



Ministry of Housing,  
Communities &  
Local Government

Stephen Halsey  
Chief Executive  
London Borough of Tower Hamlets  
*By email*

James Blythe ACMA  
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Dear Mr Halsey

I am writing to inform you that after careful consideration, the Secretary of State for Housing, Communities and Local Government has today made Directions under sections 15(5) and 15(6) of the Local Government Act 1999 (“the Act”) in relation to the London Borough of Tower Hamlets (“the Authority”) to strengthen the current statutory intervention. I enclose a copy of the Directions, together with an Explanatory Memorandum, which provides further information on the reasons for the exercise of the powers and responds to the representations received. Both documents will be published on gov.uk, together with this letter. These Directions come into effect immediately.

While the Secretary of State welcomes the early signs of progress and the Authority’s constructive engagement with the Envoys, he remains concerned that the Authority has not understood the severity of its situation or moved beyond planning for improvement into action and impact. The Secretary of State is also concerned that the Authority, including its leadership, is not sufficiently mindful of, or able to assess, its own position and the impact of this on its ability to improve. He has confirmed that he is satisfied the Authority is continuing to not meet its Best Value Duty in relation to the Best Value themes of Leadership, Governance, Culture, Partnerships and Community Engagement, and Continuous Improvement, and is now also demonstrating failure in its Use of Resources. These themes are set out in statutory guidance, which the Authority is required to have regard to, and which reflect the requirements of Part 1 of the Act. The evidence demonstrates that the Authority’s arrangements in respect of these themes are insufficient in various respects and are not sufficient to secure continuous improvement.

The Directions implement a revised intervention package which is described below. The package is formed of actions that the Authority is directed to take, along with functions that the Envoys will be able to exercise, with these powers to be treated by the Envoys as being held in reserve. The reference to powers being ‘held in reserve’ reflects the Secretary of State’s clear expectation as to how the Envoys will use their powers. The functions will be exercisable by the Envoys throughout the period of the Directions, but they are expected by the Secretary of State to use them proportionately and only where necessary to secure the Authority’s compliance with its Best Value Duty. It will be up to the Envoys to decide if and when they need to use their powers. This will be an ordinary exercise of judgement which is required in order for Directions issued under s15(6) of the 1999 Act to operate in practice.

You will see in the Explanatory Memorandum to the Directions that the Secretary of State intends to appoint an additional Assistant Envoy in due course. That appointment will be made considering coherence with the current Envoy team and arrangements already put in place by the Authority to support its finance function. The Secretary of State recognises the expertise of the Envoys and is confident that they will be key to helping resolve the Authority's issues as quickly and effectively as possible, supported by the additional capacity and safeguards provided in the revised package.

The Directions will be in place until 31 March 2028, reflecting the severity and size of the remaining challenge in the Authority. It remains for the Secretary of State to decide if changes are necessary to ensure that the Authority has the support required to accelerate recovery and protect the public purse. Subject to clear and sustained evidence of improvement, certain functions may be returned to the Authority. The Envoys are accountable to the Secretary of State in that they have been nominated by him and can have their nominations withdrawn by him. The Directions enable the Envoys, who have been granted powers, to exercise the functions listed in the Directions annexed to this letter.

The attached Explanatory Memorandum provides further information on the reasons for the exercise of the powers and responds to the representations received.

While the Secretary of State welcomes the appointment of an experienced Section 151 Officer and hopes this appointment will increase the capacity of the Authority's finance function and bring additional stability to the Golden Triangle, having considered all relevant materials and representations, the Secretary of State remains of the view that issuing the Envoys with powers over financial management, financial governance and scrutiny of financial decision making by the Authority is a necessary and proportionate response to the identified risks. The four Statutory Recommendations issued by the Authority's external auditor along with the six additional significant weaknesses identified, evidence provided in the Envoys' second progress report which indicates serious weaknesses in the Authority's financial governance and administration, and the independent Chair of the Authority's Audit Committee's view that the Authority's Mobilisation Action Plan as presented to the Audit Committee on 29 January 2026 did not accurately reflect the concerns identified by the auditor, all indicate real weaknesses in the Authority's financial governance, financial management and financial administration. The Secretary of State notes that the Authority has set a balanced budget for 2026/27 without the need for Exceptional Financial Support but considers that an interim appointment is not sufficient to mitigate the risks that the serious weaknesses in the control environment present to financial sustainability. The auditor recognises that the "current operating environment presents significant financial challenges and risks", highlights continued overspends without effective mitigations and reliance on reserves to balance the budget, and makes recommendations for changes to the Authority's approach to financial sustainability in this context.

The Directions require the Authority to take certain actions. In summary:

- To continue to implement the Continuous Improvement Plan in a timely manner, to the satisfaction of the Envoys and to consider that Plan in Full Council on at least a quarterly basis.
- To cooperate with the Envoys to adequately resource and deliver the deep dive project into alleged misconduct in the specified areas.
- To disband the Transformation and Assurance Board and establish an Envoy-led Improvement Board to oversee the Authority's delivery against the ministerial Directions.
- To fully co-operate with the Envoys and take any reasonable action within the Authority's functions to prevent further failure, as determined by the Envoys.

- To report to the Envoys on the delivery of these Directions at six monthly intervals and ensure these reports are properly considered by Full Council prior to submission.

The Secretary of State remains of the view that it is necessary to disband the Authority's Transformation and Assurance Board ("TAB") and replace it with an Envoy-led improvement board. The Secretary of State shares the Envoys' view that, while the Board has proven effective for information sharing, it has not been sufficiently effective as an assurance mechanism or for facilitating honest and open feedback on challenging issues. The Secretary of State agrees that political engagement in the forum is not strong enough and therefore that distinct Envoy-led assurance is required to streamline assurance processes. The Secretary of State extends his gratitude to the members of the Transformation and Assurance Board who have provided support to Tower Hamlets through this first phase of intervention.

The Secretary of State maintains the view that statutory Directions are required to secure the Authority's cooperation with the deep dive project. This view reflects Ministers' concerns, drawn from the Envoys' observations and the auditor's reporting, that the Authority has not consistently demonstrated the level of organisational grip, ownership, responsiveness or pace required to secure timely delivery of improvement activity. It is also in response to the auditor's concerns regarding the effectiveness of the Authority's processes for conducting internal investigations and the challenges the auditor and forensic specialists have faced when investigating non-compliance matters. The Secretary of State notes that the longstanding concerns the project seeks to tackle relate to areas where the Authority is failing its Best Value Duty, in particular in relation to Governance, Culture and Use of Resources. He considers that the Authority's ability to restore public trust in the delivery of its Best Value Duty is a core part of its improvement journey. He does not agree with your view that many of the areas identified were examined extensively and in depth during the 2024 Best Value Inspection ("BVI") of the Authority. The BVI report states in relation to housing that the BVI "*did not investigate any individual cases as we did not consider this would have been appropriate for a best value inspection*", and on grant processes that "*we [inspectors] were unable to carry out a detailed analysis*". Additionally, planning and licencing were out of scope for the BVI. This statutory requirement is therefore intended to ensure that the deep dive work proceeds with sufficient cooperation to give the necessary assurance. It is a targeted and proportionate measure designed to address the specific risk that this work may not otherwise progress at the pace or depth required to support compliance with the Authority's Best Value Duty.

The Directions also require the Authority to pay the Envoys reasonable expenses and such fees as the Secretary of State determines to be paid to them. The Secretary of State is mindful of the need for the remuneration to represent value for money for local taxpayers. In recognition of the nature and scale of the intervention, the Secretary of State has determined fees of £1,200 per day for the Lead Ministerial Envoy, and £1,100 per day for the Assistant Envoys (an increase of £100 per day each, to reflect current rates for Envoys with powers), each with a maximum of 150 for the Lead Envoy (an increase of 30 days) and 120 days for each Assistant Envoy annually (an increase from 120 days annually for both Assistant Envoys). The Secretary of State also expects the Envoys to be paid reasonable expenses in accordance with the rules for senior officers set out in the Authority's staff handbook.

You will wish to note that the Secretary of State has asked for a report from the Envoys at such times agreed with the Envoys. This allows for a process for regular review of whether it would be appropriate for any function exercisable by the Envoys to be returned to the Authority. The Secretary of State has not ruled out the possibility that further actions be taken in the future.

The Secretary of State wishes to highlight the pivotal role an Authority's leadership plays in the improvement journey. It is not possible for an organisation to change unless its leadership demonstrate true acceptance of the issues, rather than continually seeking a favourable

opinion, and drive forwards change at every level of the organisation. This should be supported by clear and measurable evidence of impact and progress. It is his clear expectation that there is a shift going forwards in the current behaviours, tone and approach of the political and officer leadership. This includes providing clarity of accountability and encouraging both internal and external challenge while ultimately driving and owning changes from within the corporate centre.

The Secretary of State also wishes to highlight to all members of the Authority that their individual and collective contributions to the Authority's improvement journey are crucial to its success. It is his expectation that members from all parties can put aside their personal and political differences and prioritise constructive scrutiny and debate. It is time for all members to put the residents of Tower Hamlets first and contribute whole heartedly to the Authority's improvement journey.

Finally, and as I know you will agree, it is of utmost importance that Tower Hamlets can deliver safe and secure local elections this May. I consider it essential that all the interested parties work closely together in the coming months to achieve this, and the Government stands ready to support local partners in that regard. Within this context, I would like to remind the Authority of the importance of adhering to the Recommended Code of Practice for Local Authority Publicity, particularly its principles of objectivity and even-handedness, especially in times of heightened sensitivity.

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

Yours sincerely

**James Blythe**

**Deputy Director, Local Government Stewardship and Interventions**