

2 February 2026

By email to: James Blythe

james.blythe@communities.gov.uk

Dear James,

We are writing on behalf of Tower Hamlets Council to respond to the draft ministerial direction issued on the 19th January.

We recognise, and are fully committed to, the need to increase both the pace and depth of our improvement work, and we welcome the challenge to strengthen our governance and clarify our model. However, while we take these points extremely seriously, we do not believe that the additional powers proposed in the draft directions are either clearly justified or likely to support the improvements we are delivering. We will therefore respond to these proposals setting out our concerns and the evidence base for an alternative, potentially more constructive approach. We are committed to a full and open collaboration with the Ministerial Envoys and MHCLG to embed sustainable improvement.

The narrative and escalation set out in the draft directions is not consistent with: (i) the feedback we have repeatedly received from the Ministerial Envoys; (ii) the findings of recent independent reviews and inspections; or (iii) the evidence from our own externally assured programmes of work. In particular, we are concerned about the treatment of financial management, the characterisation of our response to statutory recommendations, the revised rationale and scope of the proposed deep dives, and the selective use of our largely positive Peer Review findings.

As stated, the Council is fully committed to the improvement journey and recognises the need to increase both the pace and the depth of this work. Constructive challenge and open, honest debate with the need for all available facts are core components of effective improvement, and we ask that you view the following representations in that spirit. Our aim, above all else, is to drive meaningful and sustainable improvement and to create the constructive conditions necessary for this to succeed.

Financial Sustainability, Strengthened Reserves and Strategic Investment

The statement – drawn from the Secretary of State’s letter of 19 January 2026, which refers to “material concerns about the Council’s financial management and governance, which appear to be deteriorating” – raises concerns about “deteriorating finances.” However, this assertion is not reflected in the actual financial evidence. The proposed [MTFS has investment in statutory services](#) to address structural and demand-led pressures. It sets out



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a balanced, sustainable and fully costed financial plan, underpinned by strengthened governance and improved risk management. Furthermore, EY's latest Value for Money assessment identified 'no significant weaknesses' in the Council's approach to financial sustainability, placing Tower Hamlets in a markedly stronger position than many local authorities currently facing acute financial strain. Furthermore, this is supported by the LGA Corporate Peer Challenge Progress Review, which praised the Council's "strong financial management" and noted clear progress in developing and delivering its Medium-Term Financial Strategy.

The Council's financial resilience continues to improve. Over the next three years, reserves are forecast to increase by £50 million, including a further £15m transformation reserve, demonstrating prudent planning and the ability to absorb financial shocks. Alongside this, the budget incorporates £6.42m in new efficiencies, ensuring that investment is matched by disciplined financial management.

This resilience has enabled a major programme of investment in core services and long-term priorities. The proposed budget includes:

£22.5m for Adult Social Care, supporting rising demand alongside universal free homecare and Meals on Wheels.

£100m additional investment in council homes over five years, taking total planned investment to £345m, plus £45m for rising temporary accommodation costs and a £400k rent hardship fund.

£2.58m to extend weekly food-waste collection to 124,000 flats.

£780k to remove council tax for foster carers.

£453k for a dedicated home-schooling support team.

Ongoing £24m per year preventative investment in young people, including free school meals for all primary and secondary pupils, youth centres, free school uniforms and cost of living support Educational Maintenance Allowance and university bursaries.

A pilot for extended leisure-centre opening hours to generate new income and improve wellbeing.

These investments are intentional and preventative, reducing demand pressures over time while improving outcomes for vulnerable residents – we are one of the most deprived boroughs in the country. We agree with CIPFA's promotion of prevention-led budgeting and believe that these investments will benefit our finances through the alleviation of pressures in the long-term. They demonstrate ambition within a sustainable framework, supported by strong governance, improved controls, and a growing reserve position.

Alongside this strengthening financial position, the Council has expanded its suite of financial controls to ensure continued discipline in the face of the unprecedented challenges

affecting local government nationally. Building on the introduction of Expenditure Control Panels and strengthened Spending Review Panels, the Council has embedded a more rigorous and data-driven approach to scrutinising all non-essential spending, ensuring that every commitment is aligned to strategic priorities and delivers demonstrable value for money. These enhanced controls provide early visibility of emerging pressures, enable better management of in-year volatility, and ensure that investment decisions are balanced with affordability.

Taken together, this evidence shows a strategically led, financially resilient Council, investing at scale while maintaining stability – directly contradicting the claim of financial deterioration.

Progress Since the Period Covered by the Audit and VFM Reports

The Audit and Value for Money reports referenced in the Ministerial Statement assessed the Council's progress only for the period April 2024 to March 2025. Since that time the Council has completed a substantial programme of work that directly addresses the statutory recommendations and significant weaknesses identified by EY. There is [a full plan](#), with a range of actions complete, we fully accept the need to maintain pace and embed these actions to demonstrate that the Council has taken clear, structured and evidence-based steps.

They also build on historical failings in financial governance that have been addressed over the past three years. This includes the signing off all outstanding accounts from 2016/2017 to 2022/2023; the repayment of £1million of unpaid VAT; the signing and publication of five years of outstanding Annual Governance Statements; and the implementation of strengthened processes and procedures concerning the council's procurement strategy.

In the months following the audit period under review, we have implemented a strengthened Corporate Risk Strategy across the organisation, introduced robust financial controls and reconciliations, and embedded systematic responses to historic audit recommendations. We have also completed major components of the Procurement Improvement Programme—including a new Declarations of Interest system, a digitalised waiver process, and mandatory contract-management training for staff—to strengthen compliance, transparency and value for money. These reforms have been supported by targeted investment and external expertise, including the appointment of an experienced Strategic Finance Advisor (Stephen Hughes, former Commissioner in Liverpool) to provide high-level scrutiny and challenge.

At the same time, substantial improvements have been made in internal controls and assurance. We have strengthened journal approval processes, introduced enhanced scrutiny of property valuations, resolved long-standing issues with evidence trails for financial and debtor transactions, and advanced a comprehensive programme of work to upgrade the internal investigations function—which will be overseen by a new Director, clear policy revisions, and an independent external review now underway. The Audit Committee's effectiveness has also been strengthened through the appointment of an independent chair, improved tracking arrangements and expanded member training.

Finally, significant progress has been achieved in areas linked to Best Value, housing compliance and organisational culture. We have embedded new governance arrangements

for housing oversight, improved repairs, compliance and complaints handling, and advanced the Continuous Improvement Plan with more than forty programmes spanning governance, political culture, workforce development and operational resilience. Together, these completed actions demonstrate a coordinated, proactive and disciplined response to the statutory recommendations—evidence of improvement rather than deterioration, and a clear foundation for continued acceleration. Importantly, the bringing of areas identified through External Audit as needing improvement have been fully embedded into the scope of our Continuous Improvement Plan enabling greater oversight and steer from our Ministerial Envoys.

Recognising Our Progress and Ensuring Proportionate Use of Intervention Powers

It is disappointing that our balanced and largely positive Peer Review—demonstrating improvement in 17 out of 18 areas— appears to have been used selectively. The Peer Review was undertaken to provide an objective, developmental assessment of our progress, and its findings show a clear upward trajectory. **We fully recognise the scale of the challenges that remain and the seriousness of the issues identified through the VFM process, and we are deeply committed to addressing them.** However, we would ask that the Department considers the complete evidence base rather than isolated elements, so that the overall direction of travel is reflected accurately and fairly.

We are equally concerned about the proposal to hold such wide-ranging powers in reserve, as these are typically associated with circumstances where a leadership team is unwilling or unable to co-operate with a statutory intervention or where a council's finances have been deemed unsustainable. That is clearly not the case in Tower Hamlets. We have worked constructively and transparently with the Ministerial Envoys throughout, including their full involvement in all senior recruitment at Director level and above. Their first report confirmed that they have been consistently involved in live recruitment processes, found them to be robust, and described the Council as responsive to their feedback. We are also moving at pace, in partnership with the Lead Envoy, to recruit a permanent Section 151 Officer and have acted swiftly to secure interim arrangements to ensure continuity.

In this context, and given our demonstrated commitment to improvement, we respectfully ask that Government considers an alternative, more collaborative and proportionate mechanism to continue this work—one that supports progress without creating unnecessary risk to stability or the momentum we have built. This will help ensure that the intervention strengthens, rather than unsettles, the organisation at a critical moment in its improvement journey.

Ensuring Deep Dives Support Learning, Collaboration and Progress

We remain fully committed to jointly commissioning and funding the deep dives set out in the draft directions, and we see genuine value in work that strengthens learning, transparency and collaboration. However, we would welcome further consideration of the change in rationale now proposed for this work. The deep dives were originally described as a constructive opportunity to support our journey toward exiting the intervention by addressing persistent criticisms openly and building shared confidence in our progress.

Many of the areas identified—such as housing allocations, planning, licensing and grant processes—were examined extensively and in depth during the recent Best Value Inspection, which raised no concerns in these domains.

In the spirit of learning rather than revisiting previous audit approaches, we ask for clarity on what specific evidence or risks MHCLG officials are now seeking to explore, given that these functions are highly regulated and were subject to a rigorous, independent inspection less than two years ago. To ensure consistency and fairness across the sector, we would also welcome assurance that peer-based representatives will be involved in the process, supporting parity of treatment with other councils and maintaining confidence in the objectivity of the approach. Our preference remains to undertake this work collaboratively – with the council occupying a central role in driving these projects - alongside a shared focus on progress, improvement and constructive challenge rather than retrospective re-inspection.

Summary of concerns and contradictions we believe should be addressed

As we set out our response, we want to emphasise that we fully recognise the scale and urgency of the improvement challenge and are dedicated to accelerating our pace and deepening our impact. We remain vigilant to new and emerging risks, and we value the constructive, honest and increasingly productive relationship we have built with the Ministerial Envoys. Their challenge and support have helped strengthen our internal focus, and we are committed to continuing this work in a spirit of openness, debate and shared learning—within the Council and together with the Department. It is in that context, and with a desire to maintain a collaborative and forward-looking approach.

As a result of these concerns, and as requested by the Minister in our recent meeting, we ask for urgent conversations with senior MHCLG officials to understand the evidence base and implications underpinning the draft directions before the Secretary of State takes a final decision on implementing them:

- a) With the Director of Local Government Finance to discuss the evidence base for the assessment that our financial management is ‘deteriorating’ as we strongly refute this
- b) With senior MHCLG Governance colleagues to better understand the implications in practice of these very wide-ranging powers being held ‘in reserve’ and justification for them, we would also like to see evidence of where these concerns have been raised.

The Council remains fully committed to delivering lasting improvement for our residents and ensuring that Tower Hamlets becomes an organisation exemplifying strong governance, openness and high standards in public life.

The changes proposed by the Department set a higher bar for recovery, this supports our ambition to move beyond compliance, building a resilient organisation capable of adapting, learning and leading through continuous improvement. Over the past year, the Council has taken deliberate and far-reaching steps to strengthen governance, rebuild trust, and develop a culture of continuous improvement. As set out in our accompanying update report, and

endorsed by the LGA's CPC progress review we now have the following building blocks firmly in place:

- A strengthened and delivery focused Continuous Improvement Plan, in compliance with existing directions, developed collaboratively with the Envoys and supported by robust programme governance.
- A maturing, outcomes-focused corporate centre with clearer accountability and strengthened leadership capacity, supported by permanent senior appointments in compliance with the existing directions.
- Comprehensive work to address the significant weaknesses and statutory recommendations identified by our external auditors, including the mobilisation of a detailed Value for Money action plan with the valuable input of the Ministerial Envoys within our wider improvement framework.
- A transformed approach to culture, engagement and participation, grounded in evidence from our externally procured People Survey and supported by deep partnership working with staff, elected members and external experts.
- More than 2,000 local organisations and people have come together to co-produce a new Strategic Vision for the borough, [Our Tower Hamlets - Vision to 2035](#). The vision set out our shared ambitions and how we will work together as a partnership to achieve them.

The council has laid strong foundations for improvement, as we respond to the new potential draft directions it is essential that we increase the pace of change, and are able to demonstrate this through a pipeline of increasingly explicit evidence for improvement. We have strengthened governance, clarified roles and responsibilities, and continued to embed a culture of openness and co-production.

Next phase in full recognition of the improvement challenge

The next phase of work as planned will focus on moving from foundation building to accelerated, disciplined delivery. Building on the progress already made, the emphasis will be on pace coherence and a disciplined framework of assurance to ensure an objective assessment of improvement.

We fully recognise the need to accelerate our pace of improvement and to deepen the discipline, coherence and consistency of our work in the areas discussed with the Ministerial Envoys. Over the past year, we have taken deliberate steps to strengthen our organisational grip. We have finalised the new Strategy, Improvement and Transformation team structure, delivering on an externally supported review that will bring these core functions in line with sectoral best practice, bringing in talent from the GLA and Civil Service where we have key skills gaps. This has been developed in close dialogue with the Envoys and addresses Best Value concerns around weakness in our corporate centre. We have recruited a Strategic Director for Change and Improvement and other key, senior, permanent roles.

The next phase builds on this by expanding and consolidating the existing improvement function into a single, more integrated “engine room” for improvement and transformation.

This is not the creation of something new, but planned enhancement of an established capability that now brings together prioritisation, programme interdependencies, risk management, and benefits realisation under clearer, more focused accountability. To underpin this next phase, we are recruiting a strengthened cohort of transformation professionals, with the Programme Director for Transformation & Improvement at its centre. This senior role will provide increased strategic grip, portfolio coherence and delivery discipline required to coordinate the expanded work of the statutory recommendations and major transformation programmes. Alongside this, we are expanding our core programme delivery capacity with additional PMO leads, project managers and workstream leads who will drive day-to-day delivery. Already, these steps have begun to accelerate our pace of transformation, and we are confident that these decisions will ensure the next phase of this continuous improvement journey will see expedited delivery.

This expanded engine room is being matched by significant, already-agreed financial investment. We have committed £2 million specifically to support our response to external audit findings, ensuring that the statutory recommendations are addressed with the necessary depth, pace, and expertise. In addition to this and the existing £6m Best Value investment, we have allocated a further £15 million over three years to strengthen transformation capacity, over and above existing funding committed as part of the intervention. Together, this £23m package represents a substantial expansion of our internal capability, signalling our determination to build a sustainable, resilient improvement infrastructure that no longer requires external dependency.

As we move from early delivery into a phase of embedding, our focus is shifting from activity tracking to a more rigorous and transparent understanding of impact against our priority outcomes. This includes stronger monitoring, evaluation and data governance so that progress claims are credible, evidence-based and consistently tested. We have already laid important foundations for this work through joint activity with the Envoys—including the People Survey, exploratory work supporting the Member Pledge, and the Community Power research with Queen Mary University. Expanding our capacity to build and test evidence of impact will help us develop a shared, well-grounded narrative of improvement, reduce defensiveness, and build trust across stakeholders, including with the Envoys.

We also recognise that improving pace requires greater coherence across the full breadth of our improvement activity. We have a significant task ahead to bring together the Continuous Improvement Plan, statutory recommendations, deep dives, transformation, governance reform, cultural change and service modernisation into one sequenced and disciplined programme of action. This integration is essential to delivering at pace against the statutory recommendations and aligns with the streamlined governance model proposed in the draft directions. Our strengthened infrastructure will provide the consistent stewardship required to keep this programme on track.

We welcome the strengthened focus on responding to the statutory recommendations, and we have already taken steps to reinforce this aspect of our work. The appointment of Stephen Hughes as Strategic Finance Advisor is supporting our S151 Officer and internal teams by providing high-level challenge, ensuring our plans are robust, stress-tested holistically, and properly resourced for the next phase. His contribution complements the

ongoing challenge and support provided by the Envoys, strengthening the overall assurance environment in a way that reinforces the collaborative relationship we have built.

Finally, as the Council progresses its journey, in full knowledge of the need to progress at pace, we look forward to continuing our collaborative approach to working with the Envoys. LBTH has always been a learning organisation and is determined to work with the brightest and best from the public sector. The support of:

Jenny Rowlands (Former CEO of Camden Council and Chair of the London Self Improvement Board)

Carolyn Downs (Former CEO of Brent Council and former CEO of the LGA)

Sir Steve Bullock (Former Mayor of Lewisham Council)

Stephen Hughes (Former CEO Birmingham City Council and Liverpool Finance Commissioner)

Barry Quirk (Former CEO of Kensington and Chelsea Council)

Alongside the Ministerial Envoys this comprises a formidable team, that will continue to support our journey to becoming an exemplary authority. In this letter we have tried to respond substantively to the issues which you have raised, rather than spending time on more technical legal issues concerning the bases for the new powers and directions. However, the Council's Monitoring Officer will be writing to you separately to raise some significant points in that respect, and to ask certain questions about the legal basis for what is proposed. We have asked for urgent conversations with senior MHCLG officials about the evidence base and would like you to respond to our concerns raised here and that the Monitoring Officer will make before any final decision is taken. That will also provide a space in which officials can respond to those questions.

Lastly, we appreciate your condolences on our colleague Simon's passing. His dedication to London local government and making a real difference to the residents of Tower Hamlets were extraordinary. We mourn his death and will ensure that there are appropriate opportunities to celebrate his legacy and achievements.

Yours sincerely,



Lutfur Rahman,
Executive Mayor of Tower Hamlets



Steve Halsey
Chief Executive