly appraise and self-improve. On some issues, the Inspectors are sceptical of the Authority's capability to self-improve, stating concerns “that the Council will not make sufficient progress to deliver and embed these changes without external accountability”.
7. The Secretary of State considers that given the evidence of serious concerns in relation to these areas, as revealed by the Report, a broad and supportive intervention package is necessary and expedient to address the circumstances of the Authority.

Statutory support package

8. The proposed statutory support package is designed to expand on the improvement progress that has already been started by the Authority, including since the LGA's CPC reported in September 2023. It acknowledges the political mandate the Mayor holds, whilst recognising the need to tackle deeply rooted and persistent issues. It also recognises that the Authority has some corporate capacity to address the challenges identified in the Report and has already put in place some of the building blocks for continuous improvement, such as establishing a Transformation Advisory Board to provide external challenge to the Authority. The aims of the proposed intervention package are to support the Authority to:
- a. Provide the additional scrutiny, external challenge, advice and monitoring which is needed to oversee the improvements.

- b. Continue to review and improve governance and scrutiny arrangements, and both political and officer leadership, to ensure members and officers are empowered to challenge and speak truth to power.
 - c. Ensure appropriate delegations to enable effective, timely and robust decision-making, which follows due process, is transparent, evidence-based, and is subject to appropriate scrutiny.
 - d. Rebuild trust and reset the organisational culture.
9. In order to assist the Authority in achieving the necessary improvements, MHCLG will appoint a Ministerial Envoy and Assistant Envoy (the Ministerial Envoys) to work intensively with the Authority, including through a reconfigured Transformation and Assurance Board, to support the Authority to drive the necessary reform. It is proposed the Authority will be directed to cooperate with the Ministerial Envoys, and to allow them all reasonable access to the Authority's premises, documents, employees or members in support of their work.
10. The Ministerial Envoys, acting as advisors, mentors and monitors, will provide holistic support, operating comprehensively across the Authority. In carrying out their role, the Ministerial Envoys will attend meetings as they deem necessary, observe, provide ad hoc advice and challenge, oversee the Authority's improvement work and be available to Senior Leadership for support. The Ministerial Envoys will, in so far as is possible and appropriate, seek to use and adapt existing improvement mechanisms and arrangements of the Authority. The Ministerial Envoys will be supported by the Board Leads, who the Authority are directed to appoint and who will lead improvement work on specific best value themes.
11. The Ministerial Envoys will oversee the reconfiguration of the Authority's existing Transformation Advisory Board, following the recommendations in the Report, preparation of the Authority's Continuous Improvement Plan and an open recruitment exercise to appoint a permanent lead for the Authority's improvement work. They will also work closely with the Board Leads for Governance, Leadership and Culture & Partnerships to ensure realisation of comprehensive programmes of cultural change and political mentoring.
12. The Ministerial Envoys will undertake a review of progress against the Authority's improvement agenda for the Secretary of State after four months, and from then on a regular basis as agreed with the Secretary of State. This "stocktake review" will draw on the Authority's own periodic reporting of its progress to the Board. The Ministerial Envoys' assessment will provide assurance to the Secretary of State, local residents and partners.
13. In the event that the Ministerial Envoys are dissatisfied with the progress, engagement or commitment of the Authority in relation to this statutory support package, the Ministerial Envoys will report this to the Secretary of State; upon which the Secretary of State will consider what further measures may be necessary to secure the Authority's compliance with its Best Value Duty. Equally,

if the Ministerial Envoys are satisfied that the Authority is improving at a rate faster than anticipated, the Secretary of State will consider de-escalation.

Directions to the Authority

14. The proposed Directions set out actions which the Authority must undertake in order to effect the changes which are needed as well as supporting and facilitating the work of the Ministerial Envoys.
 - a. Work with and to the satisfaction of the Ministerial Envoys to reconfigure the Authority's existing Transformation Advisory Board into a Transformation and Assurance Board (the Board), to appropriately draw in external expertise and provide challenge and advice. Membership of the reconfigured Board should draw on existing and additional Board members and must include:
 - i. Independent external member as Leadership Lead;
 - ii. Independent external member as Culture & Partnerships Lead;
 - iii. Independent external member as Governance Lead;
 - iv. The Mayor as Chair of the Board;
 - v. At least two Opposition Councillors; and
 - vi. The Ministerial Envoys, who must agree to the Board's Scheme of Work and meeting agendas.
 - b. Within **one month** of the date of these Directions, initiate a full and open recruitment exercise a suitable permanent appointment to lead the improvement work in the Authority and progress against these Directions. For the avoidance of doubt, an existing employee of the Authority may be appointed to the position provided that such person is a suitable permanent appointment to that position.
 - c. Within three months from the date of these Directions, cooperate with the Ministerial Envoys and Culture & Partnerships Lead to prepare and agree with the Board a fully costed **programme of cultural change** to rebuild trust between officers and members. This programme should build on existing work to reset the culture of the organisation.
 - d. Within three months from the date of these Directions, cooperate with the Ministerial Envoys and Leadership Lead to prepare and agree with the Board a fully costed **programme of political mentoring** for members.
 - e. Within three months from the date of these Directions, to prepare and agree with the Board a **Continuous Improvement Plan** (which may include or draw upon improvement or action plans prepared before the date of these Directions), with resource allocated accordingly and as a minimum, the following components:

- i. To continue to achieve improvements in relation to the proper functioning of the Authority's scrutiny function.
 - ii. To continue to achieve improvements in senior officer recruitment processes, including appropriate record keeping.
 - iii. To continue to achieve improvements in the openness and transparency of decision making and record keeping.
 - iv. To continue to achieve improvements in relation to the proper functioning of the procurement and contract management function.
 - v. To continue to achieve a suitable officer structure and scheme of delegation for the Authority, including Cabinet portfolios and line management arrangements for statutory officers – all of which should provide sufficient resources to deliver the Authority's functions in an effective way, including the Improvement Plan and its monitoring and reporting.
- f. To work with the LGA to agree a suitable timetable for a follow up review to their 2023 Corporate Peer Challenge report.
- g. To report to the Board on the delivery of the Continuous Improvement Plan, the cultural change programme and the political mentoring programme at three monthly intervals, or at such intervals as the Board may direct.
- h. To have regard to and respond promptly and in public to any recommendations from the Board with respect to the London Borough of Tower Hamlets Continuous Improvement Plan and its implementation.
- i. For the Direction period, to cooperate with the Ministerial Envoys appointed by the Secretary of State.
- j. To report to the Secretary of State on the delivery of these Directions at six monthly intervals, or at such intervals as the Secretary of State may direct.
- k. To allow the Ministerial Envoy at all reasonable times, such access as appears to them to be necessary, including:
- i. to any premises of the Authority;
 - ii. to any document relating to the Authority; and
 - iii. to any employee or member of the Authority.
- l. To provide the Ministerial Envoys at the expense of the Authority, with such reasonable amenities and services and administrative support as the Envoys may reasonably require from time to time to carry out its functions and responsibilities under these Directions.

- m. To pay the Ministerial Envoys reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
- n. To provide the Ministerial Envoys with such assistance and information, including any views of the Authority on any matter, as the Ministerial Envoys may reasonably request.
- o. To co-operate with the Secretary of State for Housing, Communities and Local Government in relation to implementing the terms of these Directions.

Duration of the statutory support package

15. The Secretary of State proposes that the support package will be in place for an initial period of three years, only be extended if the Authority fails to make satisfactory progress in implementing and embedding the changes necessary to deliver Best Value in its governance and operations.