

EXPLANATORY MEMORANDUM

THE LONDON BOROUGH OF TOWER HAMLETS DIRECTIONS UNDER SECTIONS 15(5) AND 15(6) 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 sections 15(5) and 15(6) 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 17 March 2026. 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 17 March 2026 Directions replace the Directions issued on 22 January 2025, which are revoked. This Explanatory Memorandum also replaces the Explanatory Memorandum for the 22 January 2025 Directions.
4. 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 and proposal to strengthen and expand the intervention

5. From February to July 2024, Kim Bromley-Derry CBE DL led a team which undertook an inspection under section 10 of the 1999 Act to assess the compliance of the Authority with its Best Value Duty (as set out in Part I of the 1999 Act). The Best Value Inspection documented serious concerns across five of the seven best value themes (Leadership, Governance, Culture, Partnerships and Community Engagement, Continuous Improvement), which the then Secretary of State considered amounted to a failure by the Authority to comply with the Best Value Duty under Part 1 of the 1999 Act.
6. The then Secretary of State commenced a statutory intervention at the Authority on 22 January 2025 and issued Directions requiring it to:
 - prepare and report on a Continuous Improvement Plan,
 - reconfigure its Transformation Advisory Board into a Transformation and Assurance Board and appoint independent Board Leads for Governance, Leadership and Culture & Partnerships to lead fully costed programmes of cultural change and political mentoring for members,
 - recruit a Transformation lead, and
 - work with the Local Government Association (LGA) to agree a follow-up to their 2023 Corporate Peer Challenge (CPC).
7. Three Envoys were appointed to work comprehensively within the Authority to act as advisors, mentors and monitors to oversee the improvement work that the Authority had already begun and to report on this journey. The Secretary of State

published the first report from the Envoys on 9 July 2025 which identified progress in a number of key areas but raised concerns that wholesale political and staff buy-in and involvement in the Authority's improvement journey was not yet in place.

8. The Secretary of State and Minister of State met the Envoys for a progress update in November 2025. In this meeting and subsequent letter from the Envoys to the Secretary of State and Minister of State, published on 19 January 2026, the Envoys set out the rationale for a deep dive project they were preparing to undertake and were seeking to agree the scope of in partnership with the Authority. The project seeks to tackle longstanding concerns held by some stakeholders, residents and council staff about alleged patronage in recruitment and staff promotions as well as concerns about resource allocation (community assets and community grants), housing allocation, licencing and planning decisions, and the structure and functions of the Mayor's Office and Mayoral Advisory Team. The Envoys specified in their letter that Envoy-led assurance and distinct governance outside of the Transformation and Assurance Board was required to deliver this project with the necessary level of rigour. They also suggested consideration of how overall assurance routes for the Authority's improvement journey could be streamlined.
9. On 16 November 2025 the Authority's external auditor (Ernst & Young) issued an Interim Value for Money (VfM) report including a fourth Statutory Recommendation regarding the Authority's arrangements for managing internal investigations and identified a further six significant weaknesses in relation to the Authority's VfM arrangements. These significant weaknesses were: (1) the Best Value Inspection, (2) Housing, following the outcome of an inspection by the Regulator of Social Housing, (3) effectiveness of the internal audit function, (4) Annual Governance Statement, (5) capacity of the 'Golden Triangle' to respond to the scale and complexity of the challenges facing the Authority and (6) Audit Committee effectiveness. This came on top of the three Statutory Recommendations issued to the Authority in February 2025 regarding its arrangements for reliable and timely statutory financial reporting, internal controls, procurement and contract management. The auditor's reports (the 28 February Audit results report for the year 2023/2024, the 16 November VfM report, the 17 November draft Annual Report for the year 2024/2025) also raised concerns about the Authority's reliance on interim measures and consultant support, and highlighted delays in the Authority taking action to replace its permanent Section 151 Officer and in addressing audit concerns.
10. In December the Authority published the Local Government Association (LGA) peer team's Progress Review of the 2023 Corporate Peer Challenge, carried out on 7-8 October 2025. The report praised the quality of local services, identified areas of progress made, including improving its approach to performance management, streamlining its internal governance arrangements and working with partners, and concluded that the building blocks for further progress are now in place. However, the peer team also expressed concern with the Authority's tendency toward internal optimism bias, demonstrated in the Authority's overly optimistic self-assessment which the peer team did not agree with.
11. Having considered the above reports, meetings and correspondence, while the Secretary of State welcomed the early signs of progress and the Authority's

constructive engagement with the Envoys, he remained concerned that the Authority had not understood the severity of its situation or moved beyond planning for improvement into action and impact. The Secretary of State was also concerned that the Authority was not sufficiently mindful of, or able to assess, its own position and the impact of this on its ability to improve.

12. On 19 January 2026 the Secretary of State announced by Written Ministerial Statement that he considered that the Authority was continuing to fail its Best Value Duty in relation to Continuous Improvement, Leadership, Governance, Culture and Partnerships. In addition, he considered that the Authority was also now failing its Duty in relation to its Use of Resources. He was therefore minded to exercise his powers of direction under sections 15(5) and 15(6) of the 1999 Act in relation to the Authority to strengthen and expand the current intervention. He published a letter from senior officials to the Authority (“the minded-to letter”) which included a detailed description of the Directions that the Secretary of State proposed to make under section 15 of the 1999 Act, alongside revoking the 22 January 2025 Directions. He considered that the proposed revised intervention package would accelerate and strengthen the improvement work needed at the Authority to secure the Authority’s compliance with its Best Value Duty. Specifically, he proposed to:
- issue the Envoys with powers to exercise specific functions of the Authority, which are to be treated by the Envoys as held in reserve, to target the Authority’s weaknesses in finance, governance, the recruitment and performance management of senior officers,
 - increase the Envoy team’s capacity by appointing an Assistant Envoy with finance expertise and increasing the Envoys’ allocated working days, and
 - issue new Directions requiring the Authority to take timely action to address the auditor’s Statutory Recommendations, co-operate with the deep dive project into allegations of misconduct at the Authority, and disband the Transformation and Assurance Board (TAB) and replace it with a new Envoy-led improvement board.

Representations

13. Under section 15(9) of the 1999 Act, the Secretary of State invited the Authority and any other interested parties to make representations on the proposed changes to the intervention package by 2 February 2026. The Department received five representations: three from the Authority, one from the Leader of the Authority’s Labour Opposition and one from local community group Tower Hamlets Crime Watch.
14. The Authority submitted three sets of representations: jointly from the Mayor, Lutfur Rahman and Chief Executive, Stephen Halsey, and separately from the Mayor and from the Authority’s Monitoring Officer. The Authority’s representations recognised and expressed commitment to the need to increase the pace and depth of improvement work but questioned the legal and evidence basis for the proposed Directions in the following ways:
- the statutory basis for the proposals, concept of powers being held in reserve and the scope of these powers,
 - the rationale for requiring the Authority’s cooperation with the deep dive work and the purpose and scope of that work, and for replacing the TAB with an Envoy-led improvement board,

- the conclusion that the Authority's financial management and governance appear to be deteriorating and characterisation of its response to the auditor's Recommendations, and
- the use of the LGA peer team's findings during their Progress Review of the 2023 Corporate Peer Challenge, which they describe as selective.

15. Additionally, the Authority wrote to officials in the Department outside of the representations period confirming that they have appointed an experienced interim Section 151 Officer, who will commence their role in early March. The Authority's letter also set out that an interim financial advisor to the Authority will continue to support the development of its mobilisation plan to respond to the auditor's Statutory Recommendations.

16. The local Labour Group's representation supported all aspects of the proposals to strengthen and extend the current intervention since, in their view, the Authority "has made limited progress against last year's Directions and...serious governance failings remain". The Labour Group called for additional controls in relation to the Authority's publicity, which they claimed fails to comply with the Recommended Code of Practice for Local Authority Publicity's principles of objectivity and even-handedness, and in relation to Elections, where they requested additional safeguards for the May 2026 Mayoral and Local Elections.

17. The representation from Tower Hamlets Crime Watch made no explicit reference to the proposals but expressed dissatisfaction with the Authority's community safety provision. Concerns included the alleged failure of the Authority to devise a valid Anti-Social Behaviour policy and the "highly politically motivated" nature of the Hate Crime Department.

18. The Secretary of State also received the Envoys' second progress report on 30 January. While the Envoys noted progress in some areas of the Authority's improvement journey, particularly in relation to partnership working, they were clear that their overall conclusion remained that the pace of change, along with officer and member leadership grip to drive improvement continues to be insufficient. They expressed concern that the Authority's leadership continues to be unnecessarily defensive and "avoid[s] engaging in the detail of challenges". The Envoys welcomed the proposals to strengthen and extend the intervention and believe putting the deep dive project on a statutory footing will enable a faster pace of work, greater rigour and independence, and a streamlining of the governance of the intervention. The Envoys stated that they would also like to see the Authority commit to taking future progress reports and their Continuous Improvement Plan (CIP) through debate at Full Council and would welcome further consideration of how the entrenched issues they observe across the political space can be successfully targeted.

The revised intervention package

19. Having considered the Envoys' and the Authority's latest progress reports, the auditor's reports, the five representations, together with other relevant material, the Secretary of State notes some signs of progress made by the Authority but considers it is continuing to fail to comply with its Best Value Duty in relation to the Best Value themes of Leadership, Governance, Culture, Partnerships and

Community Engagement, Continuous Improvement and additionally that the Authority is now also failing to comply with the Duty in relation to its Use of Resources. These themes are set out in the statutory guidance and reflect the requirements of Part 1 of the 1999 Act. He is revoking the Directions issued on 22 January 2025 and, as he considers it necessary and expedient, in accordance with his powers under sections 15(5) and (6) of the 1999 Act, he is issuing new Directions to the Authority.

20. The Secretary of State remains of the view that as part of the Directions, it is necessary and expedient, in accordance with his powers under section 15(6) of the 1999 Act, to issue the Envoys with powers to exercise specified functions of the Authority, to be treated as held in reserve. The Authority's Monitoring Officer requested further clarity on the Envoys' powers. The reference to powers held in reserve reflects the Minister's 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 ministers to use them proportionately and only where necessary to secure the Authority's compliance with the 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.
21. The intervention package is in line with the proposals as described in paragraph 12 of this Memorandum, with the following modifications to Annexes A and B of the Directions:
 - 1) At Annex A, paragraph 1: inclusion of a requirement that the governance surrounding the Improvement Board is developed to the satisfaction of the Envoys to ensure the Envoys are fully empowered to structure and manage the overall governance of the improvement journey to their satisfaction.
 - 2) At Annex A, paragraph 2: inclusion of a requirement that the Authority takes its Continuous Improvement Plan (CIP) to be properly considered by Full Council on at least a quarterly basis in response to the Envoys' expectations, as set out in their report, that the Authority properly considers its CIP in Full Council on at least a quarterly basis.
 - 3) At Annex A, paragraph 2a: recognition that the Authority has already begun work to address the auditor's Statutory Recommendations and inclusion of reference to the six significant weaknesses also identified by the auditor.
 - 4) At Annex A, paragraph 2i: reference to the six Best Value themes that the Authority is failing to ensure they are covered by the CIP.
 - 5) At Annex A, paragraph 3: clarification of the language describing the deep dive project.
 - 6) At Annex A, paragraph 6: inclusion of a requirement that the Authority properly considers all progress reports in Full Council prior to submission to the Envoys in response to in response to concerns raised by the Envoys in their report of the need for open and transparent debate, and public accountability of the Authority's members for the improvement journey.
 - 7) At Annex B, paragraphs 1, 2, 3, 5 and 6: further clarification of the powers to be held by the Envoys.

22. The Secretary of State remains of 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 the Authority's ability to restore public trust in the delivery of its Best Value Duty to be a core part of its improvement journey. The requirement to place this work on a statutory footing 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 ensure the Authority's compliance with the Best Value Duty.
23. The Secretary of State also maintains 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 TAB has proven effective for information sharing, it has not been sufficiently effective as an assurance mechanism and as a forum for facilitating cross-party engagement and honest feedback on challenging issues. Distinct Envoy-led assurance is therefore required to streamline assurance processes. The Secretary of State extends his gratitude to the members of the TAB who have provided support to Tower Hamlets through this first phase of intervention.
24. The remaining modifications relate to the functions of the Authority to be exercised by the Envoys and are in response to concerns raised by the Authority's Monitoring Officer of a need to further clarify the scope of these powers and the intended effect of these Directions. The modifications provide further clarity on the functions relating to the governance, scrutiny and transparency of decision making by the Authority (Direction B1), the requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs and functions associated with the strategic financial management, financial governance and scrutiny of financial decision making by the Authority, whilst reflecting the local context and specific challenges (Direction B2), functions associated with the Authority's operating model and redesign of the Authority's service achieve value for money and financial sustainability (Direction B3), and what is meant by senior positions (Direction B5) and their appointment, performance management and dismissal (Direction B6).
25. The Secretary of State welcomes the appointment of an experienced interim 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'. However, having considered all relevant materials and representations, the Secretary of State remains of the view that issuing the Envoys with powers over strategic 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, management and 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.

26. The Secretary of State considers that this revised package will address the ongoing failings identified by the auditor's and Envoys' reports, and other relevant material. For the avoidance of doubt, the Secretary of State believes that each individual element of the intervention is individually justified.

Envoy and Assistant Envoys

27. The evidence continues to present a strong case for external accountability and oversight of the Authority's delivery against the revised Directions and the intervention will continue to centre on a team of Envoys to provide challenge, advice and assurance and to ensure that the Authority meets its Duty under Part I of the 1999 Act.
28. The strengthened and expanded intervention package will require increased capacity within the Envoy team and the Secretary of State will appoint an additional Assistant Envoy with finance expertise in due course. Enlarging the team will bring greater diversity of thought, additional expertise and provide the necessary increase in capacity to ensure the Authority can deliver against the Directions at pace. The Envoys are:
- a. Kim Bromley-Derry CBE DL as 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.
 - b. 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.
 - c. Shokat Lal as Assistant Envoy – Current Chief Executive at Sandwell Metropolitan Borough Council and former Assistant Chief Executive at Rotherham Metropolitan Borough Council.
29. The Envoys are nominated to work intensively with the Authority, acting as advisors, mentors and monitors. They 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 advice and challenge, oversee the Authority's improvement work and be available to Senior Leadership for support. The Envoys will establish appropriate governance for this next phase of the intervention, continue to oversee and assure the delivery of the Authority's Continuous Improvement Plan, oversee the Authority's work to make progress against the audit Statutory Recommendations and significant weaknesses, and lead the delivery of the deep dive project.

30. The Secretary of State has directed that the Envoys will be able to exercise certain functions under s15(6) of the 1999 Act, which are to be treated by the Envoys as powers held in reserve. The Envoys are accountable to the Secretary of State, in that they have been nominated by him and can have their nomination withdrawn by him. The Envoys are nominated 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. The Envoys will report to the Secretary of State on the progress of the intervention on a regular basis as agreed with the Secretary of State.
31. 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 the Secretary of State has determined fees of £1,200 a day for the Envoy and £1,100 for the Assistant Envoys. The Secretary of State also considered it appropriate to increase the days available to the Envoys: 150 for the Lead Envoy and 120 for each Assistant Envoy to provide the required capacity to service an intervention of this scale.

Powers to be exercised by the Envoys and Directions to the Authority

32. The actions to be undertaken by the Authority and the functions that the Envoys are able to exercise are as set out in detail in the Directions.

Duration of the intervention

33. The Secretary of State considers that any aspect of the Directions should only be in force long enough to achieve the stated objectives of the intervention. The Directions will remain in force until 31 March 2028 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. The Secretary of State may decide to extend Directions beyond this date, or it may be appropriate to return functions before this time.
34. The Secretary of State has asked for regular reports from the Envoys. This allows ongoing review of whether it would be appropriate to change any element of the intervention, to expand their powers to exercise functions or for any function exercisable by the Envoys to be returned to the Authority.
35. Where the Authority and Envoys agree that it would be appropriate for the exercise of a function to be returned to the Authority, the Envoys will report this to the

Secretary of State, setting out reasons, including clear evidence as to why the public could be expected to have confidence in the Authority exercising this function in compliance with the Best Value Duty. The Secretary of State will carefully consider any such reports and, if agreed to, further Directions will be issued to this effect amending these Directions made on 16 March 2026.

36. The Secretary of State has not ruled out the possibility that further functions might be brought under the control of the Envoys with powers to exercise functions.