

EXPLANATORY MEMORANDUM

DIRECTIONS TO THE LONDON BOROUGH OF TOWER HAMLETS UNDER SECTION 15(5) OF THE LOCAL GOVERNMENT ACT 1999

1. The Secretary of State for Housing, Communities and Local Government (“the Secretary of State”) has exercised powers 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.
2. This memorandum is intended as a companion document to the Directions issued on 22 January 2025. It summarises: the circumstances in which the Secretary of State has made these Directions, the reasons for this exercise of powers, and the implications of the Directions for the Authority.
3. The Directions remain in force up to and including 31 March 2028 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. This Memorandum, together with the Directions and related material, is published on the Government website at www.gov.uk.

The context for the Directions

Background on decision to intervene

4. Following evidence that suggested recent changes to the Authority’s governance arrangements may have the potential to undermine past improvements that had allowed the 2014-2018 intervention to end, on 22 February 2024 the then Secretary of State (the Rt Hon. Michael Gove), appointed Kim Bromley Derry CBE DL as Lead Inspector, and Suki Binjal, Sir John Jenkins and Phillip Simpkins as Assistant Inspectors, under section 10 of the 1999 Act to carry out an Inspection of the Authority’s compliance with its Best Value Duty (as set out in Part 1 of the 1999 Act).
5. The then Secretary of State asked that the inspection consider whether the Authority has effective audit and scrutiny arrangements, particularly in relation to potential changes to constitutional arrangements, budgetary proposals and medium term financial planning, the appointment of senior management posts, the use of policy advisers, the expansion of the Mayoral office, the policy and practice of grant making, functions that relate to the appointment and removal of an Electoral Registration Officer and Returning Officer, the funding of electoral registration and local elections work, the use of resources for elections and the maintenance of the independence of the Returning Officer, and the arrangements to bring services such as Tower Hamlets Homes and leisure services in house. Given that the concerns related to broad decision-making and whether the standards expected for effective and convenient local government are being upheld, the inspection also considered decision-making in relation to those functions, encompassing leadership, governance, organisational culture, use of resources and impact on service delivery.

Best Value Inspection Report 2024

6. On 31 July 2024, the Inspectors, having undertaken a thorough inspection, submitted their Report (“the Report”) to the Secretary of State setting out their

findings. The Report, which reflected the thoroughness and detail of the Inspector and Assistant Inspectors' investigation, described several positive features in the Authority, 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 noted 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 considered that while issues remain, the Authority is making good progress under two best value themes described in statutory guidance issued on 8 May 2024 under section 26 of the 1999 Act (Use of Resources and Service Delivery).

7. However, the Report also documented 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 expressed concern that the Authority will not make sufficient progress to deliver and embed these changes without external accountability.
8. Having considered the findings of the Report, on 12 November 2024, the Minister for local Government and English Devolution published the Report, together with a letter from senior officials to the Authority setting out a proposed statutory support package to secure the Authority's compliance with its Best Value Duty ("the minded to letter"). The Authority, and other interested parties, were invited to make representations on or before 25 November 2024 about the Report and the proposed statutory support package.
9. The minded to letter explained that the proposed statutory support package reflected the findings of the Inspectors and contained three key elements:
 - a. Proposals to put in place a Ministerial Envoy and Assistant Envoy (the Envoys) to work intensively with the Authority, acting as advisors, mentors and monitors, to support the Authority to drive the necessary reforms.
 - b. Proposals for the Authority to reconfigure its existing Transformation Advisory Board into a Transformation and Assurance Board, and to appropriately draw in external expertise, advice and challenge by appointing independent Board Leads for Governance, Leadership and Culture & Partnerships to lead fully costed programmes of cultural change and political mentoring for members.
 - c. Proposals for the Authority to initiate a full and open recruitment exercise for a suitable permanent appointment to lead the improvement work in the Authority and implementation of its Continuous Improvement Plan.
10. The minded to letter included a detailed description of the Directions that the Secretary of State proposed to make under section 15 of the 1999 Act. The proposed Directions required the Authority to take certain actions. This

Memorandum explains the content of the Directions as finalised in light of representations received from the Authority and other interested parties.

Representations

11. Before making Directions, the Secretary of State is required under section 15(9) of the 1999 Act to give the Authority an opportunity to make representations about the Report as a result of which the Directions are proposed, and about the proposed Directions.
12. Representations were received from the Authority, dated 25 November 2024, from Stephen Halsey (Chief Executive), Lutfur Rahman (Mayor), Julie Lorraine (Section 151 Officer) and Linda Walker (Monitoring Officer) on behalf of the Authority. They accepted the findings of the Report, committed to working with the Envoys and the reconfigured Board and set out the engagement the Council has already started with members and partners to prepare.
13. Representations were also received from:
 - a. The Labour Opposition group at the Council: Their representation accepted the Report findings in full and committed to cooperating with any Envoys appointed and working to improve the political culture. They raised concerns about the current configuration of the Board, especially on the transparency of the existing appointments to it. They also highlighted further concerns regarding the quality of debate, opportunities for scrutiny and the Council's response to the Report.
 - b. The Chair of the Constituency Labour Party: They wrote in favour of the proposed intervention, highlighting concerns on governance, leadership, service delivery and the Council's response to the inspection.
 - c. A local MP: They wrote to express concern regarding the leaking of details of the proposal to The Guardian on 11 November, and of the media and political coverage of announcement being 'damaging to local morale and trust in politics'.
 - d. A current member of the Transformation Advisory Board: Their representation did not express an opinion against or in favour but observed the challenge that will face both Envoys and Board Leads in bridging the political and officer-member gaps, and the work already underway to strength the Board.
 - e. A Neighbourhood Planning Forum: Raised concerns about the Mayor reportedly going against officer advice when opting not to redesignate the Forum.
 - f. 12 representations from ten residents: These were split equally between being in favour and neutral towards the proposal, with concerns raised regarding the quality of consultation on issues such as dog-walking and access to Council-owned leisure facilities, doubts over members' grip of their briefs and alleged language barriers, high staff turnover and its impact on services, a lack of representation of women at the Authority, an impression of disparity in resources allotted to different communities in the Borough including in education and grants, the impact of some Mayoral appointments on the services overseen by appointees and concerns regarding the Mayor's attitude towards staff and some licensing decisions.

The statutory support package

14. Having carefully considered afresh the Report, together with representations from the Authority (25 November 2024), the Labour group, the Constituency Labour Party, a local MP, a Neighbourhood Planning Forum and members of the public, as described above, the Secretary of State is confident that there is a sound basis on which to found their considerations and, accordingly, is satisfied that the Authority is failing to comply with its Best Value Duty.
15. Having considered the representations made by the Authority as required under section 15(9) of the 1999 Act, the Secretary of State considers it necessary and expedient, in accordance with powers under section 15(5) and of the 1999 Act, to put in place a statutory support package to secure the Authority's future and sustainable compliance with its Best Value Duty. The intervention package is in line with the proposals as described in paragraph 9 of this Memorandum, with the following modifications to annex A of the Directions:
 - a. At paragraph e(iii) – One additional requirement of the Authority's Continuous Improvement Plan: to specify public consultation as an example of the decision-making processes that need to improve.
 - b. At paragraph g – One amendment to the reporting arrangements: the Authority to publish their reports to the reconfigured Board.
 - c. At paragraph j – One amendment to clarify the lines of reporting between the Authority, the Board and the Secretary of State.
16. The first modification is to reflect concerns raised by residents of the quality of public consultation (a concern also echoed in the Report), including a recent consultation on the introduction of a public spaces protection order to tackle dog-related antisocial behaviour and on how the Council engages with neighbourhood planning forums.
17. The second is in response to concerns raised by the Labour Group and Constituency Labour Party, as well as further examples in the Report and the Council's response to it, that the Council are not always operating in a transparent way.
18. The third stems from a need to ensure that the lines of accountability and reporting are understood and transparent.
19. Furthermore, the Directions will remain in place until March 2028, as agreed with the Council, to best support their budget setting process.
20. The Secretary of State considers that this package will address the failings identified in the Report. For the avoidance of doubt, the Secretary of State believes that each individual element of the intervention is individually justified.

Ministerial Envoy and Assistant Envoys

21. The evidence presents a strong case for external accountability and oversight of the Authority's delivery against the Directions. Therefore, the Secretary of State is appointing Ministerial Envoys to ensure that the Authority acts to meet its duty under Part I of the 1999 Act. The Secretary of State has nominated individuals with significant experience and expertise and has decided to appoint two Assistant Envoys instead of one. Enlarging the team will bring greater diversity

of thought to the team and ensure their approach is current with the challenges and best practice of local authorities today.

22. The Envoys are accountable to the Secretary of State, in that they have been appointed by them and can have their appointment withdrawn by them. The Envoys will report to the Secretary of State on the progress of the intervention after four months and from then on a regular basis as agreed with the Secretary of State.
23. The skills and experience of the Envoys mean that it is both possible and sensible to give them considerable levels of discretion over how they carry out their roles, in order that they can support the Authority to find the solutions most likely to lead to sustainable improvement.
24. The Secretary of State has nominated Envoys with a proven record in leadership, governance, delivering cultural change and transformation. The Envoys are:
 - **Kim Bromley-Derry CBE DL as Ministerial Envoy** – Lead Inspector for the Best Value Inspection into the London Borough of Tower Hamlets, former Commissioner for Sandwell Metropolitan Borough Council and former Chief Executive of the London Borough of Newham.
 - **Pam Parkes as Assistant Envoy** – Commissioner at Birmingham City Council, former Director at Essex County Council and part of the Best Value Inspection team at Thurrock Council.
 - **Shokat Lal as Assistant Envoy** – Current Chief Executive at Sandwell Metropolitan Borough Council and former Assistant Chief Executive at Rotherham Metropolitan Borough Council.
25. The Envoys are nominated to work intensively with the Authority, acting as advisors, mentors and monitors, will provide holistic support, operating comprehensively across the Authority. In carrying out their role, the 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 Envoys will, in so far as is possible and appropriate, seek to use and adapt existing improvement mechanisms and arrangements of the Authority. The Envoys will be supported by the Board Leads, who the Authority are directed to appoint and who will oversee improvement work on specific best value themes.
26. The Envoys will oversee the reconfiguration of the Authority's existing Transformation Advisory Board into a Transformation Assurance Board, 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 work closely with the Board Leads for Governance, Leadership and Culture & Partnerships to ensure realisation of comprehensive programmes of cultural change and political mentoring.
27. The Envoys are appointed up to and including 31 March 2028 or such earlier or later time as the Secretary of State determines. The Secretary of State may, if considered appropriate, nominate further Envoys.
28. The Directions provide that the Envoys' reasonable expenses and such fees as the Secretary of State determines are to be paid to them by the Authority. The Secretary of State is mindful of the need for Envoy remuneration to represent

value for money for local taxpayers. In recognition of the nature and scale of the intervention, fees have been determined of £1,100 a day for the Ministerial Envoy and £1,000 for the Assistant Envoy, for a total of 240 days per annum (120 days for the Ministerial Envoy and 120 days combined for the Assistant Envoys).