Best Value Inspection of the London Borough of Tower Hamlets

31 July 2024

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Lead Inspector's Foreword

Local authorities are at the forefront of delivering vital public services to hundreds of thousands of residents in their local area, and manage significant budgets drawn from taxpayers' money. There are well-established principles for how people working as a public office-holder in the UK should behave – these are the Seven Principles of Public Life, also known as the Nolan Principles. We have kept these principles in mind when undertaking this report – both in terms of our own conduct and behaviour, and those of public-office holders of the Council.

We have also considered the fundamental purpose of the best value legislation and framework – to ensure that local authorities are effective, efficient and economic in carrying out their duties to every citizen of the authority, and that they do so with the robust record of transparency, probity, scrutiny and accountability that citizens rightly expect.

We have set out this report using the seven Best Value themes. The Best Value Duty is concerned with making arrangements to secure continuous improvement. The statutory Best Value guidance published in May 2024 followed the draft guidance published in July 2023 sets out seven overlapping themes of good practice for running an authority that meets and delivers best value. These seven best value themes have built on the lessons learned from past interventions. 'While these themes are all interdependent, strong governance, culture, and leadership underpin effective partnerships and community engagement, service delivery, and the use of resources. Continuous improvement is the outcome of all the themes working well together.'[1]

While no large and complex organisation can be perfect, local authorities should be fit for purpose, operate lawfully and to high standards. We hope that this report contributes towards these goals, to the benefit of the people of Tower Hamlets.

Tower Hamlets is a truly amazing area of London, its history, its people and its places combine to make it what it is now and it has been a great privilege to spend time in the borough, and with the passionate and enthusiastic officers working for the Council who are making a positive difference to people who live and work in the borough.

The whole inspection team are grateful to the Council's officers who have worked to provide them with the information necessary to produce this report. I would also like to thank every officer who responded to the staff survey, and every officer, politician, members of the public or partners who met with or contacted the Inspection team to share their work and experiences of living and working in the borough. This report would not have been possible without you.

Kim Bromley-Derry CBE DL

[1] Best value standards and intervention: a statutory guide for best value authorities, May 2024, https://www.gov.uk/government/publications/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities

1. Executive Summary

Introduction

1.1 In May 2024 the Department for Levelling Up, Housing and Communities (DLUHC), now the Ministry of Housing, Communities and Local Government (MHCLG) published statutory guidance on best value standards and intervention.[2] This guidance was published in draft form in July 2023 and sets out seven key themes of good practice: continuous improvement, leadership, culture, governance, use of resources, delivery, partnership and community engagement. This report is structured around those key themes.

1.2 The Inspection took place between 22 February and 31 July 2024, making use of interviews, a staff survey, attending and observing a full range of meetings and reviewing documents requested from, or provided by the Council to form its judgements. Inspectors have powers to request access to any document relating to the Council that appears to them to be necessary, giving three clear days' notice.[3] At times we have found the Council very slow in providing documents and arranging interviews. In some cases this could be seen to amount to a reluctance to share, cumbersome, or even active obstruction. A number of items and occasionally interviews requested early in the inspection were only provided or facilitated towards either the first deadline of 31 May or the extended deadline of 31 July, making it difficult to take comprehensive judgements on some issues.

1.3 This approach corresponds with the experiences of other external bodies such as the LGA team undertaking the recent Corporate Peer Challenge, and former Commissioners: we also note that the Best Value Inspection of 2014 was extended due to difficulties obtaining information. In some cases, we have been provided with documentation that has been produced after our information request was made, or just a summary of events in place of contemporaneous documentary evidence.

1.4 On 18 May 2024, the Inspection team received a letter from the Chief Executive. This letter set out some challenges the Council believes it inherited from the previous administration, described the Council's successes since 2022 and set out the Council's own understanding of best value requirements. We have noted this correspondence and included it as an addendum.

1.5 We have been clear with the Council from the beginning of the inspection that we would use both the specific directions from the Secretary of State set out in the Lead Inspector's letter of appointment of 22 February 20224 and also the seven themes of the Best Value Guidance to steer the work of the inspection team and as a basis for our report back to the Secretary of State. We also confirmed that we would reflect positives found during the course of the inspection, of which a number are set out in this report. We have drawn on our own experience of strategic leadership and operational management in large and complex organisations under political direction, including Mayoral authorities, to contextualise both these challenges and successes.

[2] Best value standards and intervention: a statutory guide for best value authorities, May 2024
[3] Section 11, Local Government Act 1999

1.6 Throughout the inspection we have heard from the Council that their view is that best value is primarily about the use of resources, or that it exists only at the strategic level. We do not agree with this view and consider all the best value themes to be interdependent, equally important and should reflect all aspects of the Council. In Tower Hamlets, leadership, culture, partnerships and governance are the areas in which we have most concerns.

1.7 The Council tends to measure its political, cultural, leadership and management behaviours against its own recent history of certain behaviours and not against any good best-value authority. We believe this approach to benchmarking its culture, behaviour and leadership is fundamentally flawed. Our judgement, based on observations recorded throughout this report, is that this results in a lack of awareness of the impact of certain behaviours on all stakeholders and causes an inward focus on politics and inputs rather than an outward looking authority that is driven by outcomes. The administration is overly focused on demonstrating and proving both internally and externally that it is better than the previous administration, that it has learned lessons from the past, changed and therefore appears not to be always publicly self-aware of its own short comings. It presents as overly sensitive and defensive rather than being open and transparent about areas for improvement. This will may in part be as a result of political criticism and challenge over the past two years.

1.8 Spending more, building more, or doing either more or less than opposing and previous administrations appears to have become a political pre-occupation over the last 15 years and more which is exhibited by both the main parties. This is accompanied by, in our view, a dominant and highly directive leadership style over that same period partly driven by political one-upmanship. In our view the organisation and largest political groups need to break this cycle of unhelpful political behaviour and take a more positive, collaborative, inclusive and less defensive and combative approach to leadership.

1.9 We have also observed positive performance in a number of key areas delivered by a large number of highly committed and hard working officers. We found services overall to demonstrate variable, but satisfactory performance when reviewing Key Performance Indicators (KPIs). This was combined with a focused drive to deliver the Mayor's priorities[4] and to improve outcomes for residents. We also observed a staff conference which provided updates to staff, an opportunity to ask questions of the Mayor and Chief Executive and to award highly performing individuals and teams[5].

1.10 The Council has also taken action to address the backlog in the preparation and approval of the Council's Statement of Accounts and Annual Governance Statements. The lack of action to resolve this situation by the previous administration is concerning.

1.11 We have noted the action taken to deal with poor performance in waste and recycling as well as pressures in housing options, whereby one-off funding of £5 million and £1.9 million respectively has been allocated in the current financial year.

[4] My Ambitious Manifesto, Lutfur Rahman for Mayor, 2022, https://lutfurrahman.co.uk/manifesto/#MANIFESTO

[5] Tower Hamlets Council Staff Conference and Awards, 11 July 2024.

1.12 The Council's provisional general fund out-turn for 2023/24 is a saving of £300,000 with a minor slippage in its capital programme. The Council has set a balanced budget for 2024/25 and established a focused Medium Term Financial Strategy. Its Capital Programme is financed, and we found good practice in terms of Internal Audit and Treasury Management.

1.13 In 2014, a Best Value Inspection was undertaken at Tower Hamlets. This found evidence that the Council was failing to comply with its best value duty in several areas including; a lack of transparency, scrutiny, and ineffective governance over the awarding of public grants, serious irregularities in the disposal of public buildings, and a lack of control and transparency around publicity spending, specifically in the Council's use of media advisers in the Mayor's Office. This led to a best value intervention and the appointment of Commissioners.[6]

1.14 We believe good progress is being made under the best value themes of use of resources, service delivery and continuous improvement. However, consider that the aggregated evidence across the best value themes of leadership, culture, governance and partnership raises serious concerns.

1.15 During the inspection, London Mayor and Greater London Authority Assembly elections were held on 2 May 2024 and the national parliamentary election on 4 July 2024. We observed the preparations for both elections, polling days, accreditation processes and ballot counts. While we were comfortable with all these processes and had no immediate concerns regarding the Council in relation to them, we have heard from local politicians, and some staff about process, conduct and safety concerns regarding future local council elections. The pre-election period before the Parliamentary elections on 4 July 2024 highlighted some challenging community politics with high levels of negative and personal media and social media activity directed towards individual candidates. Each incident was reported by the inspection team to the Returning Officer, Electoral Commission and the police.

1.16 We appreciate that these two elections are very different, and that during our period in the borough we were unable to make a comparison to the local elections, but the rise in negative material directed towards candidates is a worrying feature that we cannot be certain will not feature in the local elections in 2026. The operational partnership between the Returning Officer, elections team and police at both elections was good, with a police officer posted at every polling station and visits to polling stations by senior police officers. However, the level of negative abuse of candidates was in our view unacceptable. The safeguarding of democratic processes is of the utmost importance. It is our judgement that the concerns raised with us are a concern and are sufficiently worrying for the government, Electoral Commission and police to consider what action might be necessary and appropriate in the context of the forthcoming local elections in May 2026 and any other forthcoming elections.

Culture

1.17 Throughout the inspection we have been struck by the quality of many staff and managers at Tower Hamlets Council. Staff are passionate, committed and

[6] https://www.gov.uk/government/collections/inspection-into-the-governance-of-tower-hamlets-council

motivated to deliver good front line services and positive outcomes for the residents of the borough. Many told us they would not want to work anywhere else. In telling us this staff and managers did, however, frequently differentiate the Council from the borough. We spoke to recent leavers from the Council who had left because of what they considered to be an unhealthy culture with many being disappointed to have felt they needed to take this action. In our view there may be a misconception by some of the officer leadership team that the culture of an organisation is not an important characteristic of a well-functioning authority when it comes to delivering best value.

1.18 Colleagues from the Mayor to front line staff have been friendly and welcoming to the inspection team and we appreciate their time in attending interviews with the team. Similarly, at the surface level we have heard that most engagement between officers and councillors is respectful. However, from interviews we are aware that there are cases where little, or no, trust exists between some past and present officers and the Mayor and Councillors.

1.19 Senior Council officers have a duty to support the whole council, not just the cabinet, and must remain politically neutral. Politicians set the strategic direction and agree the policy framework, with officers responsible for delivering policies and day-to-day operations. We believe there needs to be greater effort made to demonstrate and ensure this is clearly the case. The relationship between officers and politicians can have a profound impact on the functioning of an authority, and as part of this it is vital that officers are able to give accurate and impartial advice. The culture of an organisation is crucial in enabling this effective working relationship.

1.20 The views of staff and managers of the Council are polarised about the current administration and leadership, often based on their start date. Pre-2022 starters tend to be more critical of the changes made at the Council since the change of administration, with post-2022 starters being far more positive, but not exclusively. In interviews and in the staff survey which we undertook, a number of staff expressed some very concerning views about the culture of the Council.

1.21 Among these concerns was a feeling that the administration exhibits a lack of trust and is suspicious and defensive in its behaviour. This in turn results in a lack of trust by some staff in the administration. This culture was described by a number of managers, staff, partners and politicians as ‘toxic’ and this is in their view a barrier for the organisation to move forward positively.

1.22 We have heard from some staff who have described feelings of anxiety and even intimidation which have made them reluctant to challenge senior managers and the administration. Some told us that this had also made them reluctant to talk to the inspection team as they were worried about repercussions. For some there appears a level of fear to such a degree that some staff were only willing to make initial contact with us under pseudonyms or using personal emails: they were concerned that Council systems were being monitored and information would be reported to the Council’s leadership resulting in negative action against them.

1.23 The entire organisation seems to be impacted by a lack of trust – between officers, between politicians and between officers and politicians. The Mayor has set out to us that, following his election in 2022, he did not trust the Chief Executive and Corporate Leadership Team and this caused him to feel isolated. This seems

to have been the trigger for major change in the senior officer leadership team, the expansion of the Mayor's Office, caution in the granting of delegations. and the re-recruitment of senior officers who had previously left the organisation. As a result, the culture appears to be one where decisions are taken on the basis of advice from a small number of people who are trusted by the Mayor.

1.24 The Council states that it is receptive and welcomes external challenge and scrutiny. However, 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. This results in a tendency to be defensive and unaccepting of criticism. This was described to the Inspection team by a number of staff and stakeholders and we believe it is a barrier for the organisation to move forward. We expand on this further in the Culture section of the report. The Council had an LGA Corporate Peer Challenge in September 2023 and has produced an action plan to address the recommendations within this report, however this activity is not as well progressed as we would expect, with mainly superficial actions addressed.

1.25 The political and senior leadership frequently state that they are an open and transparent authority. However, despite these good intentions, the defensive nature of the council's culture does not help to promote a healthy working relationship across the organisation and with partners.

1.26 The Council has a set of corporate priorities and values which are promoted and understood across the authority. We have been informed by some officers in the staff survey and in interviews that behaviours and practices are not always consistent with these values, with particular concerns around empowerment, challenging and inclusive behaviours.

1.27 Some interviewees and respondents to the staff survey mentioned that there is use of community languages in meetings by councillors and officers which made them uncomfortable and, if this is the case, both they and we believe this to be inappropriate. With the exception of salutations we did not see this occur, but If this is happening it would contribute to the lack of trust which has over the past two years spread across the organisation and was expressed by some of the stakeholders that we interviewed.

1.28 We asked for evidence of senior officers 'speaking truth to power' as if this is taking place it is not often occurring in public view. We were provided with examples, some of which have taken external influence to bring forward. The S151 Officer has raised issues concerning a zero-Council Tax rise in the budget 2024/25 preparation process. Some current and former senior officers felt that, despite their attempts to make appropriate challenges this has become more difficult in the past 18 months.

1.29 We believe that a culture has been allowed to develop across the Council where there is insufficient challenge of the Executive demonstrated within the Council. Many individuals stated that challenge of this sort had been a regular feature of the previous leadership team and this was less obvious now. The perception of many interviewees was that many good managers had left the organisation as a result of 'speaking truth to power'. This was certainly the view of those staff who had been exited from the Council.

Leadership

1.30 Over the last ten years there has been significant senior officer churn, an issue which was also highlighted by the recent Corporate Peer Challenge (CPC) and cited as causing a sense of instability in the Council. This high level of senior staff turnover appears to be precipitated each time by a change of administration; the entire corporate leadership team has changed since May 2022. A similar situation occurred in 2015. This, combined with high use of interim posts and consultants since May 2022, has impacted on the current culture and stability of the organisation, the levels of trust exhibited in the Council, organisational capacity and the speed of decision making. A belief held by some that the Council is 'going back' to 2014 is in part fuelled by some senior officers from previous administration led by Mayor Rahman returning to similar roles since 2022. In our view it is difficult to see the return of these senior officers as anything other than an unacceptable level of patronage.

1.31 In its current form we believe that the Mayor's Office too often operates in parallel to the Council's corporate centre. We expand on this further in the Leadership section of the report which covers the 'two-Council culture', as defined by LGA in their recent Corporate Peer Challenge (LGA CPC). It is our view that this has an unhelpful impact on both the governance and leadership of the Council and creates confusion both internally and externally. We are aware that the Chief Executive is addressing issues which have previously been raised by the LGA CPC concerning the Mayor's Office. The Council intends to mainstream some of these staff into the wider organisation and also reduce its size. In our view this is a positive step, however, we understand that their tasking and operations will be similar with direct access to the Mayor, but different line management. This structural change is seen by a number of officers as not sufficiently addressing the root cause of concerns leading to confusion and we have been told this is therefore causing further anxiety among staff elsewhere in the organisation.

1.32 At times there is a lack of respect and co-operation between political parties which is having a negative effect on good governance. We are also aware of a large quantity of videos made about local politicians, often containing negative views, that are shared within the wider community. We observe that individual politicians, particularly women, seem to carry a significant personal burden as a result of this culture. We observed a full Council meeting in which female opposition councillors felt unsafe. The Corporate Peer Challenge also heard from female councillors that they believed they are given less time to contribute at meetings.

1.33 The current administration regularly criticises the previous administration, the services it provided and its financial management. Many of the current managers and staff worked in the borough during the previous administration and staff have told us this adversarial and disrespectful rhetoric from politicians affects them negatively. In both interviews and the staff survey this adverse impact on morale was referenced many times. The administration would point to instances where the Labour group, both during their time in administration and opposition, have also frequently raised issues relating to the past. To a degree, this political culture appears to reinforce itself, preventing Councillors from engaging productively across the chamber and the Council from moving on and engaging in a culture genuine improvement.

1.34 The current Corporate Leadership Team recognise that politics in the borough is difficult and in our view complicates the job of leading the Council. However, in our view they could do more to manage this, for instance in challenging the public criticisms by politicians of current and previous service delivery. If this challenge were to occur, we would expect such public criticism to reduce. The Council's leadership do not seem to appreciate the negative impact this public criticism has on the organisation and its culture. We are aware that some senior officers attempted to provide this type of challenge: they have left the organisation.

1.35 There is currently a significant lack of trust in the Council's political and officer leadership displayed from within the organisation and by some partners. A high-trust organisation tends to be more productive and collaborative. This aids staff retention and fuels stronger performance. Addressing this deficit should be a priority for the administration and the Council.

Governance

1.36 The Council has raised concerns with us that the previous intervention may have ended too early, and that the Council exhibited serious issues in the period before 2022, for instance the backlog of Annual Governance Statements, that the current administration is dealing with or has dealt with in the past. In correspondence received from the Council, the Chief Executive refers to his assessment of the 'Best Value failure' which occurred in the Council between the years of 2016 to 2022. We note the Chief Executives assessment of the Council's historical failings but must reiterate that the current Best Value Inspection is not an inspection of the previous intervention or administration, but of the current position in the Council. We have, however, looked back at the previous administration to help contextualise the current inspection.

1.37 We believe the capability of Lead Members and Committee Chairs is variable and we would expect them to be more consistently competent and confident in these roles halfway through an administrative term. However, we observed that some Cabinet members are clearly capable. Whilst we recognise that Tower Hamlets has adopted a mayoral model of governance, and the decision to delegate belongs to the Mayor, we believe he should consider putting in place appropriate delegations to those portfolio holders who demonstrate good capability. This could potentially strengthen the Council's ability to deliver at pace against its priorities. We expand on this further in the Leadership section of the report which covers member capacity and capability.

1.38 The Council recognises the important role of the Scrutiny function and has identified areas for improvement, which forms part of the Council's Corporate Peer Challenge Action Plan.[7] In addition, it has also brought forward a further set of actions for driving scrutiny improvement. These were introduced at Cabinet on 16 May 2024 and, unhelpfully, without prior consultation or discussion with the members of the Overview and Scrutiny Committee. The improvement actions have subsequently been agreed by the Overview and Scrutiny Committee on the 9th of July 2024. It is too soon to judge whether these actions will help improve the chairing of the Overview and Scrutiny Committee or whether these improvements

[7] Corporate Peer Challenge – April 2024, paper to Overview and Scrutiny 22 April 2022, democracy.towerhamlets.gov.uk/documents/s234082/LGA Review.pdf

will enable the Committee to hold the Mayor to account. We consider that the Council would benefit from an independent chair of Overview and Scrutiny and Audit Committees.

1.39 The Council has engaged with external agencies to support improvement activity relating to governance. For example, the Council is using the LGA and the Centre for Governance for and Scrutiny (CfGS) to provide councillor support. The Council is also seeking support from the Association of Democratic Services (ADSO) to review its Constitution and officers have started to visit other authorities to benchmark the scrutiny function. This activity is positive and is a significant step in the right direction.

1.40 Many people we interviewed have shared their views about the political environment in Tower Hamlets. The Council's view is that it is '…a highly charged and challenging borough politically. It is not a place for faint hearts…'[8] However, many people we interviewed viewed the politics as 'toxic'. We have also observed the local politics being played out either in the council chamber or in other Council meetings.

1.41 The Inspection team has taken the approach of judging the authority against the standards of the political culture we believe it should be exhibiting, as set out in the best value guidance, not against the norm in Tower Hamlets. It is evident that the nature of the political divisions in the borough makes it in practice very difficult to engage in effective and robust challenge.

1.42 We were asked to consider part 1 of the Local Government and Housing Act 1989 in carrying out this inspection. Section 7 of that Act specifies that all staff appointed to a paid office or employment in a local authority shall be made on merit. As the Council reestablishes stability at the senior officer level, serious concerns were raised by the opposition politicians, partners and many existing and former staff, regarding some appointments processes.

1.43 We have observed that the Council exhibiting, in our view and that of some partners, staff and managers, a drive to 'go back' to some arrangements from 2014, with an inappropriate premium placed on trust. In our view, this premium has led to a culture of patronage across senior appointments, interim and consultancy arrangements under the current administration. We have observed or found documentary evidence of several occasions where this patronage was, in our view, exhibited by the administration or the Council as a corporate body. These are detailed in case studies within this report that we have asked to remain unpublished to protect both those individuals affected and the effective running of the Council.

1.44 The Council has recently completed the process of recruiting to the role of Monitoring Officer on a permanent basis. The Chief Executive has informed us that he will be changing the reporting lines of the Director of Legal Services to report to the Director of Corporate Resources. The function of the Monitoring Officer will continue report directly to the Chief Executive, and the Director of Legal and Democratic Services will be reporting to the Director of Corporate Resources.

1.45 In our experience, splitting the role will be fraught with difficulties and will be confusing to the organisation. As a result, it is our opinion that the re-positioning of

[8] Letter from Chief Executive, Stephen Halsey, to Kim Bromley-Derry dated 18 May 2024.

the role of the Monitoring Officer is a risk at a time when increasing the confidence in leadership is important.

Continuous Improvement

1.46 We have referenced the Council's recent Corporate Peer Challenge (CPC), undertaken by the Local Government Association in September 2023. The Council has developed an action plan[9] in response to this, the progress of which is reported to Councillors, including the Overview and Scrutiny Committee. The delivery of that action plan is very much work in progress.

1.47 The Council has a robust Medium Term Financial Strategy (MTFS) in place and has addressed the delays in the publication of the accounts and a historic delay to the publication of the Annual Governance Statements. It is investing in corporate services, including finance, human resources, procurement and information technology, all of which have been highlighted to us as weak areas of performance.

1.48 In respect of insourced services, progress is being made with leisure services transferring back in house and we heard about the learning the Council had taken from the insourcing of waste in earlier years. The Council should also be applauded for its ongoing work to develop the use of the Microsoft tool Power BI to improve financial reporting and monitor the achievement of the budget savings.

1.49 The Mayor has clear priorities, as set out in his manifesto.[10] These have been reflected in the Council's strategic plan for 2022-26.[11] We have heard from a number of staff across different areas of the organisation that a good balance of attention between statutory priorities, or business as usual and the Mayor's political priorities is not always being struck. The Council must ensure that it does not overlook its statutory business as usual.

1.50 As part of the Council's improvement journey, it is developing a target operating model (TOM) which it expects to go live in the summer. The Council must ensure that it undertakes service transformation and modernisation and that the new TOM does not concentrate purely on staff restructures and the need to deliver a sustainable Medium Term Financial Strategy.

1.51 The establishment of the Transformation Advisory Board comprising external stakeholders is a positive step, but it too needs to focus more on future modernisation and innovation to deliver future service improvement rather just review current performance and proposals and strategies which have already been developed. To support this approach the Council needs to review the role of the Board to become a proactive contributor to improvement. The membership of this Board includes some individuals who are extremely credible leaders in their sectors and their advice will be valuable to the Council. We did, however, hear from some individuals who were asked to join the Board and declined because they felt their membership might provide the Council with a degree of legitimacy.

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[9] Corporate Peer Challenge, 9 April 2024 Progress Update Report taken to Overview and Scrutiny Committee on 22 April 2024, https://democracy.towerhamlets.gov.uk/documents/s234082/LGA%20Review.pdf

[10] https://lutfurrahman.co.uk/manifesto/

[11] https://www.towerhamlets.gov.uk/lgnl/community_and_living/community_plan/strategic_plan.aspx

1.52 Where we raised issues informally during the inspection the Council has been responsive, for example around scrutiny and the recruitment of the Director of Youth and Commissioning. Inevitably, these plans regarding scrutiny are not yet embedded. We have covered these plans in detail in the main body of the report but would make the general point that in some cases these plans should not have required the Inspection, and before it the Corporate Peer Challenge, to raise issues to the attention of senior leadership. The handling of the scrutiny improvement plan in particular could suggest that this work is being developed for the purpose of countering criticism rather than genuinely working collaboratively as a whole organisation to address issues. We are therefore concerned that the Council will not make sufficient progress to deliver and embed these changes without external accountability.

Partnerships and Community Engagement

1.53 While there are good quality working-level relationships and joint work at the frontline with operational staff from a full range of partners, we consider that the quality of strategic partnerships is variable and sometimes weak. Some strategic partners, particularly in education and health, believe that the Council is overly focused on its own priorities rather than those of its partners and have stated they do not believe the Council values their contribution and believe the strategic partnership to be weak.

1.54 Partners have told us that they are concerned about the lack of co-production and joint planning undertaken by the Council and have highlighted this as a significant deficit only arising since the previous administration in 2022. The Council does not embrace the concept of collective responsibility with partners and many feel dislocated from the work of the Council. They have told us they are rarely involved in discussions about strategy to deliver improvements in their areas of responsibility prior to any Council decisions or proposals, for example the Council's priority to improve access to GP services was not agreed in partnership with senior colleagues from health.

1.55 It is positive that the Mayor, Councillors and the wider Council have a strong community focus. The Mayor and Councillors from all parties spend significant time and energy in their local communities and responding to issues raised. This is important but seems to distract from their critical and statutory strategic relationships. As outlined in the recent Corporate Peer Challenge (CPC), the Council need to place more importance on regular strategic conversations with business partners and focus on rebuilding relationships with the third sector. Partners from the voluntary and community sector are not positive about the Council's approach to community work, with many within the sector saying it that it is reluctant to deliver through community groups and voluntary organisations, preferring a direct council service approach.

1.56 We have heard from a range of partners that engagement from the Chief Executive and Mayor is not occurring in the manner or to the extent that they would expect, or that partners experienced in other local authorities and under the previous administration and Chief Executive. We consider that this is likely to have a significant negative impact on the Council's ability to deliver positive outcomes for all residents. While the Council has set up a Partnership Executive Group in

response to the CPC recommendation to review their partnership arrangement, some partners do not have confidence that this will deliver real change, believing it to be ineffective and a box ticking exercise as a result of criticism from the CPC. The Council sees itself as very much on a journey and considers it has ambition to deliver good partnerships and co-production.

1.57 In some key areas, we have not seen enough evidence of the Council undertaking meaningful and comprehensive consultation with key partners, staff, and service users before decisions are taken about the financial envelope. The investment in youth services is an example of this, where a paper detailing the model for the new service was presented to Cabinet for a decision in April 2023, but the Youth 'Hackathons' to engage young people in the design of the new service took place in May 2023. We would have liked to have seen more evidence that consultation with staff and young people helped shape the high-level design of the service. The Community Safety Partnership and providers are also key stakeholders in the outcomes generated by youth investment and a more comprehensive discussion and consultation with them would have been advantageous. This suggests that decisions are being taken without sufficient reference to available practice evidence or consultation with partners.

1.58 Similarly, we are aware that key stakeholders were not consulted in the Council's commission of an external review of Community Safety. Concerns were raised with us by staff and partners about the purpose and process of this review. Until 16 July 2024 we were led to understand that this is not yet finalised but were provided with a copy on this date, itself dated 29 April 2024. Some members of the statutory Community Safety Partnership were both surprised at the review commencing and were not provided with an opportunity to feed into its scope and purpose.

1.59 There is a very strong and effective communications function within the Council and this ensures consistent messaging both internally and externally. It strongly promotes the activities of the Mayor, Councillors and the Council.

1.60 The Council undertakes activity to fulfil its role in building cohesive communities. The conflict in Gaza has created challenges for many local authorities, including Tower Hamlets. Some residents have wished to demonstrate their views through the flying of Palestinian flags in the area. Others have found the presence and extent of these flags concerning. We consider that the Council has been too slow to respond to this issue. We would have expected the Council to also support schools who were facing challenges arising from the conflict earlier and schools raised this directly with the Council. In its absence, they turned to the Department for Education for this support. The Council runs a Tension Monitoring Group to address ad hoc issues relating to community cohesion and wider community tensions have also been reflected in meetings of this group, however, had not met between December 2023 and July 2024.[12] In our view the parliamentary election should have been at least discussed within this forum given the social media driven tensions and concerns about candidate safety and to respond any community tensions arising during the campaign period.

[12] Accurate as at 21 June 2024. We were not informed of any new meetings taking place after 21 June by the Council.

Use of Resources

1.61 The Council is in a strong financial position with significant reserves and this is in part is due to significant financial decisions made by the previous Mayor John Biggs, including service reductions which many consider were unnecessary. The previous Mayor considered that the Council's significant income from New Homes Bonus and business rates was not reliable and should therefore be used to fund investment rather than ongoing service costs.

1.62 The budget for the financial year 2023/24 was the first set by the current administration. The Council's general fund revenue budget out-turn for 2023/24 is an underspend of £0.3 million after the use of £6.3 million of earmarked reserves. There has been some slippage on its capital programme.

1.63 The Council set a balanced budget for 2024/25 based on a 2.9% increase in Council Tax, with service costs of £487.9 million. After allowing for growth, inflation and savings the total funding requirement was £462.6 million. This is funded from Core Grants, Business Rates and Council Tax as well as a net contribution from reserves of £6.4 million.

1.64 Of particular note within the 2024/25 budget is the £6.9 million contribution to the Mayor's Accelerated Delivery Fund, for which no specific purpose has been identified. Further contributions to this fund have been set out in the Medium-Term Financial Strategy for 2025/26 and 2026/27. Based on the 2024/25 budget report this reserve is expected to stand at £19.1 million at 31 March 2027. To meet its own constitutional requirement, the Council needs to set out the purpose, usage, procedure for the management and control of this reserve. In addition, £2.3 million is to be contributed to the Risk Reserve in 2024/25.

1.65 As at 31 May 2024, the budget includes savings of £33.8 million in 2024/25, of which £11.9 million has been achieved through budget realignments. The Council has established a budget board to monitor progress. This must maintain momentum to ensure that the challenging level of savings is achieved. By way of contrast the level of budget savings is higher than those achieved in either 2020/21 and 2021/22. The budget has growth of £19.2 million which we were advised by the Council is to deliver the Mayor's priorities.

1.66 The Council has followed the CIPFA guidance on the Treasury Management requirements but given their specialist nature, detailed transaction on investments and borrowing have not been reviewed.

1.67 The Council's capital programme, including Housing, is fully funded including the use of prudential borrowing. The total long-term borrowing at 31 March 2024 is £68.8 million.[13]

1.68 The budgeted Housing Revenue account for 2024/25 meets the business plan of maintaining a minimum £10 million revenue reserve. At the time of transferring Tower Hamlets Homes housing stock back to the Council, the Council undertook a stock condition survey covering only 10% of properties. This created a risk of future demand on the HRA capital budget. To mitigate this risk, the Council has provided additional funding. This will need to be kept under review as further stock condition surveys are completed.

[13] Based on the 2023/24 draft unaudited accounts.

1.69 The Medium-Term Financial Plan for 2025/26 assumes the £5 million investment in waste in the current year is one-off; we heard from senior staff that this would be required in full or nearly in full, on an ongoing basis. Coupled with the investment into Housing Options Homelessness Services of £1.9 million from the General Contingency approved by the Executive on 16 May 2024, which is also likely to be ongoing, the Council has a potential budget pressure of nearly £7 million per year from 2025/26. This is not included in its Medium-Term Financial Plan.

1.70 Internal Audit reflects best practice including preparation of an annual audit plan and regular monitoring by the Audit Committee. However, the low level of internal audits receiving a reasonable or substantial assurance (44% in 2023/24) is of concern and highlights the Council's inability to follow their own control procedures. Additionally, the Head of Internal Audit only gave a limited assurance to the Council in their annual opinion. There is evidence of the Council not following its own procedures, as evidenced by Internal Audit. Procurement is a specific example of this which we draw out in greater detail in the governance section of the main body of the report.

1.71 In respect of property and asset management and our findings reflect those of the Corporate Peer Challenge. Work to address the Corporate Peer Challenge recommendation is ongoing and ideally more progress should have been made by this stage. Failure to address this as a matter of urgency could lead to the Council not meeting its best value requirement.

1.72 The Corporate Peer Challenge made recommendations relating to grant allocations and we also heard concerns from a number of individuals about the grant making process. The Council does need to address the concerns identified by the Corporate Peer Challenge as a matter of urgency, as we consider more progress should have been made at this stage to guard against the grant scheme being brought into disrepute.

1.73 The Council has several senior staff who have returned through either interim or permanent roles who have previously been subject to a settlement agreement. The inspection team were not provided with sufficient evidence that the costs previously incurred by the Council were considered in light of this when taking decisions to appoint or extend the appointments of these returning officers.

Service Delivery

1.74 The Mayor and Council has an ambitious set of priorities and a comprehensive service agenda. For example, the Council has insourced leisure services from Greenwich Leisure Ltd and insourced Tower Hamlets Homes (THH) and has delivered expanded free school meal provision, reintroduced education maintenance allowance and introduced a Mayor's University Bursary for 800 pupils. These priorities are articulated in the Council's strategic plan 2022-2026.

1.75 The Council has delivered satisfactory operational performance in most services over many years and this continues to be the case. Performance against Key Performance Indicators is variable, as outlined in the Continuous Improvement section of the report using metrics from the LG Inform system. Overall, the Council is satisfactory in terms of performance by comparison to CIPFA nearest neighbours, with some examples of good performance and others which require further attention. This is covered in further detail in the Use of Resources section

of this report. The Council is aware of some particular areas of weakness, for example housing, waste and recycling, and we are aware that some work is being undertaken by the Council to address some of the services which are currently underperforming.

1.76 The Council has over the last few years insourced major services namely waste under the former Mayor Biggs, Tower Hamlets Homes in 2023 and leisure services from 1 May 2024. The transfer of waste identified a number of service issues which has resulted in the need for a £5 million one-off investment in the current financial year. The transfer of leisure was completed during the inspection and we are aware of no difficulties at the time of writing. The Council has identified that significant capital investment is needed in leisure facilities, which is not funded beyond the current financial year.

1.77 The Council is making a considerable investment in Youth services (Young Tower Hamlets). The design initially mirrored much of what was delivered in 2014. Some have suggested that too little consultation took place before the service was designed and the service lacks a strong evidential base in the business case. This is compounded by a lack of strategy even after two years, although more work is now being done in this area. The roll out was paused at the end of 2023 and we understand that implementation was set to recommence in June 2024. Stakeholders have raised that the lack of strategy before rollout and the lack of strong evidence to support the approach could result in funding interventions that do not have the optimum positive impact on outcomes for young people.

1.78 Housing Options is a service which has been and continues to be under significant demand pressure. This service includes the Council's statutory response to households who are homeless or at risk of homelessness, and the allocation of social housing. This is not an uncommon situation for councils in London. Staff are working very hard in conditions they believe to be inadequate. They are critical of the building, the level of resources available and the technology they are using, all within the context of insufficient homes to fulfil demand. This is a major operational challenge for the borough and although, additional resourcing of £1.9 million has been agreed and the Deputy Chief Executive is investing considerable time in addressing the situation, we believe that this issue requires a comprehensive strategy and plan for delivery over many years.

2. Introduction

Tower Hamlets

2.1 Tower Hamlets is a borough with a long history of diversity among its residents and a rich cultural heritage it can take pride in. It is home to some of London's most famous historic attractions including the Tower of London, Tower Bridge and St Katherine Docks. It has over 150 parks, including Victoria Park and Mile End Park.

2.2 Its location in the heart of the east end, near varied public transport links and the growing areas in Canary Wharf, Stratford and the nearby City of London provide huge opportunities for the borough and its residents. It is, however, a borough of great contrasts, containing inner-city areas with significant levels of poverty contrasted with areas that have been subject to significant investment and regeneration and areas of great wealth.

2.3 Today, 35% of the population are from the Bangladeshi community – the largest proportion of any authority in the UK.[14] There is a notable Somali community, with 5% of the population from a Black African background. There are also residents from European, white British, Black Caribbean, Indian and Pakistani backgrounds, one of the largest Chinese populations in the country, as well as a small Jewish community. In terms of religion, Tower Hamlets has the largest Muslim population in the country (40%). There are over 137 languages spoken in the borough and 43% of residents were born outside of the UK, from over 200 different countries.[15]

2.4 Tower Hamlets is a young and growing borough – it had the largest percentage increase in population of any authority in England between 2011 and 2021 (22%),[16] and is projected to rise further to 376,000 in 2029.[17] It has the lowest average age of any local authority area in England (30), and just 5.6% of the population are aged 65 or over.[18]

2.5 In 2019, Tower Hamlets ranked as the fiftieth most deprived local authority area out of 317 in England, and fifth most deprived in London,[19] though deprivation relative to the rest of the country has improved in recent years.[20] Tower Hamlets has higher than average unemployment (4.6% compared to a national average 3.7%).[21] Like other local authorities in England, Tower Hamlets faces pressures on its children's, adults and housing services. 70% of homes in Tower Hamlets are

[14] Tower Hamlets, State of the Borough 2023, https://www.towerhamlets.gov.uk/Documents/Borough_statistics/State-of-the-Borough.pdf
[15] A warm welcome to Tower Hamlets, p. 2, https://www.towerhamlets.gov.uk/Documents/One-TH/WelcomeToTowerHamlets.pdf
[16] How life has changed in Tower Hamlets: Census 2021, https://www.ons.gov.uk/visualisations/censusareachanges/E09000030/
[17] https://www.towerhamlets.gov.uk/lgnl/council_and_democracy/Your_borough_your_future/The_challenge.aspx#:~:text=Tower%20Hamlets%20has%20one%20of,2023%20and%20376%2C300%20in%202029.
[18] How life has changed in Tower Hamlets: Census 2021
[19] English Indices of Deprivation, 2019, https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019
[20] Tower Hamlets State of the Borough 2023, p. 10, https://www.towerhamlets.gov.uk/Documents/Borough_statistics/State-of-the-Borough.pdf
[21] Tower Hamlets State of the Borough 2023, p. 2.

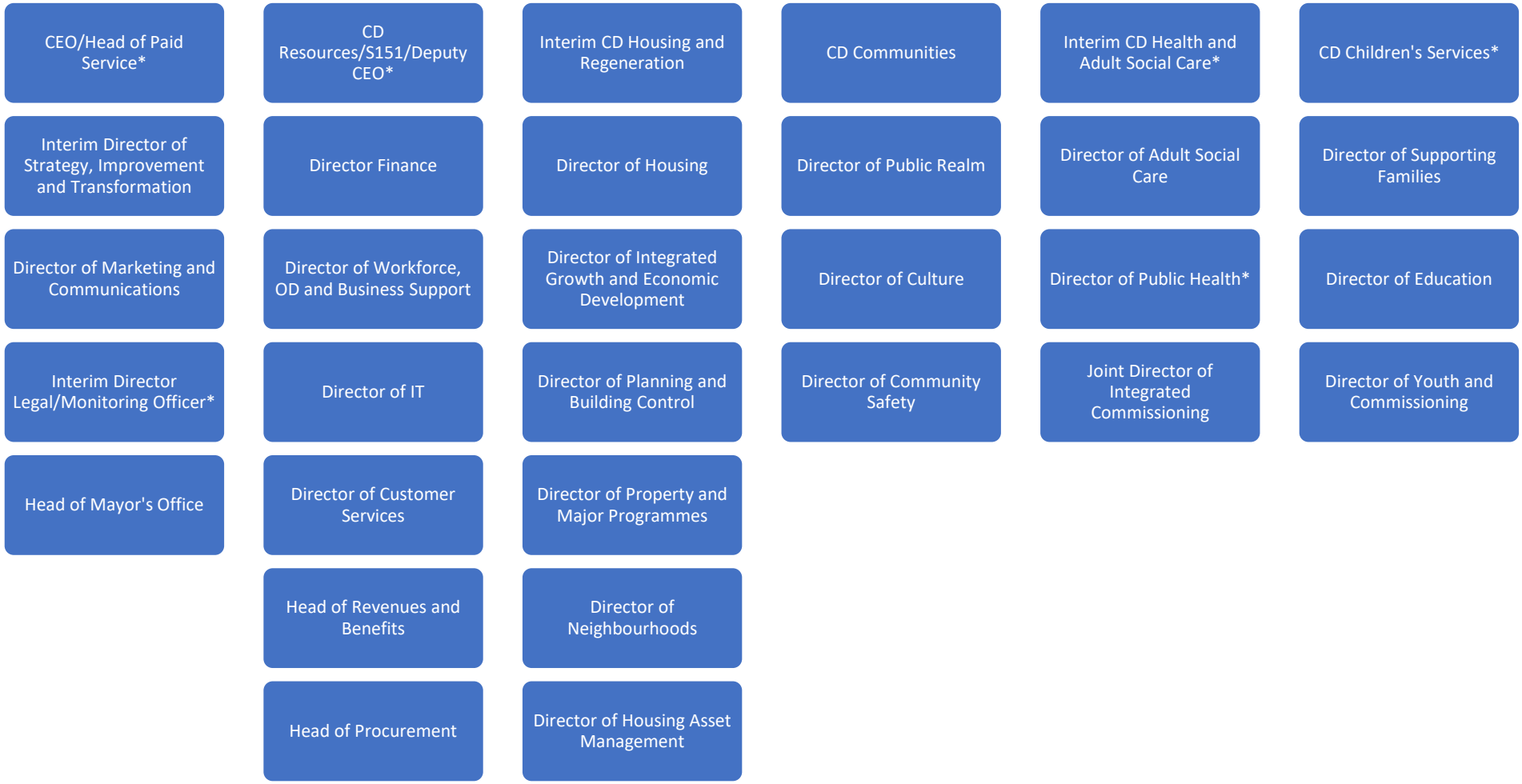
rented, with a roughly even split between private and social rents.[22] In 2021, 16% of households had at least one fewer bedrooms than they needed. This is significantly higher than London as a whole (11%).[23]

2.6 Politicians from all political groups and the Council demonstrate that they have a comprehensive understanding of the issues facing the borough's residents and demonstrate they are citizen-focused through their community work and policies. Residents of Tower Hamlets are served by a great number of highly committed and passionate Council officers, many of whom are themselves longstanding residents of the borough. The Inspection Team were fortunate to meet a number of officers during the Inspection and found them to be motivated by the unique experience of working in Tower Hamlets and with its diverse and vibrant communities.

[22] Tower Hamlets State of the Borough 2023, p. 2.
[23] Tower Hamlets State of the Borough 2023, p. 5.

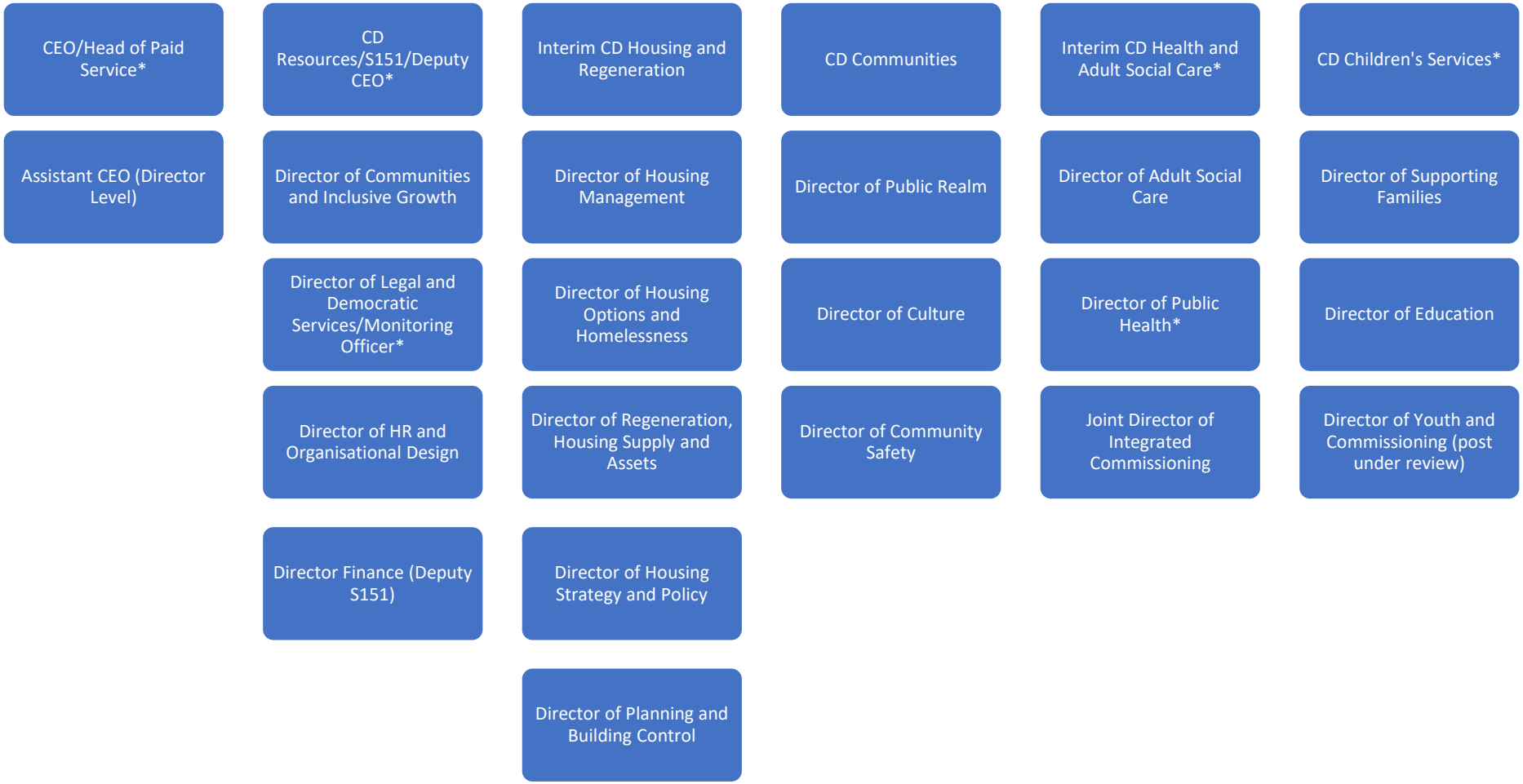
Tower Hamlets Council Structures

Diagram 1: Current Structure at May 2024



*The Council must by law employ a person to fill these posts. These officers are called Chief Officers.

Diagram 2: New Structure from October 2024[24]



We understand that the Strategy, Improvement and Transformation and Marketing and Communications functions will remain under the CEO Directorate, and that the Head of the Mayor's Office will report to the Corporate Director for Resources/S151/Deputy Chief Executive.

[24]HR Committee, 16 May 2024, https://democracy.towerhamlets.gov.uk/documents/b48804/Supplement%204%20-%20Transformation%2016th-May-2024%2018.30%20Human%20Resources%20Committee.pdf?T=9

Political Background

2.7 Tower Hamlets Council operates a Mayor and Cabinet governance model. This was established following a referendum in May 2010, and can only be disestablished by the same method.

2.8 The first mayoral election took place in October 2010, and was won by Lutfur Rahman, standing as an independent candidate.[25] He was re-elected in May 2014, standing for the former political party Tower Hamlets First. In April 2015, this election was declared void by an Election Court. Lutfur Rahman was found guilty of corrupt and illegal practices. The Election Commissioner, Richard Mawrey, upheld a number of allegations made including voting fraud, false statements against a rival candidate, bribery, and spiritual influence.[26] He was consequently disqualified from holding any elective office for a period of five years, and his election in May 2014 was declared void.

2.9 In the 2015 by-election, John Biggs was elected as the Labour Mayor of Tower Hamlets. He was returned at the election in 2018. In 2021 a further referendum was held, with voters able to support either the retention of the directly elected mayor, or a strong Leader model in which the leader is an elected councillor chosen by a vote of the other elected councillors. 75% of voters chose to retain the mayoral model.

2.10 In the May 2022 election, Lutfur Rahman now of the Aspire party was elected as Mayor winning 55% of the vote. At the same election, the Aspire party won a majority of council seats with 24 of the 45 available seats. Labour formed the main opposition, winning 19 seats, with the Green and Conservative parties each winning one seat.

2014-18: Best Value Inspection and Intervention

2.11 In April 2014, then Secretary of State for Communities and Local Government, Eric Pickles, commissioned a best value inspection of the Council, following allegations of poor governance and financial mismanagement at the Council.[27] PricewaterhouseCoopers (PWC) were appointed to carry out this inspection. The inquiry period was extended in June 20214 due to a lack of co-operation by the Council.

2.12 The PWC report was published in November 2014. It found evidence of serious irregularities and a lack of transparency over the awarding of public grants and the disposal of public buildings. At the same time, the Secretary of State proposed the appointment of Commissioners under the Local Government Act 1999. This decision was confirmed in December 2014, with the appointment of Sir Ken Knight, CBE QFSM and Max Caller CBE.

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[25] Election and referendum results in Tower Hamlets, 2002-present https://democracy.towerhamlets.gov.uk/mgManageElectionResults.aspx?bcr=1

[26] 2015 Election Court Judgement issued by Commissioner Richard Mawrey QC in the matter of the Representation of the People Act 1983 and in the matter of a Mayoral Election for the London Borough of Tower Hamlets held on 22 May 2014, https://fieldcourt.co.uk/wp-content/uploads/Erlam-Ors-v-Rahman-Anor-2015-EWHC-1215-QB-23-April-2015.pdf

[27] Inspection into the governance of Tower Hamlets council and subsequent intervention: 2014-18, https://www.gov.uk/government/collections/inspection-into-the-governance-of-tower-hamlets-council

2.13 Following the 2015 Election Court judgement, the Secretary of State extended Commissioners' powers and appointed two further Commissioners – Chris Allison CBE and Sir Alan Wood CBE. The statutory intervention lasted until September 2018, with directions and powers being made and returned during this period as the Council made progress on key areas of concern. The intervention ended following a satisfactory Peer Review led by Dame Mary Ney demonstrated progress in delivering against the Council's Best Value Duty.[28] The 2018 Corporate Peer Challenge team returned to the Council for a review in 2021.[29]

2023 Corporate Peer Challenge

2.14 In September 2023, the Council underwent a Corporate Peer Challenge (CPC) carried out by the Local Government Association (LGA).[30] Such reviews are normal practice amongst local authorities. The CPC was led by Carolyn Downs CB and the wider peer team was formed of officer and elected member peers. The CPC identified some strengths, for example the Council's skilled and dedicated staff, its delivery against some of the Mayor's election promises, and the Council's internal and external communications. It also highlights some serious challenges, including the existence of a 'two-council culture', lack of trust impacting on the speed of decision-making, a lack of female representation in the Cabinet, and the current model of investment being 'clearly unsustainable' unless compensatory revenue savings are made. The Council has produced an action plan relating to the CPC's recommendations, and formally reports infrequently against this to both the Cabinet and the Council's Overview and Scrutiny Committee.

Appointment of the Inspection Team

2.15 On 22 February 2024, the Secretary of State for Levelling Up, Housing and Communities (DLUHC) appointed Kim Bromley-Derry CBE DL as Lead Inspector together with Suki Binjal, Sir John Jenkins and Philip Simpkins as Inspectors to undertake a Best Value Inspection of the London Borough of Tower Hamlets. DLUHC set out that the inspection was to take place in relation to the specified functions where the Department had concerns, namely: Part 1 of the Local Government and Housing Act 1989, section 151 of the 1972 Act and the strength of associated audit and scrutiny arrangements, with particular attention to potential changes to constitutional arrangements, budgetary proposals and medium-term financial planning.

2.16 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

[28] Corporate Peer Challenge, London Borough of Tower Hamlets, 19-22 June 2018, Feedback Report, https://www.towerhamlets.gov.uk/Documents/Strategy-and-performance/CPC-June-2018-report.pdf

[29] Corporate Peer Challenge Feedback Report, London Borough of Tower Hamlets 28-29 September 2021, https://www.local.gov.uk/our-support/council-assurance-and-peer-support/peer-challenges-we-offer/corporate-peer-challenge-55#3-summary-of-the-peer-challenge-approach

[30] LGA Corporate Peer Challenge, London Borough of Tower Hamlets, 19-22 September 2023, https://www.towerhamlets.gov.uk/Documents/News-and-Events/CorporatePeerChallengefeedbackReport.pdf

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.

2.17 Given that the Department's concerns related to broad-decision-making and standards for effective and convenient local government, the Inspection was also asked to consider decision-making in relation to these functions, encompassing leadership, governance, organisational culture, use of resources and impact on service delivery.

Kim Bromley-Derry CBE DL – Lead Inspector

Kim has more than 40 years of public sector experience, including 8 years as Chief Executive of the London Borough of Newham. He was also Director of Children's Services at both the London Borough of Newham and South Tyneside Council and a Children's Services Director at Leicester City Council. He is a former President of the Association of Directors of Children's Services. Kim was appointed Interim Chief Executive of Sandwell Council in August 2021, and subsequently appointed by the Secretary of State as a Managing Director/Lead Commissioner at the same authority in 2022.

Suki Binjal

Suki is a recognised public sector solicitor with over 25 years of providing legal and strategic advice to local authorities and other public bodies. She was recently the Monitoring Officer and interim Director of Governance and Law at Northumberland County Council and part of an independent review team carrying out a governance review at Guildford Borough Council. She is currently an independent adviser to Middlesbrough Council's Improvement Board.

Suki was the president of Lawyers in Local Government from 2017 to 2019, a national membership body representing public sector lawyers and continues to represent lawyers in local government on the Law Society Council. She is currently the Chair for Fighting Fraud and Corruption Locally, an LGA supported initiative. She previously worked at Tower Hamlets Council from 2005-2009.

Sir John Jenkins

Sir John is a former senior British diplomat who, after studying Arabic at SOAS and in Amman and Damascus, joined the FCO in 1980 and served mainly in the Middle East and South-East Asia. His first posting was to Abu Dhabi. He subsequently served in Kuwait and Malaysia and as Head of Mission in Burma, Jerusalem, Syria, Iraq, Libya and Saudi Arabia. He was Director for the Middle East and North Africa in the FCO between 2007 and 2009. He has particular expertise in the Islamic world and policy issues relating to extremism and radicalisation. After leaving the diplomatic service, he worked for the International Institute of Strategic Studies in Bahrain and at Yale University. He is currently a Senior Fellow at Policy Exchange and a consultant at Cambridge University's Centre for Geopolitics.

Philip Simpkins

Philip has over 40 years' local government experience, including almost 12 years as a Chief Executive of Bedford Borough Council. He is a Chartered Institute of Public

Finance and Accountancy (CIPFA) qualified accountant and has experience as a local authority chief finance officer. Philip has also been the East of England lead Chief Executive for Children's Services, concentrating on service improvement. Philip became the first lead Chief Executive for the Oxford to Cambridge Arc and led the growth fund task group for the Local Enterprise Partnership. Philip is a former CIPFA examiner.

Methodology

2.18 The Inspection took place between 22 February and 31 July 2024. Following the announcement by the Prime Minister on 22 May that he would call a general election to be held on 4 July, the Lead Inspector wrote to the Secretary of State to request an extension to the Inspection until 31 July 2024. This was agreed by the Secretary of State on 24 May. During the inspection, the team undertook over 60 interviews with local politicians from all parties, the senior officer leadership of the council, current officers and consultants working for the Council at a range of grades, former officers at a range of grades, faith group representatives, Trades Union representatives, community members and external partners of the Council.

2.19 Between them the Inspection team have worked in more than 20 councils, including London and mayoral authorities, and rather than comparing current Tower Hamlets with past arrangements in Tower Hamlets we have used the benchmark of other councils which are meeting their Best Value Duty.

2.20 Whilst we do not consider benchmarking the Council with itself as good practice, to consider the context of performance and improvement in the borough, the inspection team undertook some comparisons with the previous administration. If staff or managers were employed before the new administration in 2022 we asked them to describe their experience prior to 2022, if possible. Any external interviews were asked to also describe the differences, as they saw them, between the two administrations. We reviewed a number of pre-2022 council documents. We also interviewed senior managers and politicians involved in the previous administration and managers who had also left the council recently. We also interviewed the lead peer and other members of the LGA Peer Challenge team from 2023 and members of the previous government intervention team.

2.21 The team received over 480 pieces of information from the Council and reviewed a range of evidence received from community members and external organisations. The team held a number of staff forums in key areas of the Council's operation. Attendance was by invitation, facilitated by the Council.

2.22 The Inspection team also issued an anonymous survey to all Tower Hamlets staff, which was completed by 304 individuals. This included some fixed-choice questions and opportunities to provide free-text responses. The results of this survey are referenced under relevant themes throughout the report. The results are also attached as Appendix B.

2.23 Various issues were raised with us by current and former staff, stakeholders and residents throughout the inspection. We considered these on a case-by-case basis, undertaking either desk-research or making further enquiries with the Council, depending on the nature of the issue. We consider this to have been the most proportionate way of dealing with issues arising. Should we have been presented with a serious issue that was clearly outside the scope of the inspection,

and substantiated by evidence, we would then have been able to write to the Secretary of State to recommend an expansion of scope.

2.24 The team attended or viewed a range of formal meetings of the Council, either in person or virtually, as well as many that took place prior to their arrival at the Council. They attended internal management meetings, and observed activity at polling stations and the count for the London Mayoral and GLA Assembly elections held on 2 May 2024, and the parliamentary election held on 4 July 2024.

2.25 For clarity, all financial figures have been rounded to one decimal place which may mean that they do not always exactly reconcile.

2.26 The report includes an appendix setting out fourteen case studies relating to the appointment of individuals to senior officer positions, or as consultants providing work for the Council. These case studies represent a mix of poor and appropriate practice. We have drawn judgements from these case studies, based on the Council's policies, the relevant legal and regulatory frameworks and our own experience as senior public servants. Those judgements are set out in the main body of our report. We have provided these case studies to the Secretary of State, as it is important for them to view in full the evidence we have used to draw these judgements. We have asked that these case studies are not published, as they refer in detail to individuals who may be identifiable and we consider that to publish these details may result in unnecessary negative consequences for those individuals, and the effective functioning of the Council.

2.27 We received a number of formal letters from the Chief Executive during the course of the inspection, expressing concerns about the inspection process. In order to ensure that the Secretary of State has access to a complete set of information, we have provided these, and responses from the Lead Inspector where relevant, in Appendix E of this report.

Council's Approach to Information and Meeting Requests

2.28 Following the announcement of the Best Value Inspection on 22 February 2024, the Council issued a statement expressing its surprise at the decision but setting out its confidence in the Council's work and willingness to co-operate.[31]

2.29 We recognise that a Best Value Inspection of this nature requires the Council to provide a great deal of information and for its officers to make time for meeting with the inspection team. The Council has shared a large number of documents with us, some proactively. As set out elsewhere, we are grateful to officers for their work, and the professional manner in which they interacted with the team.

2.30 Inspectors have powers to request access to any document relating to the Council that appears to them to be necessary, giving three clear days' notice.[32] We were grateful to the Council for support in scheduling meetings, but at times this has been slow, to the point of hindering our ability to carry out the Inspection. In one case, contact details we requested on 22 March were not provided until 19 June – despite one individual having confirmed they were happy to meet with us in

[31] https://www.towerhamlets.gov.uk/News_events/2024/May/Response-to-Department-for-Levelling-Up-Housing-and-Communities-Best-Value-Inspection.aspx
[32] Section 11, Local Government Act 1999

April. In another two cases, meetings we requested on 17 June 2024 were not scheduled until 16 July, with officers given very short notice of the meetings.

2.31 The Council has also been slow to respond to information requests at times. We have also found information responses to be limited – in some cases we were told we were not asking the 'right' question but not proactively provided with what the Council considered to be relevant. Neither did they consistently direct us towards what they considered to be the 'right' questions. In other cases, the limited information provided could be seen to have been driven by a desire to hide the reality of the situation from the team, or lacking transparency.

2.32 In other cases, we were provided with documentation that did not exist prior to our related requests. Sometimes, this was a reasonable way of providing an overview of complex issues, however this meant that the team had to make multiple requests to gain access to contemporaneous documents or emails demonstrating steps the Council took at the point of taking its decisions. On one occasion we were presented with an un-dated Terms of Reference and it required specific questioning to establish that the document had been produced after our request to see it. We do not expect to see a perfect Council – in such a case we would have preferred that the Council inform us that they did not have such a Terms of Reference, but would consider producing one following the team's request. This would have better reflected the Council's assertion that it is a learning organisation and would seem to be less defensive.

2.33 This approach by the Council has in some regards hampered our work and ability to provide full assurance on issues we consider important to the Council's delivery of its best value duty, in light of the scope set out by the Secretary of State. Where this has occurred in relation to specific issues in this report, we have noted both the delays and limitations to evidence provided, and how this has impacted on our ability to provide assurance.

Best Value

2.34 All evidence was reviewed in light of the letter from the Department for Levelling Up, Housing and Communities (DLUHC) to the Chief Executive of Tower Hamlets and the statutory guidance on best value standards and intervention also published by DLUHC on 8 May 2024.[33] This followed the publication of draft guidance for consultation taking place between 4 July and 15 August 2023. This guidance is referred to as the 'Best Value Guidance'.

2.35 The guidance sets out seven best-value themes of culture, governance, leadership, continuous improvement, partnerships and community engagement, use of resources, and service delivery. For each theme, the guidance provides a description of what is meant by the theme along with a list of characteristics of a well-functioning authority and a list of indicators of potential failure. While the guidance states that local authorities are not expected to perform perfectly, they should be able to demonstrate they are making effective arrangements to secure continuous improvement in each of these areas.

[33] Best value standards and intervention: a statutory guide for best value authorities - GOV.UK (www.gov.uk)

2.36 In this report the Inspection team has identified specific characteristics and indicators to illustrate the basis of the findings in relation to each theme. These are explained at the beginning of each of the sections that follow.

3. Culture

Best Value Guidance - Culture

Culture describes how the established governance procedures and leadership are exercised in practice, whether they are respected by the letter or in spirit.

The culture of a local authority is determined by an agreed set of shared values, ethics and beliefs, how decisions are made, as well as how elected members and officers behave, interact and carry out their roles.

The organisation should act as one, rather than in siloes, with a cohesive sense of one authority running though all operations.

3.1 The scope of the inspection, as set out by the Department, includes organisational culture as it relates to the functions where the Department had specific concerns. Culture, as defined by the best value guidance, is about how established governance procedures and leadership are exercised in practice. There is therefore an inevitable cross-over with issues highlighted in the sections on leadership, governance and continuous improvement in particular. The culture of an organisation provides context as to how it takes decisions, and how the people who work within it behave.

3.2 We have therefore considered the culture of the organisation as a whole during the course of the inspection, and sought to speak with a range of staff and partners about their experiences. Alongside quantitative questions, we provided free-text boxes in our anonymous staff survey to allow staff to share their views anonymously. The quantitative survey results are included at Appendix B. Inevitably these experiences are personal to individuals, and we understand and accept that in large and complex organisations there will always be room to improve employee experiences. There are different views amongst staff about the Council, and indeed the need for the Inspection itself. Where themes can be drawn from multiple sources we have highlighted these – these will not reflect every staff member's experiences, but we consider them to have been expressed in sufficient volume to reflect a genuine feature of the organisation's culture.

3.3 We have looked at our own staff survey alongside the Council's own most recent staff survey, which was conducted as part of the Investors in People survey, resulting in a report dated November 2023. The previous Investors in People report was undertaken in 2020. In 2020, 2021 and 2022, the Council conducted its own staff survey.

3.4 We have found evidence of a negative culture within some parts of the Council, that is impacting on a concerning number of staff. The lack of trust between Councillors, officers and partners is extremely worrying and is not conducive to good governance and decision-making. Councillor behaviour could improve – respect for officers, lateness of meetings.

Staff Experiences

3.5 There are many hard-working staff in Tower Hamlets providing services for the residents. It is clear to us that as a whole, they are passionate about the borough, and about their work. Many people told us they enjoyed working in Tower Hamlets, and our staff survey highlighted a number of very positive features of working at the Council, from its leadership through to their own teams and management.

3.6 In our staff survey, we heard that staff appreciate the Chief Executive's 'tea and chat' sessions, and the flexibility that changes to working practices in the last five years has brought. The move to the new Town Hall is generally thought to have improved relationships with the community and made the Council more accessible to residents. We heard examples of good practice that staff were proud of, for instance the Free School Meals rollout and a parks consultation.

3.7 The 2023 Investors in People report also highlights positive experiences of staff in the organisation. The report describes the Council's Investors in People accreditation over time, with Silver first achieved in 2014, lost in 2017 and regained in 2020 and retained in 2023. The Mayor and Chief Executive Officer have committed to work towards Gold. The 2023 report found evidence of resilience, pride and belonging, and a conscious effort to have a people-first culture.

3.8 The guidance expects, amongst other things, an agreed set of shared corporate values which are implemented and modelled across the authority and the existence of an outward facing, transparent and open culture, where challenge is welcomed and acted upon. The Council does have a set of values which are understood across the authority - 93% of staff who responded to our survey reported that they understand the core values of Tower Hamlets. This echoes the 2023 Investors in People report.

3.9 Many staff have, however, described 'dysfunctional politics', and noted the churn of good senior officers at head of service level and above being replaced by a new (or returning) group of individuals who are trusted by the administration. This is causing a high level of anxiety and concern that staff will be exposed to the negative impact of these politics. This was clear in both interviews and free-text responses to our staff survey.

3.10 Through free-text responses, a number of members of staff raised the behaviours of elected members, including the Mayor, towards officers. They spoke about the negative impact this has had on staff morale. A particular incident at the Cabinet meeting of 25 January 2023 was cited, at which the Mayor was critical of housing officers. The Mayor views this as an exceptional occurrence and regrets if any staff feel upset by it. He is clear that when critiquing any inherited poor performance, this is directed at top-level leadership.

3.11 Half of respondents to our staff survey (48%) did not feel comfortable to challenge something they thought was wrong happening at work, and just 27% thought that a concern they raised would be appropriately dealt with. This was also echoed in interviews with staff at a range of levels. This is exemplified by one respondent to our staff survey who suggested they would be comfortable raising day-to-day management concerns, but would be less comfortable raising governance concerns.

3.12 The 2023 Investors in People survey found that 65% of non-managers, 73% of managers and 81% of senior managers believe that they can and do challenge behaviours not in line with the Council's ethos and values.[34] There are a range of potential reasons for the difference between our staff survey results and the Investors in People survey, and we cannot be sure what caused it. However, the rate at which we heard this concern from staff in interviews and the survey is deeply concerning and leads us to believe that the lack of trust detailed elsewhere manifests negatively in staff confidence in key processes. An organisation in which people do not feel comfortable to challenge carries a risk of serious failure going unchecked.

3.13 A number of respondents to our staff survey expressed a feeling that their professional opinions are not given sufficient regard by the political administration. They felt that officers are seen as a hinderance, rather than a valuable part of successful delivery.

3.14 Many staff members in Tower Hamlets worked in the previous Mayor Biggs' administration. Two years after this administration ended, many officers feel that it is time to move on from that experience and for the current administration and senior leadership team to stop criticising the Council regarding this period. 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. We heard from a number of voluntary leavers who cited this polarised narrative of the two administrations by the current administration as their reason for leaving the organisation. We understand that political administrations will inevitably criticise an opposing administration and recognise that Labour Councillors have also criticised the previous Lutfur Rahman administration, but Councillors should not criticise officers in public.

3.15 During the move to the Town Hall, some changes were made to the use of a particular space in the building. A former chapel that had been used as a staff refectory and leisure area has instead been used to accommodate the Mayor's office space. We reviewed the intranet article from the Chief Executive published on 11 August 2023, confirming this change to the staff refectory area. The article states that the decision is driven by a desire to improve staff wellbeing and maximise income from assets, implying that the space would be used to host weddings and civil partnerships.

3.16 We have reviewed the public register of marriage and civil partnership venues in Tower Hamlets and this space does not feature.[35] On 19 April 2024 we requested details of fees and charges for the use of spaces within the Town Hall. On 25 April 2024 the Council responded that 'at present there are no dedicated 'fees and charges' for using space within the Town Hall for events'. The Council advised that it was exploring uses for the ground floor area, but did not provide any information about the Mayor's office space. It therefore does not appear that this space has as yet been used to generate income from weddings and civil partnerships. The incident caused staff to feel devalued – this was raised with us some time after the

[34] Tower Hamlets Investors in People Feedback Report 2023, p. 27.
[35] https://www.towerhamlets.gov.uk/lgnl/advice_and_benefits/Births-deaths-and-marriages/Marriages/Ceremony-Venues-in-Tower-Hamlets.aspx, accessed 19 July 2024.

event, suggesting staff still feel the impact and do not feel that the matter has been adequately addressed.

3.17 In our staff survey results, and in many interviews, the broader issue of trust was raised with us a number of times. The issue of trust is fundamental and we have therefore considered it separately below.

Trust

3.18 In any organisation, trust is important to its effective functioning. In Tower Hamlets, trust appears at times to be in very rare supply. We have seen evidence from interviews, our staff survey, the Investors in People Survey (2023)[36] and the Corporate Peer Challenge[37] report that this lack of trust is evident and permeates throughout the whole organisation. The inspection team believe that there has been and remains significant and problematic trust issues within the Council and which consequently impact on the effective leadership and management of the organisation.

3.19 We gathered from interviews that many Councillors do not appear to trust each other. Opposition councillors struggle to trust senior officers due to the view that they are close to the current political leadership and many have returned from the Mayor's previous administration. The political leadership appears to find it hard to trust some officers. This is often driven by their start date, with officers appointed during John Biggs' term as Mayor experiencing appearing to enjoy lower levels of trust. Where trust is low, officers appear to have been less likely to have any interface with the Mayor with no senior leadership team members from the previous administration remaining in post after two years. This causes a high level of loss of corporate memory and would cause a severe challenge for any administration. It can mean that the understanding of the background and reasons for decisions and policy will have been lost, and it is possible that continuous improvement is more difficult.

3.20 Many of the former and existing staff we have spoken to have described an apparent lack of trust over the last two years between the Mayor and some senior managers, between officers and politicians and between officers and senior managers as being problematic for the organisation and has caused them anxiety about their own position. Former senior managers have described their departures as being a result of being isolated from the Mayor, making it impossible for them to fulfil their roles. One example cited by a former corporate director was that they only met formally with the current Mayor once in six months, although we believe the relationship between the Mayor and this officer to have broken down by this point. We have heard in interviews with staff members about the impact this has on morale, confidence and trust at lower levels of the organisation. The Mayor recognises the importance of trust in operating a local authority. He rejects the idea there continues to be a lack of trust in offers from himself or his office, but recognises an issue within the organisation at the time of his election in 2022. He considers this to have originated from a two-council culture in which he and his office were not involved in key processes.

[36] Investors in People Feedback Report, 13 November 2023, p. 9.
[37] LGA Corporate Peer Challenge, 2023, pp. 5, 17, 21, 22.

3.21 Our free-text staff survey results spoke about some different analysis for the source of this sense of division and mistrust. Some felt that the origins were the administration, Mayor's office and senior leadership team members, others felt that there were staff within the organisation who were not sufficiently engaged in delivering the Mayor and administration's agenda. The existence of these tensions is problematic regardless.

3.22 We have heard in interviews and through free-text responses to the staff survey about the use of community languages in work meetings, variously between councillors, between officers, and between councillors and officers. Participants in these meetings who are not fluent speakers of community languages are uncomfortable with this, and some have been left with the impression that instructions were being given that not everyone in the room understood. This is not conducive to a culture of trust and does not promote transparency. Transparency and openness should be a fundamental principle behind everything the Council does and the use of community languages in meetings within the Council is not compatible with this principle.

3.23 In November 2023, the Council undertook an Investors in People assessment process, in which they achieved silver status. The lowest scores in the survey were regarding trust, with only a 26% positive score.[38] This is a drop of 4% since the last report in 2020. The lack of trust in the organisation was also raised by the LGA Corporate Peer Challenge. This lack of trust is something we found to be prevalent throughout the organisation based on our own contact with a range of stakeholders including existing and former staff members.

3.24 Out of 304 individual responses, and across seven free-text questions, the word 'trust' was included 40 times. In general, this was to describe a lack of, or deterioration in trust in the organisation. Many responses referred to a lack of trust between the political administration and officers, and lack of trust by more junior officers of their senior managers.

3.25 We experienced this lack of trust and suspicion for ourselves as colleagues who the team interviewed told us they were required to fill out a form detailing what questions we asked them and the content of the interview. The administration and senior managers also questioned the competence of some members of the Inspection Team. The team was regularly challenged by the Council regarding information requests and questions which they believed do not meet their interpretation of best value. This did not feel trusting, open and transparent and it sets the tone for the culture and the environment staff, managers and partners experience in the Council.

3.26 Some individuals, staff, former staff, councillors, and community members did not want to be interviewed within the building or for their contact with the team to be known to the senior leadership. Some staff expressed concern that their e-mails were being tracked and almost all junior staff and many managers wanted assurance from the team that they would not be identified in any way in the final report. There was fear from some staff that our anonymous staff survey would be accessible to the Council's leadership. Even with the assurances provided by the inspection team, many staff expressed a deal of concern about their engagement with us.

[38] Tower Hamlets Investors in People Feedback Report 2023, p. 21.

3.27 The lack of trust across the organisation has caused a culture which a number of officers have described as ‘toxic’. This manifested in a range of behaviours and creates an environment in which people feel uncomfortable and at personal risk. Statutory officers must challenge unacceptable political behaviours and must have a major influence on setting the culture and establishing a safe, trusting, stable and efficient workplace. We do not consider that this environment currently exists in the Council, many competent staff have left as a result. Many staff choose to stay because they are totally committed to the residents of Tower Hamlets, enjoy working in the borough and are driven by the opportunity to make a substantial positive difference to people’s lives.

3.28 This low level of trust has had impacts throughout the organisation, and across several of the best value themes. These are addressed throughout this report. In summary, there has been a low level of trust from the Mayor in some senior officers over the past two years, a poor level of trust between politicians on opposing groups and sometimes the same group, Mayor’s office and senior officers and the lack of trust from partners in the Council’s leadership. This creates a culture where people are not empowered and enabled to deliver their roles effectively, many fear for their continued employment. It is critical that decisions are made on the basis of trust. The lack of trust throughout the Council has led to a culture where there is insufficient challenge to decision makers and where co-production, collaboration and partnership with staff and external partners is limited.

Impact of Culture on Decision Making

3.29 In conversations with staff and in the free-text responses to our staff survey, we heard of examples where officers considered that the wider culture they work within impacted negatively on how decisions are taken by the Council. This included limiting the representation of risk in reports, delays or changes to decisions which impact on delivery. Other views included that there is a culture of ‘accepting’ issues rather than exposing the consequences of decisions, in order to achieve individual security, that it’s better to ‘keep your head down’ and ‘do as instructed’.

3.30 Several free-text responses reflected a view that senior officers do not feel able to propose alternative options to the Mayor and administration. It is inherently difficult to assess from paperwork what options would have been put forward to politicians in a different cultural environment. However, the number of individuals raising this issue with us is an extremely concerning indication that the culture in the organisation may, in some cases, be limiting its ability to take good quality decisions in the public interest.

Diversity and Equalities

3.31 The LGA in their peer challenge raised the deficit of female Councillors in the Aspire group - it was still the case that there were no female Councillors in the administration group at the time of the Inspection. This was raised on many occasions by officers and councillors alike and by some Council partners. In response to being asked about the lack of female representation in the Aspire group, councillors responded by indicating that the Mayor and group had encouraged some female opposition councillors to ‘walk the floor’ and become

Aspire councillors, but this has not happened to date. We were also told that female Aspire candidates did stand at the last local election, but they were not elected and that this situation would be rectified at the next election. Some current female councillors feel their support is being traded and feel patronised as a result of the lack of female representation in the administration party.

3.32 Some female councillors have expressed to us that they do not feel respected. For example, female councillors told us that they received an invitation to the Council's International Women Day event so close to the time of the event that they were unable to make time to attend. Members of the team attended the full Council meeting on 28 February during which the Speaker demonstrated limited control over poor behaviour in the public gallery by the largely male attendees. Female councillors from the Labour group made their understandable safety concerns known during this meeting. The public gallery was eventually cleared.

3.33 Similarly, in our staff survey there were several free-text responses setting out concerns about the treatment of women in public meetings, that a number of senior women officers had left the organisation over a short period, and about the career progression of female officers of colour or who wear the hijab. We are also aware of specific examples of poor treatment of female officers in public meetings. There was a feeling among some interviewees that such poor behaviour was more likely to be directed to female officers of colour. The number of issues raised about the culture and behaviours and their impact on women in particular is deeply concerning. It is not how you would expect women in a modern, progressive organisation to feel in the workplace.

3.34 The Council has recently established a Women's Commission, which had its first meeting on 19 June 2024. This is a positive step, but it is too early to comment on the impact of this work. However, such an approach is no substitute for genuine political representation, and we would have expected such an approach to have been established much more rapidly after the change of administration in May 2022 and the obvious representation deficit apparent at that time and since.

3.35 We have heard examples of female political representatives being targeted especially strongly by negative political behaviours and social media in the community. This was also apparent during the recent parliamentary elections. While this is not solely a responsibility of the Council, it does represent important context for women operating in politics in the borough attempting to represent their ward or constituency. The Council must ensure the health and safety of politicians is of paramount importance.

3.36 In the staff survey we heard from a number of different groups across the council about frustrations with their day-to-day experiences and career progression on the basis of ethnicity or background. Some staff raised the lack of diversity in the Council's current senior officer leadership, particularly considering the demographic of Tower Hamlets and concerns around the lack of representation for such a diverse community. We also heard in the staff survey that more could be done to engage with LGBTQIA+ staff and communities. We have heard about poor, as well as positive, experiences from disabled staff. We did not ask any demographic questions in our survey as we wanted to prioritise ensuring staff were secure in providing completely anonymous feedback, so we are unable to analyse our quantitative results through these lenses.

3.37 The Investors in People survey and the results of the internal staff surveys from 2020, 2021 and 2022 that the Council provided us with did not report their results for different demographic groups in the Council. From our research on the Council's intranet, we note that collection of demographic data in the past has been inconsistent. We recommend that going forward, the Council should ensure that it consistently collects, analyses and publishes staff survey results by demographic groups. This would help the Council to identify and address any specific issues disproportionately affecting particular groups of staff.

3.38 The Council has active staff networks, including the Race Equality Network, TOWER Pride, N-Able, Tower Hamlets Women's Network and the Young Employees' Network. We witnessed the work of some of these networks during our time in the building, for instance during Pride. The Council's Strategic Plan for 2022-26 sets out a commitment to work to ensure staffing at every level of the council reflects the diversity of the borough.[39]

3.39 The Council is also participating in the LGA's 'Be A Councillor' campaign. This Campaign has been running from April with communications promotions in the Town Hall and other Council buildings. The Council plans to hold an event aimed at women during the summer and to hold a session during Black History Month aimed at underrepresented groups.

Member Behaviours

3.40 There are procedures in place to ensure that councillors and officers follow and comply with the Nolan principles[40] and relevant codes of conduct, members, and officer protocols. However, based on our interviews and responses to our staff survey these are not always adhered to in practice.

3.41 The Council currently has five live councillor complaints cases. During the previous municipal year 2023/24, the Council had received eleven complaints, two of which were ongoing from the previous municipal year. In line with good practice, regular updated reports are provided to the Council's Standards Advisory Committee.

3.42 We observed Council meetings either in person or online throughout the Inspection, including full Council, Cabinet, Overview and Scrutiny and its sub-committees, Audit Committee, Standards Advisory Committee, Development and Strategic Development Committee, Grants Determination Sub-Committee and several Appointments Sub-Committees. In our view, the meetings have, at times, been fractious, the tone has been occasionally aggressive and sometimes there has been filibustering through repetitive, time-consuming scripted speeches, questions and answers. We recognise that the chamber is for political debate and challenge, however it is our view that this has, unfortunately, over-shadowed and impaired the quality of the debate in the chamber. We echo the hopes of Councillors that this will improve in the new municipal year, and we have seen some signs that the behaviour in some recent meetings has improved.

[39] Tower Hamlets Council Strategic Plan 2022-26, p.23, https://www.towerhamlets.gov.uk/Documents/Strategy-and-performance/Tower-Hamlets-Council-Strategic-Plan-2022-2026.pdf

[40] https://www.gov.uk/government/publications/the-7-principles-of-public-life

3.43 The full Council meeting of 28 February 2024 descended into chaos, raising serious concerns for the safety of those present in the chamber. The Council is now attempting to address these concerns. In interviews we heard that some staff feel that formal meetings are often chaotic, are not a positive experience and wasteful of officer time.

3.44 From our observations it appears that formal, public meetings of the Council rarely start on time, with Chairs and Councillors appearing to be the cause of such delays. We have also heard that officer meetings with the Mayor tend not start on time. During the inspection many officers who have both left the Council and are still in post, informed us that they find the lateness discourteous and disrespectful. Councillors not turning up for key meetings, late starts, last-minute cancellations and in some instances, not even been told that the meeting has been cancelled is having an impact on staff morale and service delivery. The Mayor explained to us that meetings with him may be late due to the pressure on his diary, and number of individuals in the community who contact him directly, to whom he wishes to remain available.

3.45 To help with alleviating these concerns, many Councils undertake anonymous staff and councillor surveys around councillor behaviour in formal meetings, the chamber, the quality of meetings and conduct of the meetings and use this information to improve democracy. We suggest that Tower Hamlets considers taking this approach.

4. Leadership

Best Value Guidance - Leadership

Effective political and administrative leaders who have a clear vision and set of priorities for their area, are key to building local economic growth, social cohesion and a healthy local democracy.

When they model positive and effective leadership behaviours at all levels, this can be beneficial to a local authority's overall culture and governance.

It is essential that all officers with statutory responsibility, including the Chief Finance Officer (Section 151 Officer or Section 73 Officer in the case of combined authorities and combined county authorities) and Monitoring Officer uphold their duties, both individually and collectively and provide reports to the Chief Executive/Head of Paid Service and, as necessary, to full Council. Statutory officers must work effectively together, have access to the highest levels of council decisions and have a voice in important decisions.

An authority that either fails to recruit to its statutory officer posts on a permanent basis over an extended period of time or has a high turnover in these roles indicates instability and potential wider cultural concerns.

When this is compounded by many senior positions being appointed to on an interim basis over an extended period, this can signal a problem.

4.1 The Inspectors were asked to consider leadership in relation to the specific functions of the Council where the Secretary of State had concerns. Leadership is a complex and cross-cutting concept and we have therefore taken a broad approach to our assessment of leadership at the Council.

4.2 The Inspectors were also asked to consider the Council's duties and functions under Part 1 of the Local Government Act 1989 (the 1989 Act). Under section 7 of the Local Government and Housing Act 1989, employees of a local authority must be appointed on merit. This issue was also explicitly highlighted as a concern of the Secretary of State. We have provided evidence of this in the unpublished case studies at Appendix E, but have included our judgements on these case studies in this section. The Inspectors have asked the Secretary of State to not to publish the case studies as the information is likely to either reveal the identity of an individual or might disclose personal information relating to some individuals that is not in the public domain. We consider that publishing this information may have disproportionate impact on those individuals and may inhibit the effective functioning of the Council.

4.3 We do not believe that the Council has always made officer appointments on the basis of merit in the past two years. We believe there is evidence of a culture of patronage in a number of appointments to the Council. Our assessment is that this culture of patronage is drawn from a combination of weak processes and cases where we consider the best candidate for the job was not appointed. In some of

these cases, the individuals appointed had prior connections either to the Council as a corporate entity, or senior individuals at the Council. This is not consistent with the Council's duty to make appointments on merit, or the Nolan principles.

4.4 We have seen evidence that staff are also concerned by some appointments and consider them inappropriate. In our staff survey we heard about a 'friends and family culture', 'cronyism' and that some staff are concerned that existing relationships between Councillors and officers, including junior officers, changes the way work is done in the Council. This contributes to the issue of trust outlined in the section of this report covering culture. In turn, this carries a very significant risk that officers at certain levels of the organisation do not feel able to freely give impartial, evidence-based advice to politicians. We have certainly been informed by some officers that they feel this is already the case.

4.5 In Tower Hamlets, the past fifteen years have seen a complex set of political and leadership changes together with a period of government intervention. Our sense throughout our interviews and talking to many stakeholders in the borough is that this fifteen-year period of change has had a destabilising and polarising impact on staff, managers and partners. This has weakened the Council's capacity to meet its best value duty.

4.6 The Leadership team is relatively new, is still incomplete and therefore still developing. During the inspection there were departures, interims in place and new appointments occurring throughout the period. This constant change and the lack of stability in our view appears to have inhibited the development a strong and trusted relationship between the leadership team and all politicians and with some managers, staff and partners over the past two years. It is critical that the organisation and its stakeholders have confidence in the quality and competence of the leadership.

4.7 We believe the lack of stability and continuity combined with the high use of consultants and interim arrangements since 2022 has undermined confidence in the leadership of the Council. Some of the concerns expressed to us around trust will of course elapse with greater stability. However, some staff are still concerned and cautious and would like the Council's leadership more visibly exhibit behaviours that give them confidence in senior leaders' ability to challenge poor behaviour and performance and to support staff to deliver in a challenging political environment.

4.8 Council officers have a duty to support the whole council, not just the cabinet and must remain politically neutral. Politicians set the strategic direction and agree the policy framework, with officers responsible for delivering policies and day-to-day operation. The effectiveness of officer and political leadership, and the relationships between officers and politicians can have a profound impact on the functioning of an authority. As part of this it is vital that officers are able to give accurate and impartial advice and that this is seen by stakeholders to happen. We feel there is insufficient evidence that this is happening regularly and routinely.

4.9 Clear political ambitions are set by the Mayor, giving clarity of purpose for the Council. We believe that translating these priorities into delivery is challenging and this should be a collective responsibility. We would have expected to see, and be presented with, more meaningful evidence of open and transparent challenge and collective contributions to the development of policy and services which are based on strong evidence of impact.

Officer Turn-over

4.10 The officer leadership in Tower Hamlets has experienced significant turnover together with a lack of stability at senior management level over a number of years. Since 2015 there have been at least 41 changes in Chief Executive, Corporate Director- and Director-level posts which has caused churn across all management levels.[41] When this is combined with a high use of agency staff, interims and consultants over several years it has resulted in a lack of stability, continuity and consistency for all stakeholders. The cost of this turbulence has been significant over the years. Actual expenditure on consultants was £5 million in 2022/23 and £8.3 million in 2023/24. We do note that the Council's Chief Executive informed staff at the Staff Conference and Awards event that there is a planned £25 million forecast reduction to agency spend by the end of this financial year, which is a positive step if delivered. Officer turnover and the Council's high use of agency staff, interims and consultants is covered in further detail in the section on use of resources.

4.11 In particular, Tower Hamlets Council has twice experienced periods of accelerated and significant senior leadership turnover and change in recent years. First, from 2015 at the commencement of the John Biggs Mayoral term and second over the past two years with a change of political leadership in May 2022 with the election of Mayor Rahman. This most recent turnover of senior leadership included the appointment of a new permanent Chief Executive, Stephen Halsey in July 2023 after a short period as interim Chief Executive, following the departure of the previous Chief Executive, Will Tuckley in March 2023. Will Tuckley had been in post for eight years and had initially replaced Stephen Halsey as Head of Paid Service in 2015. It is our view that, in the event of a future change of administration, there is a high probability that a similar level of senior officer leadership churn would occur.

4.12 There has been a change in the entire corporate leadership team and statutory officers since May 2022, who left the Council for a range of reasons. There is little evidence to suggest a lack of competence of the previous leadership team. We gather from interviews and the staff survey that trust has further been eroded for many, in and outside the Council, by a significant number of senior officers, who had been in post previously in Mayor Rahman's first term as Mayor, or who had been otherwise involved in that administration, returning to the Council. This includes the Chief Executive, Steve Halsey.

4.13 The organisation has taken some time to adjust to the most recent changes to senior leadership. This process is still ongoing and is still impacting on the stability and confidence of the officer group. In our staff survey, 63% of people reported that senior management turnover had negatively affected their area of work. The key organisational leaders, Corporate Directors, Monitoring Officer, Section 151 Officer and Chief Executive have all changed since the May 2022 election. Two of the six post-holders have changed since the inspection began in February 2024 with three interim arrangements still in place at the end of July 2024. The Council has appointed a permanent Director of Children's Services who is in post, and appointed a permanent Director of Adult Social Services (DASS), who is yet to commence

[41] Figure based on Council's internal management information, provided in March 2024 in paper form.

work. Interviews for the roles of Monitoring Officer and Corporate Director of Housing and Regeneration have also taken place with individuals yet to commence work.

4.14 While progress has been made in appointing permanent staff to the top-tier officer roles, the Council's Corporate Leadership Team cannot yet be considered stable and embedded. There will have been a loss of corporate memory and disruption caused in the instability and continuity of middle tier managers as a result of continuing changes in structures and operating models. The Council is therefore still only in the early stages of a journey to deliver stable leadership and robust continuous improvement to modernise and transform the Council.

Senior Officer Appointments

4.15 During the course of the inspection, we have observed four permanent senior officer recruitment processes directly. We have also requested documentation for some additional appointments processes taking place between May 2022 and the start of the inspection process. We have also reviewed some interim appointments to senior officer roles. By senior officer, we mean the top three tiers of officer roles. We have covered consultancy arrangements in a separate section below.

4.16 There have been some good quality senior, permanent appointments made by the Council during this time period. However, there have also been a concerning number of occasions on which it is our opinion that the Council has not made appointments on merit. Where appointments were made during the course of the Inspection, we have made our judgements on the basis of observation of the process. Where they occurred before the Inspection, we have made judgements on the basis of the paperwork made available to us by the Council.

4.17 The full details of the cases we reviewed are in a separate Appendix E, in order to maintain confidentiality for those staff concerned. However, we have provided an anonymised summary in the main report in order to provide public transparency.

4.18 In one case, we consider that the Council appointed an individual who was not the best candidate for the role. In another case, we consider that the Council was on course to make an unsuitable appointment, however, during the course of the Inspection a decision was taken to not progress the appointment. In another case, we consider that the Council appointed a candidate who, on the basis of the paperwork provided, appears to have been an unsuitable appointment. In two further cases, we consider that it would have been at least reasonable, and at most expected, to go back out to the market. The Council has recently undertaken two recruitment exercises in which it determined not to make appointments, but rather go back out to the market.

4.19 We have also reviewed the Council's approach to sourcing interim officers. In our opinion at times this process has been weak, or not involved any competitive element in relation to these interim roles of high-value or importance to the Council and at times this has happened over an extended period. In some cases, we consider that Councillors were not presented with accurate or relevant information to support their decisions.

4.20 A number of interim and permanent appointments, including some where we have concerns about suitability of appointments or weakness of process, have

involved individuals who were already connected to the Council or to individuals who are currently employed by the Council in various capacities. These connections, in combination with weaknesses in processes and decision-making, give us an impression that there is a culture of patronage. The trust issues highlighted earlier in this report have in our opinion permeated into the senior appointments process.

4.21 The officers returning to the Council have sometimes been subject to settlement agreements with substantial payments issued previously by Tower Hamlets Council. This practice is very unusual within the sector and in our view does not represent good practice. Nor does it, we believe, represent value for money. On viewing the settlement agreements provided we do not believe that reappointing these previously employed managers either in a substantive post or through consultancy contracts constitutes best value. We have found examples where information about settlement agreements were not made available to the relevant committees or meetings of full Council when taking decisions to reappoint or extend the appointment of individuals who had previously received settlement agreements from the Council.

4.22 The return of former officers has also been cited by opposition politicians, staff and partners as concerning, and part of the reason they find it difficult to trust the political and officer leadership. Where individuals see their position as contingent on maintaining the favour of a particular set of individuals, it is difficult to create a culture of adequate scrutiny and challenge.

4.23 Partners involved in stakeholder panels told inspectors of several instances in which candidates who scored poorly in their panel were appointed to the role. This is eroding external trust in the Council's appointment processes with external stakeholders feeling their involvement is not valued. Opposition councillors on interview panels have also disagreed with and have expressed concern to us about a number of senior officer appointments, which also erodes confidence in senior leadership. We consider that this has inevitably had a negative impact on the reputation and good governance of the Council.

4.24 The Council's Appointments Sub Committee was established by the Human Resources Committee on 16 May 2024[42] to consider appointments of the Head of Paid Service, other statutory and non-statutory chief officers and, deputy chief officers in accordance with the Council's Pay Policy Statements 2024 – 2025, the officer employment procedure rules as set out in the constitution and the Councils agreed recruitment and selection procedures.

4.25 Most meetings where decisions are made will be held in public, unless personal or confidential matters are being discussed. There are statutory rules and procedures in place which must be followed where a council decides that part of a meeting will be held in private and thus excluding the public. To satisfy the appropriate legislative framework, the council must provide appropriate notices and publish certain information before a council meeting takes place. We discuss the Council's overall approach to the business-as-usual governance practices and its decision-making process further in the governance section.

[42] The Human Resources Committee was itself created by full Council on 17 May 2023, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=309&MId=13187

4.26 In this part of the report any governance references are in respect of the Council's approach to managing its Appointment Sub-Committees meetings. Over the period of the inspection, we observed some Appointment and Sub-Committee meetings where the entire agendas, accompanying reports and relevant information were not open to the public or press to inspect, as is required in accordance with the legislative framework. Prior to this issue being raised by the inspection team, the Council had not, at least on two occasions, provided the requisite notice required to call a meeting. The Council was also not publishing any details of the meetings due to take place on its website. This was also raised by the inspection team. The council is now publishing the details on the website and has retrospectively updated the website.

4.27 We have also set out in Appendix C a summary of the legal framework for senior officer appointments and Tower Hamlet's appointments procedures.

4.28 For senior appointment committee meetings, it is customary for a HR professional to be present to provide advice. Occasionally it is not uncommon for an employment lawyer to also be present to provide any necessary legal advice. In the meetings that we have observed, a HR professional has always been present. However, where there is such a lack of trust in the process (relating to some of the senior officer appointments) it would be advisable for an employment lawyer and/or the Council's Monitoring Officer to also be present to ensure due diligence and possibly restore some confidence in the senior officer recruitment process.

4.29 In response to one of our information requests regarding a particular senior appointment, we were told that 'it is not usual to have a formal interview process or recording of the assessment for short term interim appointments.' We do not consider this to be good practice and should be rectified. For all appointments across the Council, officers must ensure that they carry out due diligence, ensure that the appointments are based on merit and demonstrate value for money, prior the appointment being made.

Use of Consultants and Interims

4.30 There has been a regular reliance on consultants and interims over a number of years in Tower Hamlets, some of this pre-dating the current administration. The Council provided us with information on consultancy costs paid by the Council as at 13 May 2024. This reports that the budget for consultants in 2022/23 was £3.8m and the actual expenditure was £5.0m and in 2023/24 the budget was £5.0 million, and the actual costs was £8.3 million. The actual expenditure exceeds budget in both years, suggesting a lack of grip in this area.

4.31 We did not examine the use of agency staff in frontline services, but rather focused on the use of consultants in key roles in the corporate centre, for interim senior officer appointments and in the Mayor's Office. It is hard to speak in general terms about consultancy arrangements that will inevitably encompass a range of roles, levels of seniority and purpose. Many managers and staff nonetheless expressed the opinion that there were too many interims and consultants, questioned their value for money, that few people understood their role and believed they were unnecessary. In interviews many expressed a view that insufficient emphasis is placed on acting up arrangements, developing talent from within the organisation, or advice given by substantive staff.

4.32 The use of these consultants and interims has not promoted consistent, stable and effective leadership. During the period of the inspection we interviewed a number of consultants and experts employed as consultants used by the Council and there does seem to be a dependency on one or two in particular. We believe this relates to the trust issues and associated culture of patronage highlighted earlier in the report.

4.33 As outlined previously, the number of consultants supporting both the Mayor and leadership team and the cost of this is far too high when compared to both the sector norms and the relative size of the leadership team. There appears to be an increase in the use of consultants following political change and the inspection team believe that this is duplicating or replacing capacity which should be provided by the corporate leadership team. We consider this to be expensive, confuses lines of accountability and duplicates substantive roles within the Council and does not in our opinion provide value for money.

4.34 The administration has asked many individuals who are well regarded in their field to support it through various Board memberships, such as the Transformation Advisory Board. There has been concern expressed by some of these individuals that this could lend credibility to the administration through association. Some colleagues took on a role despite these reservations, as they wished to have a positive influence on the organisation's direction of travel. We also interviewed colleagues who had been approached who declined as they did not want to give undue legitimacy to the administration.

4.35 The inspection team have heard of examples where a consultant is appointed very suddenly, without staff members being informed of their appointment in advance. We consider this to be poor management practice.

4.36 One of the characteristics of governance failures is not following procedures, protocols and processes that have been put in place. We were told that some consultants are engaged through arrangements which do not follow the correct processes and procedures in place to procure external services. In some instances, we were told that officers were requested by the Corporate Leadership Team to retrospectively put in place the required paperwork. We have asked the Council for details of the appointment routes for some of these cases. These are set out in full in the unpublished Appendix E, and summarised below:

4.37 In one example of a contract costing the Council £25,000, we are satisfied on the basis of the evidence provided that the Council complied with its procurement policy, but the recording of one of the steps taken to comply with the policy was weak. Specifically, the Council's Contracts Procedure Rules require that a local supplier is used for contracts of this value and, where this is not the case, a reason is recorded. In this instance that recording comprised of a handwritten note in the notebook of the commissioning officer.

4.38 In another example, the Council entered into two similar, concurrent contracts with the same contractor, costing £208,255 and £74,082. These arrangements were entered into directly, without any process to seek multiple quotes. The Council has stated that they are confident that they acted within their internal policies in relation to the first of these contracts. Contracts of a value up to £25,000 may be procured using a single quotation. For contracts valued at £25,001 or higher at least two quotations must be sought, depending on the value of the contract. Having

reviewed the letter of appointment for the first contract, setting out a broad scope of work, open-ended arrangement, a day rate of £850 and the ability to bring on additional consultants at a day rate of up to £950, we consider that the Council should have anticipated the costs of this arrangement being above £25,000. The Council was not able to find evidence that their procurement processes were complied with in relation to the second contractual arrangement. We also tested the declarations of interest made during this appointment and are not satisfied that these were sufficient to prevent perceived or actual conflicts of interest occurring.

Senior Officer Leadership: Capacity, Capability and Structures

4.39 The current Chief Executive is seen as accessible and engaging by a large number of staff. We heard about specific examples of behaviours and activities that staff valued highly in our staff survey, for example the 'tea and chat' sessions that we have mentioned elsewhere. However, we have also heard from staff that statements that the Chief Executive has made about the Council's performance in recent years has had a negative impact on staff morale. While we recognise that it is important to be honest about poor performance where this does exist, he should consider how he does this and how it will be received by longstanding staff members.

4.40 Although the Chief Executive is well liked by many both internally and externally and is working hard to create a pathway for improvement, his return to the Council has been seen by some staff as both concerning and inappropriate.

4.41 We understand that a statutory officers meeting was started by the previous Chief Executive at the request of the Commissioners. These have continued under the new Chief Executive. The Inspection team requested to see the Terms of Reference for this meeting on 4 April 2024. There was some clarification between the Inspection Team and the Council about the request, and on 13 May 2024 we were provided with a Terms of Reference that was undated. We asked for the date on which the Terms of Reference was produced and were informed that they were produced on 30 April 2024 and would be signed off at the next Statutory Officers Group on 31 May 2024. We understand that the Terms were produced at the request of the Chief Executive.

4.42 It would appear that the Council had, rather than inform us that no Terms of Reference were in place, sought to draft the document and share this with us. It is commendable that the Council used this request for information to improve their processes, but it should not have taken pro-active follow-up for us to find that the Terms were not dated or agreed, and had in fact been produced after our initial request.

4.43 The inspection team was made aware that the Council's Monitoring Officer and Director of Legal Services had left the organisation in the week before the inspection team arrived in February 2024. The Council recently completed the recruitment process for the permanent role. In the meantime, it had recruited to the role on an interim basis. On 16 May 2024, at the Human Resources Committee, the Chief Executive notified the Committee that was his intention to change the reporting lines of the Monitoring Officer and Director of Legal Services to the Director of Resources and section 151 Officer.

4.44 The Council has designated the statutory function of the Monitoring Officer to the Director of Legal and recently completed the process of recruiting to the role on a permanent basis. On 16 May 2024, at the Human Resources Committee, the Chief Executive notified the Committee that it was his intention to change the reporting lines of the Monitoring Officer and Director of Legal Services to the Director of Resources and section 151 Officer. We were subsequently informed that the chief executive had *"no intention of changing the reporting lines of the Monitoring Officer function."* We were also informed that "*the function of the Monitoring Officer is separate from the function of the Director of Legal and Democratic Services. They are both vested in the same person. On the Monitoring Officer issues the Director of Legal and Services will continue to report to the chief executive.*"

4.45 We agree with the Council's view that this is not an unusual split, however, in our experience, this will be fraught with difficulties and will be confusing to the organisation. As a result, it is our opinion that the re-positioning of the role of the Monitoring Officer is a risk at a time when increasing the confidence in leadership is important.

4.46 Recent reports from the Local Government Information Unit (LGIU)[43] and Grant Thornton[44] highlight the risks associated with diluting the role and visibility of the monitoring officer. In any event, the guidance expects that Section 151 and Monitoring Officer should report directly to the Chief Executive. We note that under the previous administration the Monitoring Officer role was downgraded from a corporate director role.

4.47 We have asked for examples of senior officers 'speaking truth to power' and were provided with some evidence by officers of this taking place. We consider that these examples were limited, did not occur quickly enough and for two examples taking place during the course of the inspection we consider that the outcomes would have been different in our absence. The S151 Officer has raised issues concerning a zero-Council Tax rise in the budget 2024/25 preparation process, with the outcome that the Council agreed an increase in 2024/25.

4.48 We were also provided with nine examples by the Mayor, of instances where he changed his view following officer advice. We do not assume that these are the only occasions on which the Mayor considers himself to have taken officer advice. These examples ranged from the reversal of a manifesto commitment, through examples where the Mayor agreed to different implementation models or selective implementation of a policy, through to officers providing a factual explanation which enabled the Mayor to agree with their recommendations.

4.49 It is common practice to have a notetaker attend and have notes of meetings between a Leader and Mayor with any statutory officers and suggest this should have enabled more evidence to be provided.

4.50 Our observations of meetings and interviews with staff and managers clearly indicate the culture is not one that encourages or facilitates open and transparent challenge, or reflection generally. More specifically, when combined with the lack of

[43]The Changing Role of the Monitoring Officer, Dr Greg Stride and Dr Andrew Walker, LGIU, 2023, https://lgiu.org/publication/the-changing-role-of-the-monitoring-officer/

[44] Report: preventing failure in local government, Grant Thornton, 2023, https://www.grantthornton.co.uk/insights/how-can-further-local-authority-failures-be-prevented/

evidence of holding the political executive to account, described in the Governance section. This raises concerns and we believe that there is a culture with insufficient challenge of the Executive and within the Council. Whereas many individuals cited that this had taken place regularly with the previous administration. The perception of many interviewees was that many good managers had exited the organisation as a result of 'speaking truth to power'. Where there are specific examples of this, we have highlighted them in the relevant parts of the Service Delivery section. It will be important for the officer leadership to demonstrate it is operating as a critical check and balance in the system to assist in regaining trust and confidence by staff and external partners in the ability of the Council to hold the executive to account.

The Mayor's Office

4.51 The Mayor's Office has been subject to significant criticism from opposition Councillors and many others since being established in its current form since the 2022 election. These criticisms include challenges regarding its size, cost and effectiveness, and that it is a contributing factor to the two-council culture observed by the Corporate Peer Challenge. During the Inspection process it was raised many times, both within interviews and in formal Council meetings, such as budget setting full Council on 28 February 2024.

4.52 In undertaking this inspection we have met with many people working in the Mayor's Office such as the Head of Office and Deputy, and Mayoral Advisors and have asked many managers, staff and politicians about their working relationship with the office. There are polarised views regarding the office across the Council ranging from positive to very negative. The Mayor clearly sees his Office and the advisors as critical to fulfilling his role and sees the advisors as an important source of trusted advice which has been particularly so during the first two years of his term.

4.53 In its current form we believe that the parallel operation of the office to the Council's corporate centre has a number of unhelpful impacts on the leadership and governance of the Council. We think it is confusing both internally and externally. Staff, including managers, are unsure whether the Advisors are speaking with Mayoral authority and whether they have delegated authority to task officers. It seems to cause significate delays in decision making compounded by the current lack of delegations. Regardless of their position within the organisation, the concept of a Mayoral Advisor re-enforces a duplicate structure in which the Mayor receives advice from both officers and advisors. This appears to reinforce the Corporate Peer Challenge's view that there is a two-council culture driven by the lack of trust.

4.54 We compared the scale of the Mayor's Office with a sample of three other mayoral offices operating in London. We have not made an analysis of the full-time equivalent roles or relative seniority, but rather the number of individual staff members employed. The number of staff members in these three offices, from the role equivalent to the Head of the Mayor's Office downwards, were four, eight and seventeen staff members, compared with thirty-seven in Tower Hamlets. The functions included in the smallest office consisted only of office and diary management, with the casework function existing separately and covering all members. The two larger comparator officers included casework managers, and in the largest example these caseworkers provide casework support for all members.

The two larger comparator office also included executive and cabinet support officers, and the largest example included a political advisor function.

4.55 In Tower Hamlets, we understand there to be 12 mayoral caseworkers, a casework co-ordinator and a casework manager, in addition to the caseworkers employed elsewhere in the Council. The team also includes five Cabinet Support Officers managed by a Cabinet Support Team Leader. Additionally, two Mayor's Executive Support Officers manage three Executive Support Assistants. The Mayor's Political Advisor works to the Deputy Head of the Mayor's Office, who also provides line management support to the casework team. The Mayor's Office in Tower Hamlets also includes eight advisors, working to the Head of the Mayor's Office. Separately, the Aspire Group also has a political advisor (as does the opposition group).

4.56 We also reviewed the size of the Mayor's Office in May 2022, the point at which a change of administration took place. At this point, the office comprised of 13 staff members, including two Mayor's Caseworkers and one Casework Co-ordinator. There were three Cabinet Support Officers, and a Mayor's Executive Support Officer supported by two Executive Support Assistants. The Office also included a Political Advisor (Members Support), a Mayor's Political Advisor, and the Head and Deputy Head of the Office.

4.57 The executive support function is common across all Mayoral Offices we reviewed, including the pre-May 2022 Tower Hamlets Model. The Mayor's political advisor role and caseworker function being held in the Mayor's Office was also common, though not consistent. The eight Mayor's Advisors roles seen in the current Tower Hamlets model were not identifiable in any of the other models.

4.58 We acknowledge that the Council has set out plans to reduce the size of the Office. Through the budget setting process in February 2024, the Council agreed plans to reduce the size of the office from 38, including agency staff, to 25.3, with a saving of £327,000. At the HR Committee of 16 May 2024, the Council set out a plan to reduce the size of the Office to seven posts including the Policy and Community Liaison Manager (Deputy Head of the Mayor's Office), Senior Policy Advisor, Executive Assistant and three Executive Support Assistants.

4.59 The remainder of the roles will be moved to other areas of the Council. The mainstreaming of the casework function is set out below. All Cabinet support roles will move to Democratic Services. The Media and Communications advisors will move to the Communications Division. The Sports Advisor will move to the Communities Directorate. The Somali, Women and Equalities, Social Inclusion and Communities Advisors will also be moved to other relevant Directorates.

4.60 While mainstreaming the Office structure is welcome, it remains to be seen whether this will create the necessary culture change. There is anxiety among staff as to whether this will address their concerns about the Office's role in the two-council culture as it is difficult for them to envisage that, in spite of a change to the line management arrangements, that advisors will not just continue to advise the Mayor directly and continue to be tasked by him. Our views on the two-council culture are set out in a separate section.

4.61 The 14-person mayoral casework team currently work on casework generated from the Mayor through either direct contact with him from residents, or through his twice weekly surgeries. The team is currently structured separately from the wider

casework team managing other Members' enquires and general enquiries and complaints. The casework system for the Mayor's enquiries is the same as for other members' enquiries and follows the Council's general policy and process for Members' enquiries. We were advised that the performance of the Mayor's casework team is not monitored, but that the Council does monitor cases allocated against each political party, covering both the Mayor's team and the wider Members' enquiry team. Between 9 May 2022 and 21 March 2024, the Mayor's casework team handled 7,827 cases – the equivalent of around 16 cases a day across the whole team.

4.62 We were provided with a structure for the Council's wider Information Governance Service in 2023. This comprised of 16 FTE staff to cover complaints including ombudsman complaints, members enquiries for 36 members and 2 MPs, Freedom of Information Act requests and Data Protection act cases, as well as council-wide compliance. The statistics provided to us by the Council shows that there were 3,785 Mayoral enquiries in 2023/24, compared to 6,029 Members' enquiries. Although the figures were closer in 2022/23 (4,251 Mayoral enquiries and 5,997 Members' enquiries), it is not clear why the Mayoral casework team has been more heavily resourced than the mainstream Information Governance Service. The number of Mayoral enquiries did increase by 23% between 2021/22 and 2022/23, following the election of the new Mayor. The size of the Mayoral casework team increased by 367%.

4.63 There is a feeling among some members that their enquiries are not dealt with quickly enough – the disproportionate size of the Mayor's casework team may have contributed to this feeling. There is a high demand from residents to have enquiries dealt with by the Mayor as there is a perception it will receive greater priority. The current system inappropriately creates a feeling of a two-tier response and the perception that the Mayor can resolve issues more effectively than the Council or other Councillors. We heard through the staff survey that officers in public-facing areas of the Council are told by members of the public that they will 'tell the Mayor' if they are not happy with the response from officers.

4.64 As part of the wider restructure of the Mayor's Office, the Council agreed a move for caseworkers in the Mayor's office dealing with housing, resident vulnerability and service access issues to the Council's customer service team. It was recognised that this area was over-resourced.

4.65 The Mayor's Advisor roles did not exist in our comparator councils. We are unaware of other authorities that operate this model. We have therefore examined the scale of the function, the work that the advisors do, the cost of this function and the manner in which individuals were recruited.

4.66 The advisors are employed through different routes. Seven members of the office are employed as agency workers, and we asked for details of the cost of their placements on 17 May 2024. On 21 May, we were provided with information indicating their fees amounted to £636,464.06 in 2023/24. We were also provided with their individual day rate. We were surprised at these figures, as they appeared to indicate that advisors were regularly working above the normal number of working days in the year. On 21 June we therefore sought clarification regarding the time-period covered, and whether the costs included expenses. We received information regarding this on 16 July 2024. The slow receipt of this information meant we had insufficient time to ask follow-up questions that would have allowed

us to provide a judgement on the working practices of the Mayor's Advisors. Had we asked questions in a slightly different way, we might have received the answers we sought, however we consider that the Council's approach to these particular requests has been a significant factor in preventing us from forming a key judgement on this matter.

4.67 On 31 July 2024, the Council provided us with information showing that the client net costs of the agency workers in the Mayor's Office were £275,707.14 in 2022/23,[45] £629,895.15 in 2023/24 and £191,923.44 in 2024/25. We do not know the exact period of the 2024/25 costs. This amounts to £1.1 million. Two advisors work under different arrangements, and we assume their salary costs to the authority to be around £60,000 a year based on information provided by the Council. As a whole, the Mayor's Office arrangements clearly represent a significant cost and an unusual arrangement which, in the case of the consultants, appears to cost more than it would to directly employ officers to undertake the same roles. It is therefore reasonable to test the value of the work they do.

4.68 The Mayor's Advisors advise the Mayor on a range of areas such as sport and wellbeing, the Somali community, social media, women and equalities, BAME media and community, social inclusion and external relations. The office also includes a policy analyst and a research officer. It is difficult to establish the value added of this group of advisors as they appear to operate in the community, sometimes at the fringes of the organisation, have access to key decision makers and provide limited written advice to the Mayor or Council. At the time of our engagement with them, the Mayoral Advisors had limited engagement with opposition Councillors and many staff do not understand their role in the organisation. In general, their qualifications and relevance of their previous experience to undertake these roles given their remuneration level is questioned by many. Staff believe that the Mayoral Advisors have significant influence with the Mayor which supersedes that provided by officers. We heard this in interviews and in our staff survey.

4.69 Many of the Mayoral Advisors have told us that they regularly represent and promote him externally. The Council advised us that their roles are primarily community focused and based. In our experience, representing the Mayor externally is normally undertaken by the senior officers in the council. We were also advised that most advice and updates are given to the Mayor and colleagues verbally. A number were unable to tell us how council functions relating to their brief were dealt with or delivered in the Council, or about the performance of the Council in those areas. They seemed to be tasked to provide an interface with stakeholder groups and to promote the Mayor and his priorities externally.

4.70 We do see some value in the work being undertaken by some of the advisors. We were provided with evidence of input from one advisor into a formal paper for a formal Council meeting, and one advisor in particular was positively named in our staff survey. We have also seen evidence of an advisor using their considerable network to leverage some benefit for the Council's communications function. However, we can see no justification for their roles being framed as 'Mayoral' roles and have not been able to find an appropriate benchmark for their value against the mainstream salary we would expect for a similar role outside the Mayoral Office

[45] We understand start dates to have been around October 2022 in most cases.

structure. It is our view that their remuneration exceeds that of any equivalent role in a council. It is common practice to use the senior leadership of a council and other senior managers for advice and only rely on expert advice for specialist projects or initiatives. The Council has a very strong and effective communications function and, while working relationships with mainstream officers in communications seemed to function well, the mayoral roles appear to create some duplication or over-resourcing.

4.71 We appreciate that the Council is determined to have a community focus, as is common among local authorities. Tower Hamlets has many operational staff working in those communities to support this focus. However, at a strategic level the Cabinet members through their portfolio and the backbenchers in their wards should normally provide the political interface and Council's political connection with the community and advise the leadership accordingly. As a result, therefore we do not consider the Mayoral Advisor model at the scale of that in Tower Hamlets constitutes value for money.

4.72 We understand that the Mayoral Advisors may have been used to provide trusted advice to the Mayor in the earlier stages of his administration as he felt he could not trust senior officers. This is likely to have been the origins of the 'two culture council' and amongst many staff and managers this culture still appears to exist. There may be some natural turnover of senior staff after a change of administration in any council, but in our experience, it is possible to build relationships between existing officers and a new administration. This requires work from all parties. It is not appropriate to, in effect, seek to replicate a role that should be played by senior officers in a Mayoral Advisor function.

4.73 We have covered four appointments processes to the Mayor's Office and Advisor roles in the unpublished Appendix E. In our view, two of these processes reflect a fair and robust process. As his name was referenced in the Secretary of State's letter to the Lead Inspector, we would like to be clear that one of the robust appointment processes we reviewed was for the Deputy Head of the Mayor's Office. We had significant concerns about the other two processes, which we consider demonstrate patronage at worst and very weak recruitment processes at best. For these two roles we do not consider that the Council has met its duty to make appointments on the basis of merit. Weakness in process in these cases therefore contribute to a perception that there is a culture of patronage within the Council.

Political Leadership

4.74 The Mayor has a significant political mandate and was elected with a clear set of priorities in his election manifesto, which are reflected in the Council's strategic plan for 2022-26 providing strong political leadership to the Council. Managers and staff are very clear that the Mayor makes key decisions and that they are expected to deliver these decisions.

4.75 The political environment in Tower Hamlets is complex and can feel very chaotic to outside observers and to staff and Councillors. Many interviewees described the political environment as 'toxic' and that they were resigned to this environment in the Council continuing stating, 'that is just how Tower Hamlets politics has always been'.

4.76 We have seen both main political groups engage in backward looking debate which detracts from the Council's ability to move forward positively, and to fulfil its normal functions of debate and scrutiny.

4.77 At times we have observed the Labour group as a collective struggle at times to effectively challenge the executive. This may in part be due to the nature of the political history in Tower Hamlets. There is also limited evidence of the backbench administration Councillors holding Cabinet and executive to account. As a result, there is not sufficient robust public scrutiny demonstrated across all committees. Outside of the formal Council meetings, we understand there are some good relationships across the political divide.

Member Capacity and Capability

4.78 At the May 2022 local elections, the Aspire group were elected in 24 of the Council's 45 seats and are the majority group on the Council. Only five Aspire group Councillors had previous experience of serving as councillors. This inexperience within the group is obvious and is demonstrated on occasions by; a lack of confidence, poor chairing of meetings, poor agenda management, and a lack of formality and order being exercised in formal meetings.

4.79 In our time in Tower Hamlets Council it was rare for public meetings we observed to start at the published time. Other examples of inexperience include Councillors being seen signing attendance registers before a meeting then leaving before the meeting formally starts, and agenda items being rearranged during meetings without explanation or being missed. The gatekeeping of debate in some meetings felt disorganised and does not encourage inclusivity.

4.80 We have observed and have been told by the Council's strategic partners and opposition Councillors that some Councillors from the Aspire group rely heavily on pre-written scripts to participate in meetings, leading to a feeling that debates are stage managed. It was the view of partners that the administration Councillors did not always understand the answers to questions, and found it more difficult to participate in any unscripted debate or engagement. We have ourselves observed that members sometimes appear to read from pre-scripted notes when asking and responding to questions, and participating in formal meetings. This can stifle debate.

4.81 We interviewed all the Cabinet members in post up to 15 May 2024, as well as the Chairs of Overview and Scrutiny and Audit Committee. The Cabinet members present as very committed to delivering the Mayor's priorities, making a positive difference in their communities and wanting what is best for the residents across the borough. There is evidence of some strong working relationships between Cabinet lead portfolio members and their respective directors.

4.82 Whilst some Cabinet members are clearly capable and on top of their brief, in interviews others were unable to clearly describe the breadth and detail of their portfolio and provide detailed analysis of the priorities, strengths and weaknesses of their portfolio. In summary, we believe the capability of lead members and Committee Chairs is variable and although many are on a steep learning curve. We would expect them, as a group, to be more competent and confident in these roles over halfway through a four-year electoral and administrative term. We have been

provided with details of a comprehensive member-development programme, including a focus on chairing skills. We would encourage members to continue to make use of this offer, as well as subject-specific member briefings, where they would benefit from further development.

4.83 While we recognise that Tower Hamlets runs a mayoral model and that decisions to delegate sit with the Mayor, we consider that further delegation to and empowerment of those portfolio holders who demonstrate good capability and potential would strengthen the Council's ability to deliver its priorities.

Member/Officer Relationships

4.84 The Mayor described to us his experience of the first year of his administration when senior officers, in his view, did not provide options and alternatives for decisions and he felt they were obstructing his ability to lead the organisation and for him to drive through his priorities. On the other hand, we have heard accounts by some former senior officers indicating that they made significant efforts to provide delivery options for the Mayor's political priorities. We heard of senior officers going several weeks without meeting the Mayor, or having meetings repeatedly cancelled. In one case we understand there to have been a breakdown in the relationship between the Mayor and the Officer. In another, we were informed that the limited contact was a result of performance management issues. Assuming the judgement of poor performance is correct, it is difficult to see how this officer would have reasonably been able to improve their performance in such circumstances. During this period these officers were expected to communicate through other individuals, such as the Mayor's Office and the Mayor's Advisors.

4.85 Our review of final reports over the past three to four years does not indicate a significant change in the number of options and the range of recommendations made to each Mayor, Cabinet or Council meetings between each administration. This feeling that officers were obstructive is probably as a result of the lack of trust between the Mayor and senior officers in the first year to 18 months of this administration, however, there is no doubt there are now much higher levels of trust between the Mayor and the current Corporate Leadership Team.

4.86 The current Chief Executive meets the Mayor frequently and regularly. This is based on their long-term working relationship, which does enable some frank discussion to take place, and some officer challenge to occur.

4.87 In our section om staff experience, we outlined that our staff survey free-text responses highlighted some negative views from staff about their engagement with members, and the impact this has on morale. We have also heard from a number of officers that meetings with Councillors can often start late, are cancelled at the last minute or overrun. This is frustrating for officers, and cannot be conducive to good relationships between officers and members.

4.88 Some members of the Labour group have expressed that they have no confidence in some senior officers in managing the Council and dealing with their group concerns. They have indicated that is primarily due to the return of managers and officers from the Mayor's previous period in office.

Two-Council Culture

4.89 The LGA Corporate Peer Challenge (CPC) highlighted the presence of two cultures within the council. It stated that:

'There is clear evidence and constant reference to a 'two council' culture between the senior management and the Mayor's Office. This appears to still generate bottlenecks in the operation of the council's business and does appear to impact negatively upon the speed and effectiveness of decision making.'[46]

4.90 Having spoken to some of the LGA CPC team, our understanding of their meaning for this view is that there is a parallel Council operating through the Mayor's Office, alongside the mainstream officer cohort. We agree with this description and believe this to still be the case.

4.91 Although the Chief Executive indicated to the inspection team and has stated publicly in formal council meetings that the two-culture term was generated by him rather than the LGA CPC Team, we still found that many interviewees referenced it and referred to the need to work through the Mayor's Advisors or the Mayor's office to obtain decisions which created delays and bottlenecks in decision making. There is a confusing set of accountability arrangements, with many Boards, senior managers and cabinet members involved. Despite senior managers telling us there is no longer a two-council culture many staff and based we still believe it to still be the experience of many in the organisation.

4.92 Despite this confusion, some staff members were absolutely clear with us that, in their words, all decisions were signed off by the Mayor. We heard that this from many sources that was tacitly the case even where officer delegations existed. It is the processes and number of layers and parallel pathways which cause the delay and confusion, which has been echoed by staff. This environment re-enforces the cultural challenge of a directly elected Mayor who has minimised the number of delegations therefore generating a funnel for decisions that can become overloaded, causing delays and confusion both internally and externally.

4.93 We do not consider that the planned structural changes to the Mayor's Office will be sufficient to address the two-council culture issue, which we believe is derived from ways of working and operating, informed by the organisation's culture. This will take a great deal of time and concerted effort to address.

4.94 We have also heard a view that the two-council culture was inherited in May 2022, and that the Council has gone a long way towards overcoming it. As we have stated elsewhere, this is not an inspection of the Council of the past. We have seen evidence that among officers, the view that there is a two-council culture prevails. A number of respondents to our staff survey spoke about a 'them and us' or 'two tier' culture in the free-text boxes, and 52% of our 304 respondents thought that the Council does not operate well as one cohesive organisation.[47]

[46] LGA Corporate Peer Challenge Report, 2023, p.5.

[47] 11% thought that the Council operates 'extremely well' as one cohesive organisation, 32% 'somewhat well', 52% 'not well' and 5% did not know.

5. Governance

Best Value Guidance - Governance

In a well-run council officers and members will have a clear understanding of the democratic mandate as it operates in the organisation.

There will be clear and robust governance and scrutiny arrangements in place that are fit for purpose, appropriate to the governance arrangements adopted locally (executive / committee system), and in accordance with statutory or sector guidance such as statutory guidance on overview and scrutiny and the Centre for Governance and Scrutiny's governance risk and resilience framework. These arrangements should be understood by members and officers alike, reviewed regularly and accurately described in the Annual Governance Statement.

Decision-making processes, within clear schemes of delegation, should be transparent, regularly reviewed, clearly followed and understood, enabling decision-makers to be held to account effectively. There should also be evidence of the decisions following good public law decision making principles (reasonableness, rationality, proportionality, legality, fairness etc).

Codes of conduct and HR processes should be to sector standard and ensure effective support for whistle-blowers.

5.1 The scope of the inspection as set out by the Department includes decision-making and governance in relation to the functions about which the Department had concerns.

5.2 Local government impacts the lives of citizens every day, providing essential services to those it serves. Their proximity to local people means that their decisions can directly affect citizens' quality of life. It is therefore essential that local authorities follow principles of good governance and maintain high standards of conduct to protect the integrity of decision-making, maintain public confidence and safeguard local democracy.

5.3 The guidance expects that a well-run council will have clear and robust governance and scrutiny arrangements in place that are fit for purpose. Decision-making processes, within clear schemes of delegation, should be open and transparent, regularly reviewed, clearly followed and understood, enabling decision-makers to be held to account effectively.

5.4 The spirit and ethos of good governance cannot operate in a vacuum, nor can it be achieved by simply following rules and procedures alone. It requires decision-makers to behave with integrity, demonstrating a strong commitment and ethical values in line with the seven principles of public life,[48] also referred to as the Nolan principles. These apply anyone who works as a public officeholder, which includes

[48]The Seven Principles of Public Life, https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--

all those who are elected (councillors) and all people (officers) appointed to work in local government.

5.5 Organisational governance is the system of rules, practices and processes by which the organisation is directed and controlled. Governance also refers to the way in which organisations are governed and to what purpose. It identifies who has power and accountability and who makes decisions. Whilst the council has rules, practices and processes in place, occasionally it stops short of fully following them. We found it was not always clear who the decision-maker was and as a result in our view decision-makers not always being held fully to account. The Council has responded to a number of the smaller-scale governance issues that we raised throughout the inspection, for example the way in which notice of meetings is given to the public.

The Council's Decision-making Process

5.6 Following a local referendum in 2010, the Council operates with an elected mayor and cabinet model of governance. This means that the decision-making framework is split between 'executive functions', which are the responsibility of the mayor and 'non-executive functions' which are the responsibility of full Council.

5.7 There are also some functions which, by law, a council can choose to be either an executive function or a non-executive function. Whether a function is an executive or non-executive, or a local choice function is specified in legislation, the Local Authorities (Functions and Responsibilities) (England) Regulations 2000[49] (the 2000 regulations). In Tower Hamlets, the Council has determined that all local choice functions as set out the 2000 regulations, shall be allocated to full Council.

5.8 An elected mayor is entitled to carry out all of the council's executive functions but also has the power to delegate these functions to a cabinet, or to an individual member of the cabinet, or a committee of the cabinet, or to an officer of the council, which would enable them to discharge these functions on behalf of a mayor. Similar delegation powers apply to full council, it may also choose to delegate non-executive and local choice functions to a committee of the council, or by an officer of the council, to enable them to make the decisions or discharge these functions in its place.

5.9 In Tower Hamlets, the Mayor has decided to form a Cabinet, the size and composition of which is solely a matter for him to decide, so long as he appoints a minimum of two and not more than nine councillors. The Mayor may choose to appoint Councillors from any political group or those not in a political group and need not reflect the political balance of the Council as a whole. However, they cannot be Cabinet members if they form part of the Council's scrutiny committees. The Mayor must appoint a statutory Deputy Mayor from his Cabinet to act as his deputy. If for any reason the elected mayor is unable to act or the office of the elected mayor is vacant, the Deputy Mayor must act in the elected mayor's place.[50] The Mayor will report his appointments to full Council.

5.10 At the annual meeting of the Council, held on 15 May 2024, the Mayor reported that he has appointed nine Cabinet members, including the statutory Deputy Mayor

[49] The Local Authorities (Functions and Responsibilities) (England) Regulations 2000, https://www.legislation.gov.uk/uksi/2000/2853/contents

[50] Localism Act 2011 schedule 2, https://www.legislation.gov.uk/ukpga/2011/20/schedule/2/part/2

and that he has also allocated portfolio roles to each of his Cabinet members. In Tower Hamlets, references to the executive mean the Mayor and his Cabinet members. When the Mayor and his Cabinet members (or the executive) collectively meet in a formal setting this is known as a Cabinet meeting.

5.11 As at 15 May 2024, the Mayor has not delegated any decision-making powers to his Cabinet to enable them to either collectively or individually make any decisions or discharge his executive functions. This means whilst they lead and have been allocated relevant portfolio responsibilities, they do not have the delegated powers to make decisions.

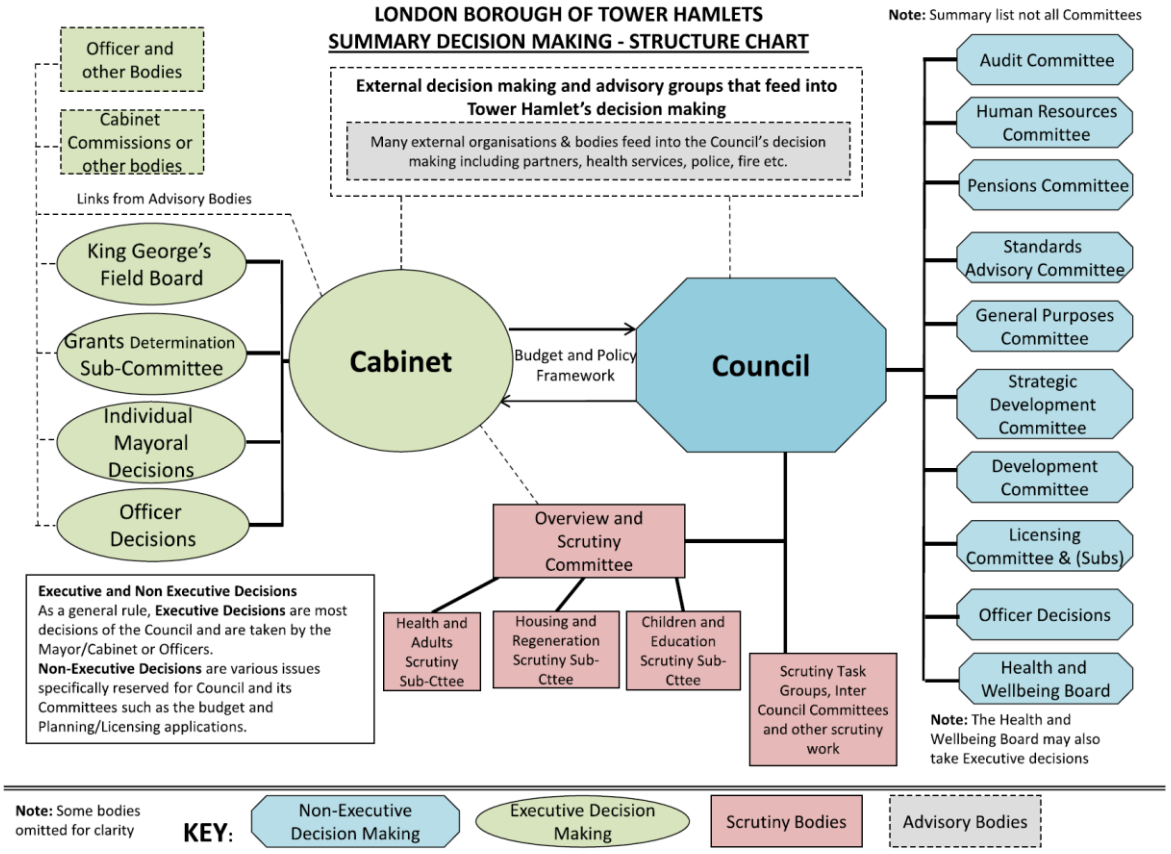
5.12 This appears to cause some delays and frustrations with most decisions being referred onwards to the Mayor, creating bottlenecks. While in many cases it is Cabinet members being briefed by officers, they must onward the brief and seek approval from the Mayor so that they can provide to steer to the relevant officers. There are some very capable Cabinet members who we consider are less able to develop their skills as a result of this practice. The Mayor is proud to have taken time to support the Cabinet team, none of whom had held Cabinet positions previously, and we heard from Cabinet members directly about the value they place on this support. We recognise that this is a journey, but consider there is further room to empower lead members at this stage.

5.13 The report setting the Mayor's executive arrangements can be found in the papers for the Council's annual meeting on 15 May 2024.[51] The report confirmed that he has set up two Cabinet sub-committees; the Grants Determination and the King George's Fields Charity Board to make decisions about certain executive functions. It also confirmed that subject to the Mayor's approval, council officers can take any executive decisions regarding revenue and capital resulting in expenditure or savings over £250,000. These must only be taken following consultation with the Mayor.

5.14 During our interviews officers informed us that the impact of the lack of delegation causes delay. The Corporate Peer Challenge also commented on the impact of this and suggested that the authority reviews its scheme of delegation and that the Mayor should also consider delegating some decisions to his portfolio holders. The Council's CPC Action Plan progress reports marks this recommendation as green 'completed' and sets out that the Mayor will keep the matter under constant review. However, it also notes that no decision has been taken to make further delegations. Beyond stating that such practice is common in elected mayoral authorities, no reason is given for not making further delegations. The Council has noted that new processes have been put in place to reduce delays in the Mayor's Office. Marking this recommendation as green suggests that the Council agrees with and has taken full action on the 'spirit' of this recommendation. The Council should find a clearer way of representing their position transparently.

5.15 Further details of the Council decision making framework is set out in the diagram below.

Diagram 3: London Borough of Tower Hamlets, summary decision-making structure chart



5.16 The Local Government Association Corporate Peer Challenge also highlighted governance as a key issue. We consider there are still very complicated internal governance arrangements. The number of internal boards is reducing, but there remains a significant number in place and many still are without clear linkages and lines of accountability to other activities. This can be very confusing, hierarchical, lacks individual accountability and can inhibit service improvement.

5.17 The Council has an ongoing project seeking to rationalise and reduce the 95 boards chaired by a corporate director, service director or head of service. This was due to conclude in June 2024.

5.18 Simplifying board and project governance, so that it adds value, speeds decision making and simplifies decision making must continue to be a priority going forward. Simple officer delegations are used in most councils with a small number of boards for major programmes or priorities with simple sponsorship arrangements. This gives clear unambiguous responsibility and accountability for delivery. This is important in creating a culture where everyone understands the organisation's priorities, the organisational governance arrangements, and the contribution they make to delivering outcomes.

The Constitution and Constitution Review

5.19 Details of how the Council undertakes its business and the procedures that must be followed are set out in its constitution.

5.20 In his directions to the Lead Inspector, the then Secretary of State asked him to pay particular attention to potential changes to the Council's constitutional arrangements. The 2023 LGA Corporate Peer Challenge recommended that the constitutional review, which is currently taking place should consider reviewing the delegated responsibilities from the Mayor to both Cabinet councillors and officers, with a view to speeding up decision-making. It also recommended that the Council should consider best practice in relation to the chairing, membership and cross party working in and of key committees such as full Council, Overview and Scrutiny Committee and Audit Committee. External training for these committees should also be arranged.

5.21 All councils have a statutory duty to maintain a constitution. The constitution is a document setting out how the council operates, clarifies how decisions are made, who is responsible for making the decisions and the procedures that must be followed. The constitution also sets out the roles and responsibilities of councillors and the employed officers who support them to carry out their work. It describes the key responsibilities of certain officers who have special duties set out in law.

5.22 The Council's General Purposes Committee is responsible for a range of non-executive functions including to oversee the effectiveness of the constitution and to consider and agree changes, except where these changes need to be presented for full Council's approval.

5.23 At its meeting held on 12 October 2022, this Committee requested that a Constitution Working Group (CWG) be established to review the council's constitution and to prepare recommendations for agreement by either the General Purposes Committee or, full Council as deemed appropriate. Apart from minor changes, the last significant review of the constitution was undertaken in 2018/19 and since then it has remained in its current form. Accordingly, a holistic review is long overdue.

5.24 The CWG was established by the previous Chief Executive, exercising his powers as set out in the constitution. We were informed that the membership of the working group is not subject to the requirement to reflect the overall political balance of the Council and it was for the group leaders to determine who they appointed. It currently has three Aspire and two Labour Councillors plus an open invite to the ungrouped Councillors. On 23 February 2023, the General Purposes Committee received a report setting out the details of the membership.

5.25 The CWG has no decision-making powers, therefore any suggestions will need to be formally agreed by either the General Purposes Committee or full Council. It will agree a work programme for the Council to be able to carry out a comprehensive review of the constitution. The intention is to have a meeting every 3-4 months to discuss progress.

5.26 Last year, the Council commissioned the Association of Democratic Services (ADSO), to review the constitution and provide a gap analysis report, which was provided on 14 December 2023 (referred to as phase 1 by the council). In January

2014, ADSO also provided a report (phase 2) of the results of a 'light touch comparison' of constitutions operating in a mayoral style of governance.

5.27 In summary, ADSO commented that the constitution is too long and lacks consistency, which makes it difficult to navigate. It also suggested that whilst the document is published on the website, it is not easily accessible in its current format. The phase 1 report included technical and legislative amendments, suggested clarifying wording discrepancies, the formatting and for the Council to consider moving to a user-friendly document.

5.28 The working group has met twice, on 19 September 2023 and 19 June 2024. On 19 June 2024, the CWG formally received and accepted the two ADSO reports and considered the recommendations from the first ADSO review and discussed which ones should be progressed as a priority. They also considered the format, style and the steer from the CWG was that the officers should look to move towards a modern style of constitution, but it was not a priority given the amount of work it was likely to take. The CWG was informed that officers had already started working through the phase 1 ADSO recommendations. The CWG is due to meet again in September 2024, and it was agreed that it will review the amendments suggested by the officers.

5.29 Concerns were raised with the inspection team that the constitution review is generally carried out by the same person, who initially pulled the document together and therefore, not a fresh pair of eyes resulting in little change or modernisation. Therefore, it is reassuring that the Council has both commissioned an external review of its constitution and that the CWG will have oversight of this review.

5.30 The information provided to the inspection team, unfortunately did not include an update of the CWG's response to the 2023 LGA's corporate peer challenge constitutional recommendations; namely a review of delegated responsibilities from the Mayor to both Cabinet councillors and officers, and to consider best practice in relation to the chairing, membership and cross party working. It is advisable for the Constitution Working Group to consider agreeing a firm timeline for the completion of the constitution review.

Openness and Transparency in Decision Making

5.31 The national rules around local authority meetings and decisions have been well established for some time now. In 2012 regulations[52] came into force that apply to meetings and decisions for all executive functions and in 2014, further regulations[53] came into force that apply to meetings and decisions for non-executive functions. These national rules are broadly similar promoting the fundamental principle to make councils more transparent and accountable to their local communities, including councillors and officers to comply with these rules which are based on a presumption in favour of openness regarding its decision-making processes.

5.32 In summary the national rules cover:

[52] Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 SI 2012/2089

[53] August 2014 the Openness of Local Government Bodies Regulations 2014 SI 2014/2095

- The meetings that must be held in public, those that may be held in private and the procedures that must be followed before a meeting is held in private
- The rights of members of the public to film or record meetings
- The public notice that must be given in advance of meetings
- Public access to reports, agendas and other documents before, at and after meetings.
- The public notice that must be given before key decisions (executive decisions) are taken by an elected mayor, an individual councillor or officer.
- Public access to the meetings, minutes of meetings and to a record of certain decisions taken at executive (cabinet) meetings or, by an elected mayor, an individual councillor or officers, plus other related documents.

5.33 The legislative requirements and processes that the council must follow are reflected in detail in the council's constitution and explained further in its guidance documents prepared for its officers. On the face of it, the Council does seem to follow the national rules, however, there have been a few instances where we have observed that the Council has not been fully meeting the statutory requirements. These instances are referenced within this report and, where appropriate, we provided some feedback directly to council, to which they were receptive.

5.34 The Council must give notice of any forthcoming public meetings at least five clear days before they take place. The details of the meeting, such as the time and place, must be published at the Council's designated offices. The notice may also be published on the website, where practicable. The Council will also publish the agenda and any background papers for inspection at least five clear days before the meeting.

5.35 The inspection team was informed that:

The following are the standard steps taken to publish the agenda and notice for our Council and Committee meetings. (Agendas published 5 clear days before the meeting).

- *Agenda front sheet/summons attached to the notice board at the front of the Town Hall*.
- *Hard copy of the agenda is placed behind the reception desk.*
- *The agenda will be 'pushed' out to the Mod.Gov App on the Councillor's laptops (with Members of the Committee able to see restricted papers).*
- *An email notice is sent out to all the relevant Councillors alerting them to the meeting.*
- *In addition, the public part of the agenda is also published on the Council website and is made available to anyone (including the public) who has subscribed to the (free) Mod.Gov App.*
- *A small number of hard copies are also provided at the meeting itself.*

5.36 The above information was provided after we had observed that the summonses for meetings (the formal documents produced alongside the meeting's agendas and reports) were not always posted at the Town Hall notice board as its designated offices, for these purposes. In respect of the full Council meeting held on 8 May 2024, the inspection team observed that the requisite notice (in the form of front sheet / summons) in accordance with the national rules, had not been

posted at the Town Hall. We were also unable to ascertain the date of publication from the website as, unfortunately, the front sheet/summons was not dated. Hence, it was questionable whether the requisite notice requirements for calling a valid meeting had been met. The Council provided us with adequate assurances that on this occasion the summons, agenda and reports were published within the five clear days. Subsequently, we were informed that through our feedback to the Council, it is now publishing the website agenda front sheet (summons) with the date of publication.

5.37 We also observed that the requisite notices for some of the Appointments Sub-Committee had been not posted at the Town Hall. This oversight has also been addressed.

5.38 Failure to give the requisite notice of a meeting may mean that the decisions taken at the meeting are unlawful and ineffective, although the courts generally adopt a pragmatic case-by-case approach to technical breaches. The process may be challenged through legal proceedings by a person affected by the decision, usually judicial review proceedings, or by intervention by the external auditor.

5.39 There are also specific requirements when the executive (the Mayor) is intending on taking a key decision. The national rules require a council to publish its intention to make a key decision in a document at least 28 clear days prior to when the decision is intended to be made. The notice has to include details of the individual or executive body that will make the decision, the matter that is subject to a decision, other documents to be considered, and where these other documents are available. This notice document must be available at the Council's offices and on its website before the decision is made. There are also specific notice provisions if council is intending on taking a decision in a private meeting.

5.40 Prior to holding a private meeting, the Council must have published on its website and at its offices at least 28 clear days' notice of its intention to consider a matter in private and the reasons for the private meeting. This is to ensure that members of the public have reasonable opportunity to make representations as to why the proposed private meeting should not be held in private. Following this initial notice, at least five clear days before the meeting, the council must confirm its intention to go ahead with the private meeting through publishing another notice on its website and at its offices. This second notice has to include details of any representations received and the council's response to them. During the inspection period the Council had observed these rules.

5.41 A key decision of a council's executive can be made without giving the 28 days' notice (referred to by the Council as a general exception notice), provided the following requirements are met:

- the relevant Overview and Scrutiny Committee Chairman is informed in advance and in writing (or all the members of the Overview and Scrutiny Committee) about what the decision is concerning;
- a notice about the key decision to be made is made available for inspection at the council's offices and published on the website; and
- 5 clear days elapse following the day a notice is published about the key decision to be made.

5.42 It was not always clear whether the rules around the urgency procedures were being followed, for example, a Cabinet report was received on 16 July 2024, the reasons for urgency had been explained but it would have also been helpful for the Council to set out the processes it followed adhering to the rules. The Council subsequently confirmed to us that it followed the correct procedures.

5.43 If there is a case of special urgency, for example an urgent decision on a negotiation, expenditure or contract, the decision must only be made if the agreement of the Overview and Scrutiny Committee Chair is received. If agreement is given, a notice explaining why the decision is urgent and cannot reasonably be deferred, must be published and should be available at the council's offices and on its website as soon as reasonably practicable.

5.44 The elected mayor must report to the full Council, at least annually, giving details of the key decisions taken under the urgency procedure since the last report. In Tower Hamlets, the report is submitted at its annual meetings. Over the period of the municipal years, between May 2020/21 to May 2023/24, the urgency provisions have been sparingly used, however, this year they were slightly higher than in previous years.

5.45 We have observed an overly high reliance on supplementary agendas, where committee meeting agendas are published marked with 'reports to follow'. The reasons provided for either lateness or use of urgency provisions are weak, for example, reasons such as 'due to an administrative error' or 'due to internal consultation processes.' The Cabinet meeting held on 16 May 2024 received several late reports. This may have been due to a change of date, from 22 May 2024, however, no reasons were given as to why it was rescheduled. Some items were for an update or for Councillors to note, such as the medium-term financial strategy and the scrutiny improvement plan reports. Accordingly, there were no urgent decisions to take.

5.46 The Council has good agenda management processes, therefore, there should be very limited instances for reports to be published late. An important part of ensuring openness and transparency in decision making is making sure that local communities have sufficient knowledge in advance of decisions that are due to be made. It also allows, where appropriate, for members of the Overview and Scrutiny Committee sufficient time to consider an executive decision.

5.47 We have also observed a high volume of reports that are merely to update the Councillors or for them to note the information provided. Local authorities differ in their approaches to this practice, and some do not publish such reports, reserving the formal committee meetings to discuss and make decisions. They have found other ways to update their councillors and communities. This also enables both the councillors and staff to focus on delivering its priorities. It can also become confusing to clearly understand whether or not a committee has made a decision to approve an update. A recent example of this at Tower Hamlets is the scrutiny improvement plan which was taken to the Cabinet meeting of 16 May. An explanation had to be provided by officers to the Overview and Scrutiny Committee members that Cabinet had only discussed and noted the report, and not taken any decisions.

5.48 As well as prescribing what papers and documents that the public can access before (and at) meetings, the national rules also cover what information a local

authority is required to publish and keep after a meeting. These rules apply when an executive decision or non-executive decision is made, either in a meeting or by an individual councillor (relating to an executive decision), including officer decisions, either discharging an executive or non-executive function.

5.49 The council publishes all its executive and non-executive decisions, related documents and minutes on its website. We found the way that the Council sets out the decisions it intends to take confusing, and have provided feedback about this. We also observed inconsistencies in way the Council records its executive decisions. For example, the templates and associated relevant information displayed state that the decision maker is the Cabinet. However, as mentioned elsewhere in this report, the Cabinet do not make decisions collectively, as the decision maker is the Mayor. We have sampled some published minutes where the Council need to make it clear that the Mayor made the decision in a Cabinet meeting. The decision records need to provide clarity and be consistent. Currently, it gives the impression that the Cabinet has made the decisions, which is not the case. It should not be left for interested parties to undertake this level of research to find out where decisions were made and by whom.

5.50 Similarly, with regard to the use of the urgency provisions, the website information, templates and reports should make it clear at that the outset the specific steps taken to ensure that the regulations have been complied with, such as the date when the Chair and or the members of the Overview and Scrutiny Committee were informed.

5.51 The Council should also review its heavy reliance on publishing reports after the initial agenda has been published, as it is difficult to follow the order of reports on the website and the order of proceedings at the meeting.

5.52 We have mentioned previously in the report that Council meetings must be open to the public, except in limited, defined circumstances. If the meeting is to consider information ruled to be ‘confidential’ by a Government department, by statute or by or a court, it must be held in private.

5.53 If a meeting is to consider information that falls within one or more of the categories of information that can be ‘exempt’,[54] the councillors present at the meeting can decide formally to exclude the public, giving reasons as to why. The categories cover individual privacy, commercial confidentiality, trade union negotiations, legal privilege and enforcement action. A local authority's decision to grant itself planning permission must be taken in public.

5.54 The relevant committee meeting must decide that, on balance, the public interest favours holding the meeting in private. Before the relevant meeting takes place, the authority can provisionally anticipate this decision and withhold the information in question, marking the papers with the exemption category at the publication of the papers. In summary, subject to these rules about confidential and exempt information, the public must be able to access agendas and reports when they are published and at the meeting.

5.55 The Council’s approach to publication, once again, is inconsistent. There are some reports that are available for public inspection and where there is exempt information to be considered it has been attached as an appendix to the report,

[54] As set out in Schedule 12A to the Local Government Act 1972.

thus ensuring that the majority of the information was available in the public domain. However, in some instances, the entire report has been exempted from public publication. This was the practice, until recently, in respect of the Appointments Sub-Committee meetings. The Council is now publishing information relating to these meetings on its website. The hard copies of the reports were still entirely exempt, including the notice of the meeting. Similarly, regarding recent Audit Committee meetings, the entire papers were exempt.

5.56 We do not consider that it was either appropriate or necessary for entire reports to be exempt in these cases, especially when some of the information was already available in the public domain, such as adverts for the roles, job descriptions, selection and interviewing processes and salaries. The current arrangements relating to the provision for adult social care was already in the public domain. It is suggested that the Council should review this practice and always ensure openness and transparency, follow good practice and publish as much information as possible in the public domain.

5.57 When Tower Hamlets Councillors are considering whether to exempt access to a private part of a public meeting, they should take more care to give proper and due consideration to weighing up the public interest and provide reasons for withholding the information. There should always be a presumption in favour of openness and transparency unless there is a good reason to make a report exempt.

5.58 Whilst the national rules were principally introduced to provide significantly greater transparency and openness into the meetings of a council's executive, its committees and sub-committees, they also strengthen the rights of councillors to access information about items to be discussed at a public or private meeting of their council's executive.

5.59 Councillors should be provided with adequate information about services or functions upon which they may be called upon to make or scrutinise decisions, or which affect their constituents. In the normal course of events, this information will be made routinely available by officers in the form of reports, departmental plans and updates. Members are encouraged to make use of existing sources of information wherever possible.

5.60 Councillors have a range of rights to access information. The Council has set these out in its constitution. Where possible, requests by Councillors for access to information or documents, held by the Council, should be supported by officers. Conversations should take place between the Councillor and officers to understand their objectives in seeking the information and having a sense of the objectives. Officers are then more likely to be able to assist in providing them with information sought. Councillors in receipt of confidential, sensitive or exempt information, should aware of their responsibilities under the Councillors code of conduct and that as public servants, they must abide by the Nolan principles.

5.61 We have been provided with some examples where, in our view, the Council's interpretation of Councillors rights to access information, including potentially exempt documents has been too restrictive. We recognise that, under some circumstances, a cautious approach may be required, particularly regarding sharing legal advice or external counsel opinions. However, maintaining legal privilege should be weighed against the public interest. Where there is legitimate

public interest for Councillors to understand why such a decision was being proposed, and why it demonstrated best value, then the Council should consider waiving legal privilege.

5.62 To encourage a culture of openness, transparency and trust between the officers and members, the Council needs to reconsider its approach and application of the access to information regulations.

5.63 To support Councillors, the Council operates a members' enquiries system for routine requests for information and advice. The members' enquiries policy and process was last updated in January 2022. Under this policy, the Council aims to respond to Councillors within a maximum of 10 working days.

5.64 In 2023, the team dealt with approximately 700 members enquires. We had received examples where there were lengthy delays in responding to councillors enquiries, in some cases taking up to six months to respond. Some Councillors spoke to us about their frustrations that the current process is not meeting their need as elected politicians to respond to their constituents in a timely manner.

5.65 The 2023 Corporate Peer Challenge review recommended that the Council reviews its approach to handling member enquiries, complaints and freedom of information (FOI) requests, to ensure less duplication, faster responses and greater efficiency. This recommendation was accepted by the Council and this work is underway.

5.66 A restructure of the customer services team forms part of the Council's Target Operating Model, which was officially launched on 11 July 2024, at the Council's all-staff event.

Principles of Good Decision Making

5.67 The guidance expects there should be evidence of decisions taken to follow good public law decision making principles of reasonableness, rationality, proportionality, legality, fairness etc. The Council has set out its principles of decision-making in the constitution as follows:

All decisions of the Council will be made in accordance with the following principles:

a) proportionality (i.e. the action must be proportionate to the desired outcome);
b) due consultation and the taking of professional advice from officers;
c) respect for human rights;
d) a presumption in favour of openness;
e) clarity of aims and desired outcomes;
f) take account of all relevant matters;
g) discount irrelevant matters; and
h) explaining what options were considered and giving the reasons for the decision.

5.68 Each decision must be made by the most appropriate person or body who has the authority to make the decision. Also, in its constitution the Council has set out decision making responsibilities and the procedure (rules) that the decision maker must follow. There may be occasions when the Council, a Councillor or an officer

maybe acting in a quasi-judicial manner or determining a tribunal matter, if so, they must abide by the relevant obligations and the procedures to be followed, this is also set out in the constitution.

5.69 Good quality decision-making involves challenge and the review of options and alternative proposals through a discussion before reports are made public. At Tower Hamlets, the pre-discussion takes place at MAB. We were informed that regular meetings with leadership team members and relevant portfolio holders with the Mayor did not always take place in the early days of the administration, perhaps symptomatic of the lack of trust between the Mayor and senior officers at that time. These meetings appear to occur more regularly now.

5.70 On 9 May 2024, the Chief Executive emailed all Councillors to provide them with an update on the progress that the Council had made reviewing and developing clear and readily available guidance to help Councillors and officers to understand and interpret the decision-making rules and procedures as set out in the constitution. The Chief Executive informed them that a new internal webpage went live which is available to all Councillors and officers bringing together a range of previous guidance documents covering such matters as who can take decisions, role of the Mayor, Cabinet/Committee processes and public notices, publishing officer decisions etc. We found the documents and guidance notes easy to navigate and a helpful steer for all decision makers.

5.71 However, we have observed that the internal processes as set in the guidance documents are not always followed. For example, the financial and legal comments in the covering report for the Appointment Sub-Committee for the interviews for the post of the Director of Legal and Monitoring Officer referred to the recruitment process for the role of Corporate Director of Health and Adult Services. We have been informed that not all reports are cleared by the relevant in-house teams, this might therefore explain this error. We were also informed that it is not unusual for the legal team to receive reports late for legal clearance, sometimes to provide comments within a two-hour deadline.

5.72 In our opinion the guidance notes should go further and make clear that it is the responsibility of the Mayor, Councillors and officers to familiarise themselves with the controls and principles set out in the Council's constitution which explains how the Council makes decisions. The decision maker must be satisfied that they comply with them every time they make a decision. They must also be able to demonstrate this if needed.

5.73 It seems that the above poor practices are occurring despite senior officers being informed of the updated guidance to ensure best practice in governance and decision making. We understand that the Council also offers bespoke training and some services such as the housing team have recently taken up this offer.

5.74 In addition to the principles of decision making, the decision maker must also avoid any potential or perceived conflicts of interest. They should also observe any rules that govern predetermination. Predetermination occurs when a decision-maker approaches a decision with a mind which is closed to the merits of any arguments for or against that decision. In our view, this was not always apparent in of the some of the council's overview and scrutiny committee and audit committee meetings.

5.75 All decisions must be made in accordance with the law, including ensuring that any procedural steps are followed. In addition, decision makers must have regard to any guidance and codes of practice that may apply. Where the decision maker is affiliated to a professional body that operates a code of conduct and sets professional standards, they must also comply with these.

5.76 During the inspection interviews with staff and the free-text responses to the staff survey showed that several officers relayed their fear of being sidelined or marginalised if they provide advice that does not meet with the administration's approval. This was clearly placing stress on officers affected, who sometimes felt that this was perpetuated rather than challenged by the corporate leadership. In the staff survey, we heard that this dynamic means that risks are not always adequately addressed in formal reports. There was a recognition that those officers working within statutory frameworks or limitations were more 'protected' from this pressure. Some officers told us that there was a fine line between balancing their professional duties and those of delivering the Mayor's priorities.

5.77 As mentioned above, the 2012 and 2014 regulations require that all decision makers ensure that the processes they follow are as open and transparent, particularly when decisions are made by individuals in meetings that are not open to the public. The council has set out the legal requirements in its constitution.

5.78 It is a requirement of the regulations that decision makers must identify and evaluate any options that may be available. In Tower Hamlets, this is not always the case. For example, the decision relating to the in-sourcing of the leisure services, which was an executive decision. It is acceptable for the Mayor (in consultation with his Cabinet member) to consider all the options and decide on an option contrary to officer recommendations. However, the record of the decision must detail the reasons for it and that the alternative options were considered and why they were rejected. This was the case in relation to the Council's decision to insource leisure services, which was a decision highlighted in the Secretary of State's letter to the Lead Inspector.

5.79 We also noted that whilst the Council has a comprehensive guidance for its officers on report writing, however, at times, insufficient information was provided in the decision-making reports. For example, at the Human Resources Committee of 16 May 2024,[55] a report was tabled providing an update on senior management vacancies and the progress of recruitment. The information provided was sporadic. It provided details of start dates for some posts, which we believe related to permanent staff. Regarding interim roles and consultants, there were no start dates or details of when the arrangements were due to end.

5.80 The Committee members were recommended to approve the extension of external interim arrangements and approve the continuation of the retained specialist consultancy service arrangements. However, the report did not provide the Committee members with any details of renumeration and the cost implications of continuing with the external interim and consultancy arrangements. They were not provided with details of the length of time that some interim arrangements were expected to be in place.

[55] Agenda item 4.4, Update on Senior Recruitment, HR Committee, 16 May 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=1095&MId=15330

5.81 The report does not provide adequate details as to why each acting up position, external interim or consultant is required and what other alternative options were considered for these roles. These are senior roles and the Council needs to ensure value for money. The decision-makers must have sufficient information to be able to make a fully-considered decision.

5.82 On a general point regarding preparation of agendas and reports, we found it difficult to follow some of the narrative in reports at times. Background papers and linked reports were not always referenced in the main report.

5.83 The Council prepares either an action log or a forward-looking work plan for some of its committees, such as Overview and Scrutiny and its Standards Advisory Committee. However, these are attached without a covering report to explain the purpose of these plans. Likewise, we also observed similar issues for some of the Appointments Sub-Committees, where the shortlist pack would be attached but without a covering report.

Ethical Framework for Elected Councillors

5.84 The Localism Act 2011 requires local authorities to adopt a code of conduct for its elected members that is consistent with the Nolan principles. On 17 November 2021, the council adopted a refreshed code of conduct for its Councillors to bring it in line with the recommended LGA model code of conduct. This came into force on 6 May 2022.

5.85 Overall, Tower Hamlets Councillors are clear of their responsibilities to declare and register disclosable pecuniary interests (including interests held by a councillor's spouse, civil partner, cohabitee or similar) and any gifts or offers of hospitality.

5.86 These are regularly reviewed and monitored by the Council's Standards Advisory Committee (Standards Committee). However, we noted some inconsistencies. For example, some Councillors have chosen to complete all parts of the register of interests and others have left some sections of the register blank, which, unfortunately, leads to ambiguity and confusion.

5.87 Regarding declarations of gifts and hospitality the inspection team noted a few inconsistencies between the information recorded in the public register which is available online and the information received by the Standards Committee. We also noted that whilst most of these declarations were received within the 28-day deadline three were received after this time. We advised the Council's Monitoring Officer that the Council should consider reviewing the relevant register.

5.88 The inspection team were informed anecdotally that there are around thirty staff members who are related to one or more of the Councillors and, also that some Councillors are related to each other. We are unable to verify either claim. The inspection team recognises that under the Localism Act, Councillors only need to declare interests relevant to a spouse, civil partner, cohabitee or similar) however, we suggest that, to avoid unnecessary suspicion which in return feeds the mistrust within the organisation, any family connections between Councillors themselves are declared in the public register of interests.

5.89 The Standards Committee receives a quarterly report providing the number, nature and other related information regarding the status of complaints received alleging breaches of the Councillor's code of conduct. At the last meeting held on 26 June 2024, the Committee was informed that five complaints were open and that during the previous municipal year 2023/24, the council had received in total eleven complaints, two of which were ongoing from the previous municipal year. Most complaints received are from members of the public. There is one outstanding complaint from an officer and in this municipal year, two complaints have been received from Councillors.

5.90 At the meeting, it was noted by the Chair that some of these complaints were taking longer than the two-month target to complete, and some were taking over a year, which was not acceptable. The Committee was informed that the delay was predominately due to the subject Councillors not responding to information requests in a timely manner. The Committee was made aware that the Council is considering putting in place mediation measures to help overcome some of the delays. It was suggested by the Chair that officers should consider engaging with Group Leaders and, or Chief Whips to help with the delays.

5.91 We have also suggested that the Council ensure that regular meetings take place between the Head of Paid Service, the section 151 Officer, Monitoring Officer and the senior political leadership from across the Council to discuss standards issues, matters arising from ongoing cases and any wider governance issues. A 2019 report by the Committee on Standards in Public Life highlights regular meetings between senior officers and political group leaders or group whips to discuss standards issues as best practice.[56]

5.92 Such an approach would have also helped regarding the management of a recent controversial code of conduct complaint relating to a licensing application. There were delays in this case stemming from both the subject member and the complainant. Had these meetings been in place, the delays from the subject member could have been brought to the attention of the relevant political leadership, to assist in reminding the member of their duties and responsibilities under the Nolan principles to co-operate in a timely manner.

5.93 We were informed that the Council's interim Monitoring Officer has had three such meetings with the Labour Group leader since being appointed as Monitoring Officer, and three with the Mayor. She is in the process of arranging meetings with the Whips. The Labour group have agreed to this and the Aspire group have been consulted. A formal email has been sent to organise this and she is awaiting dates from the Whips. However, it is not the sole responsibility of the Monitoring Officer to ensure that high standards are being promoted across council, rather it is a collective responsibility of all officers and Councillors. It is considered best practice in the sector that the Head of Paid Service, the section 151 Officer and the Monitoring Officer, often referred to as the 'golden triangle', lead together to ensure that there is a culture of high standards and good governance across a council.

5.94 In observing the Council's Standards Committee, the inspection team noted that level of debate was robust, and the documents produced by the Committee such as the Member and Officer Relations protocol, are well received by full

[56] Local Government Ethical Standards Report, January 2019, https://www.gov.uk/government/publications/local-government-ethical-standards-report

Council. This is a good example of a Committee that is well managed, with an appropriate level of challenge. Both the Chair and Vice-Chair are independent co-opted members. They also carry voting rights[57] which further enhances and supports the ability to provide an independent influence in the meeting, separate to party politics.

5.95 It is advisable for the Council to strengthen its relationships with the political group leaders and Chief Whips to ensure that they too take responsibility for promoting and maintaining high standards within their political groups. This would have avoided some of the delays and provided a safe and trusted space for the three statutory officers to be able to discuss code of conduct complaints and related wider governance issues.

5.96 It is also advisable for the Standards Committee to receive comparison data regarding the number of complaints received and the nature of these complaints over several years. This would enable the Committee to benchmark the data and take a holistic view when monitoring. It would also enable the Council to identify any gaps that need addressing.

Framework for Staff Conduct and Behaviour

5.97 In line with good practice, the Council has in place appropriate staffing and councillor's codes of conduct to provide guidance such as, the Councillor and Officer Relations protocol which was revised and adopted by the Council in November last year. These documents are also included in the Council's constitution as a suite of documents.

5.98 The Council has accessible and comprehensive guidance setting out the process for staff to declare actual or potential conflicts of interest in line with the Council's code of conduct for employees. Staff are also required to declare additional or secondary employment, any employee relationships with another member of staff and any third-party financial transactions on an annual basis. The Council sends out many reminders for staff to complete the necessary form. Whilst this is an annual declaration, it is made clear that an employee might be required to complete the form on more than one occasion.

5.99 As at 21 May 2024, in the preceding 12 months 1,843 employees had registered an authorised declaration of interests. We understand that is approximately 39%, based on a headcount of 4,755 directly employed staff as at 1 May 2024.

5.100 The inspection team has reviewed some declaration of interest forms, which have not always been cleared by the appropriate line managers. Some forms completed differ to the pro-forma attached to the staff guidance. It is unclear what systems are in place to enable the Council to identify any staff and Councillor relationships and put in place appropriate information barriers or other necessary processes. We have been informed anecdotally that around 30 staff are closely connected or related to some of the Councillors. This is not in itself a problem, but the Council should ensure it has strong processes in place to manage this, to ensure that actual or perceived conflicts of interest do not arise. Some free-text

[57] As afforded under the provisions of the Local Government and Housing Act 1989

responses to our staff survey indicated some concerns among officers about how such relationships are managed.

5.101 The Council has a gifts and hospitality policy for its staff, which was implemented in March 2006 and last reviewed in December 2023. The policy provides all staff with guidance as to when they can receive or give gifts and hospitality during the course of their work. It requires offers of hospitality to be registered, and for corporate directors to maintain those registers and manage the process.

Procurement

5.102 The Council has a Procurement Policy which is dated 9 March 2021 and is owned by the Director of Resources (former title). We would expect this to be approved by the executive, and delivered and monitored by the Director of Resources, reflecting the importance of this policy to the Council's operations. It should be subject to annual review as required by the Council's own policy but clearly this has not been undertaken. In addition, the Council has Contracts Procedure Rules which were last updated on 21 June 2022. These form part of the Constitution, the latest version of which was adopted at the Annual Meeting of 15 May 2024. Several members of staff highlighted that the existing procedures were very bureaucratic, and this tends to lead to staff ignoring the rules.

5.103 These Contracts Procedure Rules define the process and levels of authority to approve expenditure but as highlighted by the Internal Audit report of January 2024 on the Review of Requestion for Quotation (RFQ) Procurement System (this is for expenditure with a total value up to £100,000) these Contracts and Procurement Procedure Rules are not always followed. Some of the failings given in the Internal Audit report to Audit Committee on 23 April include:

- The RFQ policy and procedure had not been updated since 2017 and 2020.
- Lack of Transparency as not all contract documents, supporting the RFQ, had been uploaded onto the RFQ system.
- The RFQ user list not being regularly reviewed - 50.38% were found to be inactive.
- Retrospective RFQs were being put on the system in breach of Council procedures.
- Of 15 RFQs tested in detail, there were two instances where the RFQ was created just three days before the date of the invoice.
- One instance of winning quotation being £104,167 thus exceeding the RFQ threshold. NB Any procurement over £100,000 follows a different procedure.
- The Procurement Team not identifying non-compliance and reporting accordingly, evidence of disaggregation being applied, and the Strategic Procurement Board having not met for months.

5.104 The Council has also made us aware of an investigation where they have secured external support. It may be that this investigation has an effect on the procurement outcome of a particular service. It is not appropriate for us to comment further, while an investigation is ongoing.

5.105 Corporate Directors can approve by means of a Record of Corporate Director's Action a waiver to the procurement rules. For the period 1 April 2023 to 1 April 2024 this amounted to £3.7 million, and we consider that on some occasions an

alternate provider existed. It is our view that these appointments could have followed the Council's approved procedure and that the agreed procedure should have been followed.

5.106 The Council has recognised that the Procurement Policy and the Contract and Procedure Rules need to be reviewed and commissioned an external third party to undertake this review. The Cabinet at its meeting on 10 July approved a transformation plan to redefine the Procurement function including a hub and spoke model for managing procurement. The plan includes the approval in October 2024 of a new procurement strategy and thresholds. In delivering the transformation the Council will need to ensure appropriate controls are maintained and the updated documents are reviewed within the timescale defined.

5.107 We have dealt with some examples where the Council has procured contractors in our section on contractors and interims.

Whistleblowing

5.108 The Council's whistle-blowing policy was reviewed and agreed in November 2023. We understand that the policy and reports made under it will be reviewed annually by the Monitoring Officer, who will make a report to the Audit Committee. The Council has a whistleblowing register. We reviewed a copy of this register, and were informed that this contained raw data of potential whistleblowing concerns before they were assessed for validity by officers. The register therefore included matters that the Council would not admit as protected whistleblowing disclosures under the policy. We are therefore unable to comment on whether the Council receives a high number of whistleblowing cases that may indicate a potential concern.

5.109 During our conversations with staff, we heard that some did not want to use the Council's whistleblowing procedure to raise concerns, as they did not have the confidence that the allegations would be dealt with confidentially. The Council needs to take steps ensure that staff feel comfortable to use these mechanisms.

5.110 We were informed on 16 July 2024, that the Council will be making some changes to the process and will be improving oversight and triage of whistleblowing matters. They also informed us that there are a number of items on the log (register) which shouldn't be there and ownership of the early stages of the process could be clearer. The Council also mentioned that in future there will be closer liaison between the relevant officers at an earlier stage to ensure that matters are directed appropriately and that matters assessed as whistleblowing matters are included on the whistleblowing log.

Scrutiny Arrangements

5.111 The best value guidance expects local authorities to have in place scrutiny arrangements, reflecting locally adopted governance arrangements, that accord with the relevant guidance such as the statutory guidance on overview and

scrutiny[58] and the Centre for Governance and Scrutiny's governance risk and resilience framework.[59]

5.112 Scrutiny is the function of a council, undertaken by an overview and scrutiny committee, that enables the rest of the council to scrutinise the exercise of executive functions by investigating decisions and policies and by issuing reports and recommendations where any shortcomings are identified.

5.113 The Secretary of State in his directions to the Lead Inspector requested that he, as part of the best value inspection, consider the strength of the Council's audit and scrutiny arrangements in relation to the functions about which he had concerns. The LGA Corporate Peer Challenge 2023 recommended improvements to strengthen the arrangements and operation of the Council's scrutiny function. The Corporate Peer Challenge also recommended that the Council should consider best practice in relation to the chairing, membership and cross party working in key committees such as the Overview and Scrutiny Committee. The Council's response can be found in its LGA Corporate Peer Challenge Action Plan, which remains a work in progress.

5.114 Tower Hamlets has established an Overview and Scrutiny Committee and three sub-Committees; Children and Education Scrutiny, Health and Adults Scrutiny and Housing and Regeneration Scrutiny Sub Committees to carry out the functions as set out in in the Local Government Act 2000, as well as the functions relating to health scrutiny and scrutiny of community safety set out in primary legislation.[60] A distinction is often drawn between 'overview' which focuses on the development of policy, and 'scrutiny' which looks at decisions that have been made or are about to be made to ensure they are fit for purpose

5.115 These committees provide an important check and balance function to ensure that the decisions of the executive are in the best interests of residents and that the council is providing, value for money and high-quality services. Part of the role is also to propose new policies and provide comments on any emerging, draft policies.

5.116 In Tower Hamlets, the Overview and Scrutiny Committee has appointed from its membership 'Scrutiny Lead Members' with a responsibility for specific portfolios. Currently, for this municipal year, it has agreed to have six scrutiny councillor leads for; Adults and Health Services (including chairing the Health Scrutiny Sub-Committee); Children and Education (including chairing the Children and Education Scrutiny Sub-Committee); Housing and Regeneration (including chairing the Housing Scrutiny Sub-Committee); Resources; Community Safety and a lead councillor for Environment and the Climate Emergency.

5.117 The power exists for scrutiny committees to 'co-opt' people who are not elected councillors and any person co-opted to sit on a scrutiny committee will be a member of that committee, but without the right to vote apart from the statutory education co-optees who will have some voting rights. The Council currently has

[58] Overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities, April 2024, https://www.gov.uk/government/publications/overview-and-scrutiny-statutory-guidance-for-councils-combined-authorities-and-combined-county-authorities

[59] The governance risk and resilience framework, Centre for Governance and Scrutiny, https://www.cfgs.org.uk/governancerisk/

[60] National Health Service Act 2006 and the Police and Justice Act 2006 respectively.

five statutory co-optees and seven non-statutory co-optees. When we refer to the Committee members it includes both the Councillors and the appointed co-optees.

5.118 We had been informed that during the 2023/24 municipal year, the Overview and Scrutiny Committee delivered a broad work programme, including holding thirty formal meetings, considering five call-ins and taking part in four challenge sessions. The Committee was involved in driving some policy-related activities such as securing access to sports for women and girls, a session on women's safety and a review of markets and traders. The Committees are continually encouraged by officers to follow best practice, for example to visit other local authorities to benchmark scrutiny functions.

5.119 The Inspection team attended all scrutiny meetings held during the period of the Inspection either in person or online and reviewed some meetings held before the commencement of the inspection through the Council's online service.

5.120 Our view is that these meetings were often chaotic, poorly chaired and were far more focused on information sharing than scrutiny. The quality of scrutiny was very weak, and challenge was directed to officers or partners and not towards the Cabinet members in attendance. When the Mayor attended, he was offered an opportunity to make a statement rather than a robust question and answer session on particular issues or performance. The level of challenge or in-depth scrutiny offered, or exhibited has in our view been inadequate. The Inspection team raised these issues with the Chief Executive who accepted there were shortcomings in the Council's scrutiny functions and has responded by taking steps to improve these arrangements.

5.121 The Overview and Scrutiny Committee conducts an annual review at the end of each year municipal year to identify areas of improvement and areas of best practices to build on. The Centre for Governance and Scrutiny (CfGS) facilitated the review workshop this year which, was held on 29 April 2024. The agenda included self-reflection and evaluation by Committee members, examination of impact, structure and ways of working, and consideration of priorities and Councillors' development.

5.122 During this session the Committee members identified a number of issues such as inadequate resourcing, inconsistent receipt of documents, and inconsistent access to information in a timely manner, which had impacted on their ability to carry their roles to carry out meaningful scrutiny. However, they also acknowledged that this had improved as the year progressed.

5.123 Most of the Committee members mentioned they were well supported by scrutiny officers in performing their roles, but the relationship between senior officers and the Committee members could be improved. Councillors mentioned that they valued the one-to-one mentoring provided by CfGS to support them with their role. The Committee Members recognised the strength of their co-opted members and valued the input from these members.

5.124 CfGS observed that party politics and loyalties are being played out in scrutiny which has, unfortunately, impeded the effectiveness of the role of the Overview and Scrutiny Committee. For example, there was some difficulty in appointing a finance and resources lead Councillor for the 2023/24 municipal year. CfGS also noted that Overview and Scrutiny Committee has engaged talented co-opted members, and it was agreed that their role is one of the strengths of the Committee.

5.125 Some Councillors suggested that the lack of female representation on the Committee is detrimental to effective scrutiny taking place and that the Council should seek the support of external female voices as co-optees. The Committee wished to encourage and support the nominations of women to take the role of scrutiny leads. Councillor Natalie Bienfiet has since been appointed as the scrutiny lead for Environment and the Climate Emergency.

5.126 The Committee members also wished to introduce external expert advisors to support them on specific items and to continue benchmarking with neighbouring boroughs to learn from best practices. In our view this would be a positive step. While benchmarking has been undertaken, we have not seen any evidence that the Council has supported the Committee to secure external expert advisors.

5.127 The Chief Executive is responsible for providing the resourcing and support for the Committee. The Chief Executive is keen to make improvements and has taken responsibility for doing so in the form of an improvement plan. This was taken to Cabinet, before the Overview and Scrutiny members had any input, which caused some concern amongst some Committee members. The members emphasised that it is for the Overview and Scrutiny Committee to determine their own arrangements. They should have been consulted before it was taken to Cabinet.

5.128 We understand that there has been further engagement with the committee about the progress of the improvement plan and the next stages of the process, which has also helped to resolve one of the Committee Councillors concerns regarding the process taken by the Chief Executive.

5.129 The Committee has also met informally to undertake a workshop that was diligently prepared by officers. The Committee members agreed its priorities including agreement to the Chief Executive's improvement plan. We understand that the Committee will review progress against this plan on a six-monthly basis.

5.130 The inspection was informed that the scrutiny improvement plan provides an additional driver for the actions identified in the Corporate Peer Challenge Action Plan. It is too soon to say whether the improvements identified will strengthen the function of scrutiny and improve cross-party working. Given the issues we have observed this will be challenging, but it is a step in the right direction.

Call-in Process

5.131 A call-in is the mechanism through which executive decisions that have been made, but not yet implemented,[61] can be reviewed by the Overview and Scrutiny Committee. Any Councillor can call-in an executive decision, which includes an officer taking a key decision which might have been specifically delegated, if they have evidence that suggests that a decision was made contrary to the Council's decision-making principles (as set out in the constitution) or that a decision was taken outside of the agreed budget and policy framework.

5.132 The call-in process, including the criteria adopted by the Council, are set out in the Council's constitution. Where there is a valid call-in for an executive decision to be revisited this should not been seen as a criticism of the Mayor but as an

[61] The call-in period lasts for *five working days* after notice of the decision is published by the councils appropriate officer.

opportunity for robust challenge. The vigour of debate can make the process a productive one.

5.133 The Overview and Scrutiny Committee can recommend that the decision is referred back for reconsideration, propose an alternative course of action, provide further suggestions or comments, or agree to affirm the decision, in which case the decision shall take effect immediately.

5.134 The express use of the party whip as a tool of political management is strongly discouraged in Overview and Scrutiny Committee meetings. Councillors appointed to the Overview and Scrutiny Committees should retain an element of political independence and Councillors need to balance their role against loyalty to their political groups. We have viewed a few call-in meetings online and one that occurred during the inspection. In our view, political independence was not maintained at all times during these call-in meetings. The CfGS feedback also mentioned that party politics is making scrutiny in Tower Hamlets less effective than it might otherwise be. They cited examples of where call-ins did not make it back to Cabinet at all. This has also been echoed by some of the Committee members.

5.135 We were provided with information of the number of call-ins under the current administration, however, our primary consideration in making judgement about the quality of the call-in process is whether effective scrutiny has taken place rather than the number of call-ins. We have not seen sufficient evidence that Committee members felt comfortable with holding the administration to account.

5.136 We had also observed call in meetings where Overview and Scrutiny committee councillors had not sufficiently considered the substance and call-in information provided and therefore, had not properly engaged call in process.

Mayor's Attendance at Overview and Scrutiny Committee Meetings

5.137 It is particularly important in authorities with a directly elected mayor to ensure that there are checks and balances to maintain a robust democratic system. Mayoral systems offer the opportunity for greater public accountability and stronger governance and therefore, it is important to create and maintain a culture that puts scrutiny at the heart of its operations.

5.138 The letter from the Secretary of State to the Lead Inspector noted that the Secretary of State had regard to the Mayor's limited attendance at Overview and Scrutiny Committee in taking his decision to commence an Inspection.

5.139 The Council have confirmed to us that the Mayor has a standing invitation to attend the Committee. In response to a question from the Inspection Team about whether the Mayor has a standing invitation to the Overview and Scrutiny Committee, we received the following joint response from Councillor Musthak Ahmed (Chair of Overview and Scrutiny Committee for the municipal year 2023/24) and Councillor Jahed Choudhury (current Chair of the Overview and Scrutiny Committee):

"The Mayor has a standing invitation to Overview and Scrutiny but that doesn't mean he is expected to attend every session, indeed if the Mayor were to attend every session that could be seen as undermining the committee's independence. In comparison to other Local Authority's [sic.] the Mayor has a healthy attendance

record to the committee. Since his re-election in May 2022, he has attended the committee on five occasions, listed here: 7th June 2022; 4th July 2022; 22nd May 2023; 25th March 2024; 21st May 2024.His Cabinet have also attended the committee sessions on 25 separate occasions. The Mayor has been cooperative and accommodating when attending the sessions and has often stayed beyond his designated time to answer further questions. The standing invitation's intention is to demonstrate the Committee's willingness to hear from the Mayor, whenever he has a matter that he would like the Committee to consider. O&S expect the Mayor to attend when they send specific invitations such as for his Spotlight sessions. He has always done *so."*[62]

5.140 We understand that one of the reasons for the Mayor not being able to attend Overview and Scrutiny Committee meetings was that they clashed with his regular surgeries. Whilst this has changed in the new municipal year (2024/25) we would have expected such a scheduling issue to be resolved more quickly. Whilst it is not necessary for the Mayor to attend every meeting, we are pleased that his attendance has increased in recent months and hope that this improves executive scrutiny in Tower Hamlets.

5.141 As mentioned previously, the Mayor has not delegated any decision-making powers to his Cabinet councillors for them to be able to collectively or individually make any decisions or discharge his executive functions. Whilst Cabinet members do attend Overview and Scrutiny meetings and respond on his behalf it is not the same as the Mayor attending the meetings to be held to account, as the ultimate decision maker.

Chairing of Overview and Scrutiny Committee meetings

5.142 The scrutiny improvement plan must build in a mechanism for the Chair to be able to hold the Mayor to account with some confidence. Chairs should pay special attention to the need to guard the Committee's independence.

5.143 To date the chairing observed by inspectors is weak and insufficient in holding the executive to account. Moving forward, it is too soon to assess whether the improvements and actions suggested will help the Chair to effectively manage scrutiny and demonstrate an independence of mind.

5.144 Based on our observations of Overview and Scrutiny meetings, we consider that it will be challenging to embed the values and culture required to enable effective scrutiny to take place.

5.145 The CPC review recommended following best practice, which includes considering appointing an independent chair. The co-opted members of the Committee also suggested similar. They commented that the political dynamics sometimes get in the way and that an independent Chair could help alleviate some of the political tensions that are played out in the meetings.

5.146 There are other actions that could help the Council to achieve the goal of improved scrutiny, for instance appointing an independent Chair to consider call-in meetings, or appointing independent subject experts in the short term, to support

[62] As at 27 July 2024, the Mayor had attended a total of six meetings.

the Committee members whilst they work through some of the difficulties they are facing to enable effective scrutiny to take place. The Council should consider these.

Internal Audit

Audit Plan

5.147 The Council's Internal Audit Plan is approved by the Audit Committee, which for the 2023/24 was on 30 May 2023 and for 2024/25 was 23 April 2024. The 2024/25 Plan is a risk-based and has been derived from audit knowledge and experience, horizon scanning, stakeholder engagement and known risks and behaviours. The Plan proposes that 59 audits are undertaken in 2024/25 and include Management of Overtime, Financial Regulations and Procedures, Housing Allocations (Bidding Process) as well as several relating to the Capital Programme. This is recognised as good practice.

Outcome from Internal Audits

5.148 The Council has a rating for the outcome for all audits which are:

- Substantial Assurance - A sound system of governance, risk management and control exist.
- Reasonable Assurance – Generally sound systems of governance, risk management and control in place.
- Limited Assurance – Significant gaps, weaknesses or non-compliance were identified.
- No Assurance – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.

5.149 The 2023/24 Annual Report for internal audit was reported to the Audit Committee on 8 July 2024 which indicates that only 44% (excluding schools) received Reasonable or Substantial Assurance, thus 56% were limited assurance, as there were none with no assurance. This is much higher than would be expected and a limited assurance includes major areas such as Scheme of Publication (Transparency code), Attendance Management (sickness monitoring,) Procurement (Requestions for Quotes), Property Disposals and Homeless Assessments. By comparison, the only years since 2017/18 that have achieved over 60% Reasonable or Substantial Assurance were 63% in 2018/19 & 65% in 2022/23. This low level of Substantial or Reasonable Assurance from internal audit gives rise to a significant concern on the Council's ability to follow its own procedures.

5.150 As part of the Annual Report the Head of Internal Audit gives an opinion which for 2023/24 stated 'it is my opinion that I can provide Limited Assurance that the Council has adequate systems of governance, risk management and internal control'. In receiving the report, the Audit Committee were advised going forward where audit recommendations are not achieved within the agreed timeline then these will be reported to the Committee.

5.151 We understand that the Internal Audit External Quality Assessment has been completed and the top grade awarded.

Other Audit Matters

5.152 Following the appointment of the Corporate Director of Resources and Section 151 Officer last autumn the reporting line for the Head of Internal Audit was changed from the Director of Finance to the Corporate Director of Resources. This change is positive and provides a means to promote good governance and internal control. Additionally, all Audit reports are considered by the Corporate Management Team before being submitted to the Audit Committee.

5.153 The Council also has a system whereby the Audit Committee receive regular reports on Risk Management, Internal Audit Progress, Schools Audits, Insurance, Whistleblowing Policy and Anti-Money Laundering Policy. This demonstrates the Council is reporting to the Audit Committee as required by best practice.

Membership of Audit Committee

5.154 At its meeting on 23 November 2023, the Audit Committee considered the CIPFA guidance on Audit Committees published in 2022, and specifically the membership of the committee. The matter was deferred to the meeting of the Audit Committee on 22 January 2024, which agreed some changes principally that the Cabinet Member for Resources should not be a member of the Committee and that no more than one Cabinet members should be a member of the Committee. The change occurred at the Council's AGM in May 2024.

5.155 The CIPFA Guidance on Audit Committees: practical guidance for local authorities and police at states 'including a member of the Cabinet on the committee is discouraged'.[63] In addition, it states 'if an Executive Member is included, other compensating arrangements should be made to ensure independence – for example, where there is a majority of independent members or an independent chair of the committee'. It is not evident what compensating arrangements the Council has put in place given the decision to include an Executive Member.

5.156 Moreover, the LGA Corporate Peer Challenge in September 2023 stated, 'the peer team understands that steps are being taken to review the political composition of the Audit Committee and would urge the Council to consider having an opposition or co-opted external member Chair, and other external independent members of the Committee in line with best practice in other Councils'. This has not been fully addressed. The Chair of the Audit Committee for the 2024/25 financial year is from the administration party. In our view, the Council should go further and seek an external, independent Chair of the Audit Committee which is, in our experience, in line with best practice.

[63] CIPFA Guidance, Audit Committees, p. 42

Risk Management

5.157 The Government's statutory Best Value Guidance sets among the characteristics of a good authority that 'robust systems are in place and owned by members for identifying, reporting, mitigating and regularly reviewing risk', and that 'risk awareness and management informs every decision'. Conversely, among the indicators of potential failure is that 'there are no meaningful risk registers at a corporate level and risks are not owned by senior leaders. Risk registers appear to downplay some risks and lack action to mitigate risk.'

5.158 The Council has a system whereby the Corporate Risk Register and Departmental Risk Registers are reported to the Audit Committee on a regular basis and the Committee received the annual risk management report at its meeting on 8 July 2024. The management of risk is through a computerised system in line with usual practice.

5.159 The report to Audit Committee on 23 April 2024 highlighted that 'work is ongoing to ensure that risk registers provide a full and complete picture of the Council's scope of operations. There are however some areas which have yet to undertake a risk identification exercise.'

5.160 The Inspection did not seek to test the risk register for completeness, the risk score or control measures. However, based on the report to the Audit Committee there is a potential financial and reputation issue for the Council and this needs to be addressed.

Corporate Functions: Human Resources

5.161 The 2023 Corporate Peer Challenge recommended that the Council should refresh its workforce strategy to address recruitment and retention challenges. This is particularly important given the current vacancies in key senior management positions and the mayor's stated priority of the workforce representing the community. It further recommended that the Overview and Scrutiny Committee should be given responsibility for overseeing performance against the council's aim to ensure that its workforce and service provision reflects the diversity of the borough.

5.162 We asked the Council about this work, and they provided us with a draft of their 'Workforce to Reflect the Community Strategy 2023/24 - May 2023'. The Council has committed in its strategic plan for 2022-26 to ensure that it has a workforce to reflect the community it serves.

5.163 The Council intend to engage an external resource to review the Workforce to Reflect the Community Strategy and associated action plan, to ensure they reflect best practice and represent an innovative approach. They explained that this work would be a key tenant of the new wider workforce strategy, which was in development, and would be linked to their long-term strategic vision, which is also in development. They advised that the wider workforce strategy would not be launched until the end of the year.

5.164 We understand that the Council is currently reviewing the council Human Resources function as it currently under resourced.

6. Continuous Improvement

Best Value Guidance – Continuous Improvement

Making arrangements to secure continuous improvement in performance and outcomes in relation to the exercise of all functions is a core requirement for achieving best value, and should be done whilst reflecting local priorities.

These arrangements will include inviting independent external challenge and scrutiny, in the form of regular service specific as well as corporate or finance peer challenges, engaging with the range of sector support initiatives on offer and informal experience sharing among peers.

Lessons learnt and the steps taken to address mistakes and poor performance should be clearly documented in the authority's Annual Governance Statement.

Local authorities should also have a sense of collective responsibility for the performance of the sector and help other authorities to improve.

The Chartered Institute of Public Finance and Accountancy (CIPFA) /Society of Local Authority Chief Executives (SOLACE) Delivering Good Governance in Local Government Framework, along with the Centre for Governance and Scrutiny and Localis Governance Risk and Resilience Framework can help authorities to identify, understand, and act on risks to good governance.

6.1 The best value guidance requires a council to make arrangements to secure continuous improvement in performance and outcomes and this should be done whilst reflecting local priorities.

6.2 A well-performing council delivers this continuous improvement arrangement through appropriate transparent and robust structures together with sufficient people and resources coupled with the use of both internal and external benchmarking.

6.3 The Chief Executive took a report entitled 'Transforming Tower Hamlets Council: building a stronger future' to the Cabinet meeting of 16 May 2024.[64] This report highlighted the progress made in addressing the key concerns identified by the Chief Executive in his role as Head of Paid Service. Although this emerging focus by the Chief Executive on improvement is welcome, a robust continuous improvement arrangement must be comprehensive arrangement which includes headline performance, optimising systems and processes, ensuring inclusive

[64] Agenda item 6.1, Cabinet meeting, 16 May 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15501

approaches to performance review and addresses any deficits in the culture, leadership and governance.

6.4 The Council is delivering improvements through the production of its annual accounts and annual governance statements. The Council has been recognised through sector awards and it seeks to appreciate staff through its annual awards programme. In terms of service delivery, the data shows satisfactory performance but the response to the recommendations from the corporate peer challenge, should ideally be at a quicker pace.

6.5 Council has made targeted improvements in some areas over the last two years. They do have resources available to them to undertake change. However, this is piecemeal. We do not consider that the Council's leadership and culture is sufficient to allow them to make changes required by CPC and to respond to issues highlighted in this report.

Transformation Programme and Target Operating Model (TOM)

6.6 In June 2023 the Council launched its People First transformation programme, and subsequently five People First Boards: the Transformation Advisory Board (TAB), Efficiency Board, Budget Board, Reorganisation Board and People Resourcing Board. From February 2024 the boards were reduced to TAB, the Budget Board (absorbing the Efficiency Board) and the Reorganisation Board (absorbing the People Resourcing Board).

6.7 The 16 May 2024 Cabinet report on transformation[65] covered a redefining of the Target Operating Model so as to provide a resident centric approach based on six core principles of:

- Value-driven and cost-effective: prioritises efficient resource while maximising resident value.
- Community-led: places residents at the centre of decision-making processes, where it impacts on them.
- Collaborative: promotes teamwork and knowledge sharing across the council.
- Transparent: ensures clear communication and open access to information.
- Empowerment to Innovate: encourages directorates to lead creative solutions to improve resident services.
- Accountable: establishes clear lines of accountability for achieving resident focused outcomes.

[65] Agenda item 6.1, Cabinet meeting, 16 May 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15501

Diagram 4: Draft new Target Operating Model (April 2024) as presented at Cabinet meeting of 16 May 2024, Supplement 2 – Revised agenda and late reports, p.18.

6.8 The new Target Operating Model (TOM) with a smaller, more directive centre and resources devolved to a directorate level, is due to begin implementation in the summer of 2024 and, therefore, there is not yet evidence of its impact. Such an approach does create some risks and the Council will need to ensure that through the TOM's implementation that the risks are managed, and appropriate controls are in place, recognising poor controls is matter previously highlighted by external audit.

6.9 In delivering the TOM the Council needs to ensure that it undertakes some service modernisation and transformation and does not concentrate purely on staffing restructures and the need to deliver a sustainable medium term financial plan.

6.10 The Council is on an improvement journey, but critically, that journey is still very much in its infancy and has only just commenced. To support the improvement journey the Council has identified the need for an external advisory board, Transformation Advisory Board (TAB), which meets bi-monthly. The membership of the board comprises; the Mayor as the Chair, the Chief Executive, Deputy Chief Executive and ten Independent Non-Executive Members, who represent business, the community, local government or have substantial public sector experience.

6.11 It is evident in our view that TAB has received presentations on major issues such as the Medium-Term Financial Plan and education outcomes and attendance, however, there is no evidence of ongoing monitoring of the Council's budget

savings being delivered or progress on major transformation projects i.e. the major insourcing of services. The dashboard received by TAB is high level, primarily providing Tower Hamlets information without any comparator information.

6.12 TAB exists to provide external support and challenge. We spoke to some members of the TAB, who felt there should be more opportunity to use good practice examples from national and international experience, more research evidence. Some members of TAB would like to see more consultation and co-production to develop more innovative solutions in order to bring forward modernisation and public service transformation. The Council needs to move beyond the current structural changes and financial savings programme into real transformation of the Council services and in so doing, clearly define the role of the TAB to support this work.

6.13 The Council has also reviewed its internal transformation boards and condensed these into a Budget Board for corporate monitoring of progress against agreed budget savings and efficiencies, and a Reorganisation Board to oversee the swift and efficient execution of new restructure initiatives. The Council has a transformation delivery assurance programme to deliver large-scale organisational change, oversee initiatives that transform the Council's culture and processes and act as the senior assurance for the Council's transformation journey. This programme is delivered by the Corporate Strategy and Transformation Team, but one specific post has been created whereby the current incumbent is undertaking the role on an acting up basis.

6.14 In addition, the Council has a project delivery assurance programme which focuses on corporate project assurance as well as proving tools and templates for project management and acting as a centre of excellence for project management. This function is currently covered by one filled post.

6.15 The Council needs to ensure that these two programmes provide added value and drive transformation and modernisation rather than becoming seen as marking directorates' homework, especially when coordination and understanding of transforming and modernising services, needs to be linked to public service reform.

6.16 There are significant efforts to ensure financial compliance and delivery of savings through the budget board and the use of Microsoft Power BI for which the council should be applauded. This approach will provide a more immediate view of progress and performance.

6.17 The Council has established an earmarked revenue reserve of £1 million for additional staffing to support the operation of the new board governance including the Transformation Advisory Board. In terms of capital, £0.3 million has been allocated to Care Technology Transformation project with the aim of significant increases in the number of residents using care technology.

Resourcing Transformation

6.18 The Council has set a balanced budget for 2024/25 and a Medium-Term Financial Strategy (MTFS) for the coming years, set out in further detail in the section of this report covering the use of resources. However, the task of balancing the budget over the MTFS term will require considerable modernisation and transformation activity.

6.19 The Council has identified that the next stage of its transformation journey is to ensure that it is operating in an efficient and effective manner within each directorate, recognising the 2024/25 budget and MTFS for 2025/26 include £5 million of staff savings. The Council is investing in corporate services including finance, human resources and procurement.

6.20 Most of the Council's initiatives aimed at driving change and transformation are politically initiated by the Mayor, such as the insourcing of Leisure Services, youth service investment, free school meals for secondary school pupils and the proposed extra care home delivery. This should be complemented by an evidence-based transformation programme driven by national and internationally recognised best practice and research to support improved outcomes alongside this political prioritisation and transformation.

6.21 Maintaining the balance between organisation change and ensuring stability and performance levels in core services is always challenging. The insourcing of waste services, Tower Hamlets Homes (THH) and Leisure Services from GLL would each be major work programmes for any local authority but will collectively put significant pressure on the Council and its partner's capacity to transform and simultaneously deliver business as usual.

6.22 Overall, significant resources are being invested in these new priorities with the expectation that core services transform and make savings to fund them as outlined in the use of resources section of this report. Many of the savings are derived from traditional structural change and reorganisation rather than a change of methodology, innovation or modernisation. The transformation programme requires a multi-agency approach if it is to succeed in delivering the desired outcomes. There is currently no consensus across key stakeholders that the programme is the right approach.

6.23 In terms of improvements across the Council, in addition to having a robust medium term financial strategy in place and addressing the publication of the accounts and the annual governance statement, it is investing in corporate services including finance, human resources, procurement and information technology. During our inspection we heard many times from officers, including senior officers, that the performance of corporate services, especially human resources and procurement, is unsatisfactory and holds back front-line service delivery. Any transformation should address this weak performance, but it would be helpful to establish both the current performance baseline and targets for improvement.

Performance and Service Improvement

6.24 The Council's Transformation Advisory Board has recommended a dedicated Transformation Dashboard which was presented to Cabinet on 16 May 2024.[66]

6.25 The measures included in this dashboard are a start, but they need to be developed over time as circumstances change as well as developing them to show progress on a regular basis with appropriate reporting arrangements to Cabinet and Scrutiny put in place. We recognise that performance data is already provided

[66] Cabinet meeting of 16 May 2024, agenda item 6.1, Transforming Tower Hamlets Council: building a stronger future, Diagram 5, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15501

to Cabinet but given this is the start of a journey the Council should take the opportunity to build this dashboard alongside existing indicators. In doing so they should ensure that the data measures outcomes, effectiveness and efficiency, as well as inputs.

6.26 As part of developing the Target Operating Model the Council has recognised at a corporate level that the insourcing of Tower Hamlets Homes made the Place Directorate too large and thus a decision was made to split that directorate by creating a new Communities directorate in 2023. It is within the Chief Executive's delegated authority to determine and publish Council structures. We would have expected to see a formal, public report associated with a decision of this scale.

6.27 In addition, the Council has taken action to mitigate the risk relating to the condition of the housing stock being received from Tower Hamlets Homes, as only a 10% stock condition survey was undertaken, by allocating additional funding.

6.28 Leisure services transferred back in house during the course of the inspection. We identified some concerns relating to the original decision to insource the service as well as the funding needed to meet the concerns identified in the condition surveys of leisure facilities. This is detailed elsewhere in this report.

6.29 We heard on many occasions that the Mayor has key priorities. It is it important for him to deliver these during his term. However, the Council must ensure that it does not overlook improving a broader range of outcomes for all residents of the Borough, not just delivering solely the Mayor's priorities.

6.30 As part of the Council's Strategic Plan 2022-26 it has a Performance Management and Accountability Framework of 51 indicators which are measured on a quarterly basis and reported to Cabinet. Based on the written report to the Cabinet on 10 July 2024 the out-turn for 2023/24 for the 38 indicators which are RAG rated at that point in time, (the position is updated on an ongoing basis) was 25 were green, five were amber and eight were red. By comparison the out-turn for 2022/23 based on the 41 indicators which were RAG rated, was 26 were green, five amber and ten red.

6.31 We did not see evidence of a comprehensive performance management framework that is utilised to produce and analyse data to evaluate performance and inform priorities for improvement. It is important that there is evidence for prioritisation of areas for improvement based on quality information and data. As part of the report to Cabinet on 16 May 2024 the Council is introducing a revised set of performance measures for 2024/25 which are more output based than hitherto was the case.

6.32 A review of the Council's performance data (2022/23) using the LG Inform [67]system highlights some areas of good outcomes and other areas where improvement is required, by comparison to CIPFA nearest neighbours[68].

6.33 Some examples of positive performance include;

[67] LG Inform is a data benchmarking tool developed by the Local Government Association (LGA) which allows local authorities to access, compare, and analyse data, benchmark performance, identify areas for improvement, and support decision-making.

[68] CIPFA Nearest Neighbours is a statistical model developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to identify local authorities that are similar in terms of demographics, economic conditions, and other relevant factors.

- Third highest on percentage of 'other' planning applications decided in time[69], and above average for 'major'[70] and 'minor' planning applications[71].
- Fourth highest number of completed affordable homes delivered.[72]
- Third highest in terms of percentage of eligible people that received an NHS Health Check.[73]

6.34 Some examples of weaker performance include;

- The lowest on percentage of household waste sent for reuse, recycling and composting.[74]
- Sixth lowest on time taken to process all new claims and change events relating to Housing Benefit.[75]
- Fifth lowest social care-related quality of life score (based on responses to Adult Social Care Survey)[76] and seventh lowest proportion of Social Care Service users who are satisfied with their care and support.[77]

6.35 Overall, the Council is satisfactory in terms of performance by comparison to CIPFA nearest neighbours and we understand that some work is being undertaken by the Council to address some of the services which are underperforming, for example around household waste.

6.36 It is frequently cited by the Council, from both the Chief Executive and the Mayor, that they have inherited many of the council's current challenges from the

[69] LG Inform, Percentage of all other development planning applications decided in time - Annual in Tower Hamlets, 18/06/2024 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=17527&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[70] LG inform, Percentage of all major development planning applications decided within 13 weeks or agreed time - Annual in Tower Hamlets, 18/06/2024 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=17517&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[71] LG Inform, Percentage of all minor development planning applications decided in time - Annual in Tower Hamlets, 18/06/2024 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=17522&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[72] LG Inform, Number of completed affordable homes delivered (gross) in Tower Hamlets, 30/11/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=150&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[73] LG Inform, NHS Health Checks: Percentage of people that received an NHS Health Check of those offered (annual) in Tower Hamlets, 07/03/2024, https://lginform.local.gov.uk/reports/lgastandard?mod-metric=8226&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[74] LG Inform, Percentage of household waste sent for reuse, recycling and composting (annual) in Tower Hamlets, 20/03/2024 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=46&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[75] LG Inform, Time taken to process housing benefit new claims and change events - Annual in Tower Hamlets, 01/08/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=14476&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[76] LG Inform, Social care-related quality of life (score out of 24) in Tower Hamlets, 08/12/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=10668&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[77] LG Inform, Proportion of Social Care Service users who are satisfied with their care and support in Tower Hamlets, 08/12/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=10680&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

previous administration, often criticising the services the previous administration provided. In reality, the performance of services up to 2022 was mixed, as it is now and as we might expect of any authority.

6.37 A comparison of data metrics from this time (2015-2023) found that some poorly performing services had been performing poorly pre-2022;

- Household waste sent for reuse, recycling and composting had been below average since 2015/16.[78]
- Time taken to process Housing Benefit claims had been below average since 2015/16.[79]

6.38 Some services outlined where the Council are performing well had also been performing well pre-2022, including;

- Number of completed affordable homes delivered had been above average since 2015/16, including in 2016/17, 2017/18, and 2019/20 when the Council had delivered the highest number of completed affordable homes.[80]
- The percentage of eligible people that received an NHS Health Check has been consistently above average since 2015/16.[81]

6.39 Evidence also suggests that some services have declined post-2022;

- For Adult Social Care, the social care-related quality of life score (18) was at its lowest in 2022/23 than it had been for the previous administration, where it had performed above average[82].
- The proportion of Social Care Service users who are satisfied with their care and support was also at its lowest in 2022/23, compared to 2015/16, 2018/19, and 2019/20, when it had been the highest scoring council.[83]

6.40 We are also aware of services that are on an improvement journey. For instance, in 2022, the Council had a disappointing inspection of youth offending services by Her Majesty's Inspectorate of Probation, with an overall rating of requires improvement and a score of eight out of thirty-six. The youth justice

[78] LG Inform, Percentage of household waste sent for reuse, recycling and composting (annual) in Tower Hamlets, 20/03/2024 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=46&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[79] LG Inform, Time taken to process housing benefit new claims and change events - Annual in Tower Hamlets, 01/08/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=14476&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[80] LG Inform, Number of completed affordable homes delivered (gross) in Tower Hamlets, 30/11/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=150&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[81] LG Inform, NHS Health Checks: Percentage of people that received an NHS Health Check of those offered (annual) in Tower Hamlets, 07/03/2024, https://lginform.local.gov.uk/reports/lgastandard?mod-metric=8226&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[82] LG Inform, Social care-related quality of life (score out of 24) in Tower Hamlets, 08/12/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=10668&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

[83] LG Inform, Proportion of Social Care Service users who are satisfied with their care and support in Tower Hamlets, 08/12/2023 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=10680&mod-area=E09000030&mod-group=CIPFA_Near_Neighbours&mod-type=comparisonGroupType&mod-period=8

service has since undergone a peer review in February 2024, with feedback indicating a positive trajectory.

6.41 LG Inform is useful in assessing the Council's performance and identifying areas which need attention, providing a learning opportunity for the Council. The data shows that there are some areas where the council performs well, and others which need more remedial attention. Both positive and negative performance can be seen as a legacy from the previous administration, but looking forward, the Council should refrain from benchmarking itself against previous administrations, but instead against CIPFA nearest neighbours in order to give a more helpful benchmark and to monitor and improve their performance.

6.42 The Council has demonstrated improvement in some corporate processes. For example, the number of staff having an annual review increased from 36% in 2020 to 93% in 2023.

6.43 The Council undertakes an Annual Residents' Survey.[84] The 2023 survey took place in October 2023 and was the first since 2019 with a comparable, face-to-face methodology, and 1,117 interviews were undertaken with a diverse mix of residents. The final dataset was weighted using 2021 Census population data. Overall, satisfaction with the local area was 78%, two percentage points above the national bench-mark, and an increase of eight percentage points since 2019. Residents' perception of the borough as a place where people from different backgrounds get on well together had increased from 78% in 2019 to 87% in 2023. Almost all services show statistically significant improvement among their users. Overall satisfaction with the Council was 63%, which does not represent a statistically significant change.

6.44 The percentage of people agreeing that the Council is open and transparent about its activities decreased from 51% in 2019 to 45% in 2023. This sits alongside a number of other decreases on a similar theme. The proportion of people agreeing that the Council involves of residents when making decisions either a great deal or to some extent in 2019, dropped from 57% in 2019 to 42% in 2023. The proportion of people that the Council listens to the concerns of residents either a great deal or to some extent dropped from 65% to 56% over the same timeframe. The proportion of people who consider that they trust the Council a great deal or a fair amount dropped from 69% in 2019 to 65% in 2023. The Council's report on the survey sets out that these changes are statistically significant, but may be a result of an increase in people responding 'don't know'. The full results are available online.[85]

Responses to External Challenge

6.45 The Council had a Local Government Association Corporate Peer Challenge in September 2023. The Corporate Peer Challenge set out some positive features of the Council, but also raised some significant and serious issues, including that the

[84] Tower Hamlets Residents Survey, accessed 31 July 2024, https://www.towerhamlets.gov.uk/lgnl/community_and_living/borough_statistics/Annual_Residents_Survey.aspx

[85] Tower Hamlets Annual Residents Survey 2023, https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.towerhamlets.gov.uk%2FDocuments%2FBorough_statistics%2FAnnual-Resident-Survey-2023-report.pptx&wdOrigin=BROWSELINK

Mayor's Office function was impacting the speed and effectiveness of decision-making, and that there is an evident lack of trust between some members and officers. The report also noted the absence of representation of women in the Cabinet, and the further work needed to fully understand the impact of the Council's policies. The Council's public communications about the Corporate Peer Challenge Report, published in December, in our view, does not fully reflect the gravity of these issues.[86]

6.46 The Corporate Peer Challenge identified 18 recommendations. To address those recommendations the Council has developed an action plan with over 70 actions whereby it provides updates to Members including the Overview and Scrutiny Committee, to enable progress to be monitored. The Overview and Scrutiny Committee received a detailed report at its meeting on 22 April whereby it was reported that 17% of the core actions had been completed and that 65% of the actions were on schedule to be completed by the end of May and 85% by the end of August 2024. At the end of June, 56% of the actions had been completed and 28% of the core recommendations (five out of eighteen) had been completed. The Council expects 73% of the actions to be completed by the end of August.

6.47 No update was provided to the Overview Scrutiny Committee after 22 April before we concluded our report at the end of July. We consider this is too long and thus does not provide Overview and Scrutiny members the opportunity to drive improvement at pace. The delivery of the action plan is progressing, but there remains a significant amount of work to undertake. Officers need to ensure that each recommendation is considered and reviewed in detail and Members, in particular the Overview & Scrutiny Committee need to satisfy themselves that each of the recommendations is addressed in full.

6.48 Where we have raised issues during the inspection and the Council have responded and made some adjustments, for example around scrutiny, inevitably these plans are not yet embedded. We have covered these plans elsewhere in this report but would make the general point that in some cases these plans should not have required the Inspection to trigger action, and before it the Corporate Peer Challenge, to raise issues to the attention of senior leadership. The adjustments are in our view not always sufficient. We therefore do not have full confidence that progress to deliver and embed these changes will be sustained without some external accountability, or monitoring.

6.49 We have set out in our introduction that at times we have found the Council's response to our requests for interviews and information to be slow. We have detailed this throughout this report, where relevant to a material issue. This may indicate a lack of openness to this Inspection.

Celebrating Success

6.50 The Council is good at celebrating its successes. This is important for staff morale. There are many service areas delivering work that the Council is proud of, including a Children's Safeguarding Practice Review in January 2023, a

[86] Tower Hamlet: a council with 'ambitious priorities, strong financial management and a skilled workforce', December 2023, accessed 21 July 2024, https://www.towerhamlets.gov.uk/News_events/2023/December/council-with-ambition-financial-management-skilled-staff.aspx

Community Safety Partnerships congress, and the Summer of Fun delivered in 2023 - and scheduled to take place again in 2024. In May 2024, the Council commissioned a supplementary feature in the Municipal Journal, which included content from the Mayor, Chief Executive, Section 151 Officer, Corporate Director for Communities, Director of Communications and then interim DCS, as well as features on the Town Hall project and transformation work.

6.51 The Council held an all staff conference on 11 July 2024 which was attended by around 3,000 employees. The Chief Executive gave an update on the key challenges highlighted at last year's event and the achievements made by the Council. He also looked forward to the next twelve months and thanked staff for all their hard work over the last twelve months. The Mayor and Deputy Mayor attended for part of the conference and the Mayor thanked staff for their commitment as well as outlining his vision for the Borough. The Mayor and Chief Executive took questions from staff. A number of awards were given to staff to reflect their achievements, which included team of the year and lifetime achievement award.

6.52 The Council routinely applies to sector award schemes. They were finalists in six categories at the Municipal Journal awards in 2024, and were recognised as highly commended in one category. The Town Hall in has been well recognised, winning Project of the Year at the Government Property Awards in September 2023. The Communications team also won Best Social Media campaign in December 2023. This sits alongside a number of individual awards won by officers. All those involved in this work should feel proud of their achievements.

6.53 The lens through which such awards are given is necessarily narrower than the scope of this inspection. The Council should not let their successes blind them to the serious issues that exist elsewhere.

Annual Governance Statement

6.54 The CIPFA/SOLACE Framework for good governance in local government outlines the principles for shaping governance in a local authority. The Annual Governance Statement forms part of that good governance, and provides an opportunity for the Council to learn from previous shortcomings, and demonstrate its collective ability to improve performance.

6.55 Annual Governance Statement should be presented to the Audit Committee for review and agreement prior to final sign-off from the Chief Executive and Mayor. The 2022/23 Annual Governance Statement was submitted to Audit Committee on 19 October 2023 alongside the 2020/21 and 2021/22 statements. We were informed that this delay was due to frequent changes at both the statutory Chief Financial Officer level and the Head of Internal Audit with the roles generally being covered by interim appointments.

6.56 The Council now understands the importance of the Annual Governance Statement and has taken action to correct the historic delays.

6.57 The Audit Committee received the 2023/24 Annual Governance Statement in a timely manner on 23 May 2024.[87] The areas of significant issue are:

- overspending in housing and homelessness;

[87] Paper reference

- Tower Hamlets Homes integration;
- new Regulator for Social Housing;
- financial sustainability of waste services;
- cessation of funding for Crime Reduction Team;
- financial and operational risks from insourcing leisure centre management;
- significant increase to transport expenditure;
- financial sustainability/overspend in Adult Social Care;
- financial sustainability/overspend in Children's Services; and
- emerging concerns regarding contract monitoring and management.

6.58 Given that a number of these issues relate to financial sustainability, the Council needs to review its Medium-Term Financial Strategy to ensure its 2025/26 budget and future years are sustainable. We have covered this in more detail in the section on Use of Resources.

6.59 The Annual Governance Statement is compiled annually by the Head of Internal Audit, using information collated from Corporate Directors, and reviewed by Corporate Management Team. The significant issues highlighted in the Annual Governance Statement are included in Directorate Risk Registers. These are discussed, reviewed and monitored on a monthly basis via the various Directorate Leadership Teams with the Head of Internal Audit and/or Risk Officer present to facilitate the discussion. The Corporate Code of Governance was last reviewed and presented to Audit Committee on 20 July 2023. It is reviewed annually by officers, adjusted as necessary and then presented to Audit Committee for approval.

7. Partnership and Community Engagement

Best Value Guidance – Partnerships and Community Engagement

Driving local economic growth, promoting social cohesion and pride in place is increasingly dependent on the effectiveness of partnerships and collaborative working arrangements with a range of local stakeholders and service users.

Authorities should have a clear understanding of and focus on the benefits that can be gained by effective collaborative working with local partners and community engagement. Partnerships can maximise opportunities for sharing resources, achieving outcomes and creating a more joined-up offer that meets the needs of residents and local service users. Stronger and more effective partnerships can also lead to better community engagement, for example working through partners to engage more effectively.

Appropriate governance structures should be in place to oversee these arrangements, and the process of consultation and engagement should be inclusive, open and fair. There are statutory requirements on local authorities to engage with Integrated Care Partnerships, Integrated Care Boards, Community Safety Partnerships, safeguarding adults and children's boards, Youth Offending Management Boards and many others. There are also statutory best value requirements around consultation and on considering the social value of services when reviewing service provision. An inclusive approach that accepts challenge is an indicator of a confident organisation.

7.1 Like all local authorities Tower Hamlets Council has a range of partnerships which have been developed over many years. These include strategic partnerships, delivery and commissioning partnerships and a broad range of operational partnerships. In our experience as senior public sector leaders, strong partnerships are crucial to effective, efficient and economic service delivery – particularly in local government. We have therefore taken time to understand the experiences of partners working with the Council across statutory and non-statutory functions.

7.2 The LGA Corporate Peer Challenge highlighted evidence of some very effective partnership working in Tower Hamlets, including with statutory partners and businesses. The Report suggested a need to reset relationships with the voluntary and community sector (VCS), which had become strained following what they considered to be a lack of consultation around the allocation of grant funding.[88]

7.3 There is a strong commitment amongst front-line managers and staff we have met in Tower Hamlets to work in partnership to deliver improved outcomes for residents and this is reciprocated by statutory and community partners. As a result, the front-line managers and staff have excellent working relationships with colleagues working in these statutory and community partners.

7.4 We spoke to a number of the Council's key partners across health, community safety, housing, community organisations and education. Some of these partners told us that they have watched on with varying degrees of interest during the turbulent changes of the past 15 years and tell us that the quality of the strategic relationships with the Council fluctuates in line with the changes in the political

[88] LGA Corporate Peer Challenge Report, 2023, pp.6-7.

administration. Many feel this has deteriorated in the past two years. We have heard from a number of key stakeholders about the lack of engagement they have experienced from both senior officers and the Mayor, in circumstances and fora where we would have expected such engagement to be a normal, good-practice approach to partnership work.

Strategic Partnerships

7.5 At a strategic level partners feel that there is a lack of engagement by politicians and sometimes senior leaders in strategy, policy development and operations and that this is both disappointing and frustrating. The partners rightly have an expectation of being involved in decision making on issues or performance for which they hold some accountability. They should also reasonably expect a strategic dialogue with the Council on areas which affect them operationally, or on which they are a key partner, but they have told us that this does not always happen. They have also told us that over the past two years there is a much-reduced quality of relationship with the Mayor and Chief Executive.

7.6 We would have expected to see a strong set of relationships between statutory partners and it appears this is not always the case. This limited engagement has led to a perception at a strategic level in health that the council now has a reduced interest in health issues. Colleagues in health do not see the Health and Well Being Board as a strong strategic meeting of key partners, their perception is that chairing is weak, it does not start on time, it rarely discusses strategy and very little scrutiny of the council or health services takes place.

7.7 A number of colleagues in health have highlighted the many years of good work and examples of good partnerships ‘on the ground’, but now feel the Mayor is not actively engaged in health issues, that there is weak political and officer leadership which is not aimed so much at driving improvement, but in their own political priorities. The partners feel the Partnership Executive Group (PEG) is just a ‘talking shop’ which the Mayor does not usually attend and where the senior Council officers provide a great deal of rhetoric, but no action. Their view is that there is no real scrutiny of the Council and with no evidence of holding to account of the Council Executive. Colleagues cite a significant deterioration in the partnership arrangements when compared with the arrangements and relationships during Mayor Biggs administration.

7.8 Working relationships with Trades Unions are mixed. They are positive regarding the current administration’s investment programme and are very critical of the approach to savings adopted by John Biggs as Mayor. This included a very negative view about ‘Tower Rewards’, a programme that diluted staff terms and conditions and included a dismissal and re-engagement element. Insourcing is viewed positively by the Trades Unions on the whole, although they were critical that they had not had any communication between the senior officers and the trade unions regarding TUPE of staff moving from Greenwich Leisure Ltd (GLL) to the Council’s Leisure Services until around three weeks before the transfer at the beginning of May 2024 which they felt was unacceptable. The Trades Unions also highlighted issues in Housing Options, which is covered in the section of this report on service delivery.

7.9 Trades Unions were also negative about the human resources function within the Council. Although they appreciate it has suffered staffing issues, they described it as being slow, unresponsive and frustrating. This is a view held by many in the Council. We understand that this will be addressed through the implementation of the new Target Operating Model.

7.10 Some partners lack confidence in senior managers and are critical about the lack of responsiveness from some senior managers. Comments such as, 'senior managers are incompetent and not up to the job', that there is a 'jobs for the boys' culture and that staff are 'just keeping their heads down' were used in our interviews. This view is shared by some Council managers and staff in their interviews with us.

7.11 The Council's relationship with schools appears to be mixed. Whilst schools appreciate and value the support of some officers in the Council, head teachers and other educationists described what feels to them like a disconnect between officers and politicians. Meetings with the Mayor are described as infrequent and head teachers feel the significant progress made in education performance in Tower Hamlets since 2014 is being ignored and overlooked by current politicians. They also feel that the administration is critical and negative about the sector because it suits the rhetoric of the Mayor's drive to establish a high performing sixth form school in the borough. A proposal which is not supported by many schools, or educationalists in the borough who believe there is not a sufficiency or significant 'A' Level performance issue to resolve in Tower Hamlets.

7.12 96% of schools in the borough are judged to be good and outstanding, higher than the national average (89%). 69% of pupils at key stage 4 achieved a grade of 4 or above in English and Maths which is 3.9% higher than the national average.[89] However, average grade per entry for 'A' levels in the borough was lower than the national average and so there is a need to continue the current work to drive up 'A' level performance. It appears to head teachers and educationists in the Borough that the political narrative does not match the reality of the strengths and weaknesses on the ground and the need to continue and enhance the current work on school improvement.

7.13 The schools understand the data available on performance in relation to educational outcomes and most work well with the Tower Hamlets Education Partnership which is part funded by school's subscription to drive up school performance through school improvement support and CPD. The schools believe that politicians do not understand school improvement systems and are prioritising entrance to Russell Group Universities over basic school improvement, addressing challenges in pupil place planning arrangements and dealing with SEND pressures. They also highlighted their concerns and lack of dialogue about falling pupil numbers in primary schools in the west of the borough which is causing financial difficulties for some schools and might ultimately result in some school closures and the increasing rolls in the west of the borough with the opposite effect. There is also concern that there is a risk of jeopardising some current sixth form

[89] Annual Report on School Performance, 2022-23, Report to Cabinet dated 10 July 2024, p. 10, https://democracy.towerhamlets.gov.uk/documents/s238433/Annual%20Report%20on%20School%20Performance%20for%202022-2023.pdf

viability if the new sixth form academy of Excellence is delivered due to the current over supply of places available in the borough.

7.14 Schools also raised that they felt exposed to risk and unsupported by the Council as a result of the lack of appropriate guidance from the Council following 7 October 2023 on issues arising from the situation in Gaza. In the absence of timely advice from the Council, schools fell back onto the generic government Department for Education advice.

7.15 We have been told that there are real risks of secondary schools reluctantly moving towards academy status unless the relationship with politicians is fixed. They do not believe that the administration, or Corporate Management Team are prepared to focus on their core issues such as SEND, falling pupil numbers, apprenticeships, school improvement.

7.16 Overall, key partners raised some concerns with inspectors regarding limited engagement, the Council's procurement processes dating back a number of years, blurred decision making, a lack of engagement by politicians, interference by Mayoral advisors and officers being disabled to take things forward.

7.17 We are aware of strong partnership relationships at an operational level, for instance in health and social care. These have developed over of years, and many officers are well respected by their colleagues across partner organisation.

Voluntary and Community Sector Partnerships (VCS)

7.18 Tower Hamlets is one of the most diverse boroughs in the country, in terms of employment, income, demography, ethnicity and religion. It contains a large range of civic and faith institutions, and formal and informal groups and networks representing and providing services to its communities. The Council is undertaking work to develop a new community engagement strategy, working with residents and partners.

7.19 The Council currently undertakes community engagement through a wide range of fora. These include formal structures such as the Tension Monitoring Group, outreach by specifically nominated cabinet members and mayoral advisers, and more informal interaction between the Mayor, Cabinet members and other Councillors with the public in community settings. This interaction takes place through a combination of surgeries, events and meetings. We have been told that members of the public will regularly contact Councillors and Cabinet members at home - often out of hours - for help to resolve particular issues.

7.20 On the face of it, the Council recognises the value of the VCS, recently agreeing '*Our New Partnership Plan 2023-2028*', which agrees a set of priorities and aims to bring together residents, partners, and leaders from across the borough, as well as the '*Community Engagement Strategy 2024-2028'* which focuses on the Council's vision for community engagement and a plan for how they will achieve it.

7.21 The Council has a number of forums and networks which aim to support the delivery of these priorities. Feedback from partners varies on how effective they are in practice. When interviewing VCS partners, some felt that there was a lack of strategy or join-up for some of the forums, for example the Health and Wellbeing Board felt to some as a duplication of the discussions taking place at the Tower Hamlets Together Board.

7.22 The pattern of meetings for each of the forums is irregular, with many of them meeting just once to date in 2024. It would be more beneficial for the Council to focus on delivering a smaller number of forums effectively and strategically, than having multiple forums which do not meet on a regular basis.

7.23 The Council's lack of communication with and genuine commitment to partnership working with VCS organisations is also surprising. We have heard about instances where partners were invited to participate in engagement meetings but felt that they were simply presented to, rather than being involved in meaningful engagement and co-production.

7.24 The Council has insourced a great number of functions that were previously undertaken by the VCS. This, alongside reductions in funding to organisations and limited co-production activity, means that the sector as a whole in the borough is weakened. Some interviewees told us that they feel there is a loss of faith with the Council among the wider VCS organisations.

7.25 Partnerships and community engagement is a key theme in the Best Value guidance, and meaningful and effective engagement with the VCS is crucial in developing a good understanding of local needs. Our engagement with the partners throughout the period of our inspection indicates that the Council's approach to engagement and partnership working with the VCS has changed since 2022 and Tower Hamlets Council for Voluntary Services (CVS) is no longer being used as the key conduit with the voluntary sector. This shift of approach is causing frustration and disappointment in the voluntary sector.

Case study: Tower Hamlets Food Hub

7.26 The Council's Tower Hamlets Food Hub (THFH) links up more than 80 organisations in the borough with the aim of redistributing groceries to community food banks and other food aid organisations in Tower Hamlets. The hub is operated by a team of local volunteers and is jointly funded, with a 50/50 split, through the Department for Work and Pensions Household Support Fund (HSF) and the Council's Tackling Poverty reserves.

7.27 This round of HSF was initially planned to run from 1 April 2023 to 31 March 2024, however an extension from April-September 2024 was announced at Budget on 6 March and confirmed by DWP on 26 March. Guidance was shared with local authorities on 26 March, and published on gov.uk at a later date.

7.28 The Council wrote to food hub organisations on 1 May 2024, to inform them that there would be a pause in the THFH service from 6 May 2024, citing the late announcement of the HSF by the central government in March. In the letter, the Council explained that they hadn't been able to undertake the necessary governance processes which would confirm if they can apply the funding to the THFH project.

7.29 Several community food banks and food aid organisations in the borough have been in touch with the inspection team throughout this period to raise the distress this decision has caused them, and members of the community who were reliant on this food provision, and specifically, to outline the lack of consultation which occurred prior to the decision being taken.

7.30 VCS organisations were given four working days' notice ahead of the pausing of food provision from the THFH. The lack of notice to VCS organisations around the pausing of THFH left many with little time to prepare alternative arrangements, or to have meaningful engagement with members of the community who rely on their services.

7.31 The limited engagement with partners left room for confusion and misconceptions around the future of THFH. The food hub works on an open access model, with currently 80 organisations on the Council's distribution list. Following the decision to pause THFH, some food hubs were concerned that the open access model was going to change. Whilst this was not the case, the absence of engagement or assurance from the Council caused stress for partners and ultimately damaged relationships. We have not been provided with any reasons why the Council could not have communicated with partners much sooner after the DWP funding was confirmed, even if they were not able to provide certainty at this stage. This approach does not exemplify the community-focused Council to which Tower Hamlets aspires.

Community Cohesion

7.32 During the course of the inspection, we have met with individuals from a range of communities, including the Bangladeshi community, Somali community, the LGBTQIA+ community, some faith communities and people with disabilities. We heard that, like in any community, while there are sometimes tensions between different groups, people in Tower Hamlets work together to support each other. This reflects a long history in which community action has challenged regressive and violent forces – from the Battle of Cable Street in 1936 to the annual commemoration of Altab Ali who was murdered in a racially motivated attack in 1978.

7.33 We have stated elsewhere that Tower Hamlets is home to the largest Bangladeshi community in the UK. We have heard from a range of individuals connected with the Council and from the wider community who speak powerfully about the shameful discrimination they have faced as British Bangladeshis. These experiences have clearly been a driving force for many in their desire to achieve positive change through public action on behalf of their community. The Mayor is a member of the British Bangladeshi community, as are all Aspire group Councillors. They are considered community leaders by many in the borough.

7.34 All the Aspire group Councillors are men and the majority of Aspire candidates at the May 2022 Council election were also men. Some of our interviewees saw this as representing a problematic lack of diversity.

7.35 The Mayor and the Aspire group, like any effective local politicians, are well connected within their local community. Some community members think that particularly strong connections exist between the Council's political administration, the community, religious institutions and the local Bengali-language media. This is not problematic in principle, but there is a perception that these connections limit democratic scrutiny of the administration. The Council should be active in managing these perceptions in order to maintain cross-community confidence in the integrity of local governance.

7.36 There are some residents and community members within Tower Hamlets who feel that political attention is focused on some communities more than others. These concerns are often but, not exclusively, focused around resource allocation - particularly housing.

7.37 The Somali community in Tower Hamlets is well established, with dock workers arriving before World War I, and further settlement taking place in the 1950s and 1990s.[90] We heard that over the past 15 years, the Somali community has felt that the Council has paid it fluctuating attention in terms of both funding and engagement. This fluctuation did not necessarily correlate consistently with particular political administrations.

7.38 There are other issues through which community tensions in the borough emerge. Since 7 October 2023, some members of the small Jewish community have found the issue of Palestinian flags to be a major worry. There are also a number of active community Facebook and WhatsApp groups where fierce online conversations are taking place in relation to the conflict. The Council only began removing flags on Council property in late April 2024.

7.39 The Council received legal advice on this matter initially, from its in-house legal team shortly after the flags had started to be displayed. On 5 January 2024, the Council received an email from the Chief Executive of the UK Lawyers for Israel, outlining serious concerns on behalf of the Jewish residents in Tower Hamlets. We were informed that following this letter, the Council, prudently sought King's Counsel advice to secure a better clarity on the Council's legal position.

7.40 On 12 February 2024, a conference was held with King's Counsel, the Mayor and officers to discuss the legal advice received. We have been provided with the King's Counsel legal advice on a strictly confidential basis, with no waiver of privilege in respect of the advice, but it does seem to us that the matter was not overly legally complex.

7.41 We were not provided with the brief to the Kings Counsel and therefore were unable to ascertain the date of instruction. However, we were informed there were delays in sending the brief to the barrister, due to a number of officers, and the Mayor, wanting an opportunity to make comments. In any event, it is unclear to us as to why there were such large gaps between the issue arising, advice being sought and received and action being taken.

7.42 Clearly the Gaza conflict has been a difficult time for many and it is not within the power of a single Council to remedy matters. However, it is not clear that the Council has acted particularly effectively to manage tensions. We are not aware of any corporate communications from the Council's leadership to its staff or with schools about the conflict and impacts in the local area, and understand some Jewish staff members to have felt uneasy as a result of this omission.

7.43 The Council has a well-established Tension Monitoring Group, which is usually called on an ad hoc basis to address a particular issue or incident, and acts as a forum for representatives of different community groups to discuss tensions. There had been some expansion of attendees of this group, including attendance by politicians, at some time over the course of 2023.

[90] Tower Hamlets Somali Taskforce Report https://www.towerhamlets.gov.uk/Documents/Community-safety-and-emergencies/TH_Somali_Task_Force.pdf

7.44 We have heard that after 7 October 2023, debate and meetings had become more polarised and sometimes very heated, and we have been told by attendees that accusations of Islamophobia were made during and after the meeting. This led to the group meetings being paused, with the group last meeting in December. We understand that the Council has since reviewed the Terms of Reference for this group, but there was no meeting between December 2023 and July 2024, despite tensions still existing. If the group is to function effectively it may need more high-profile political leadership, not least as a demonstration of the Council's commitment to serve all communities within the borough equitably. We did hear views that the group would be more effective if it were to meet in person and that would also be the case if group members did not bring guests without prior agreement. The Tension Monitoring Group met on 16 July to discuss an incident relating to police actions in the borough.

7.45 We have indicated in the report in the elections section that we believe the tensions apparent during the recent parliamentary election were sufficient to consider holding meetings of the TMG.

Community Safety Review

7.46 Tower Hamlets has a well-developed and effective community safety service which includes Tower Hamlets Enforcement Officers (THEOs) and which takes action to reduce anti-social behaviour, deal with drug and alcohol problems, reduce and inform about violence against women and girls and tackle hate crime. In February 2024, the Council commissioned a review of the Community Safety Team. A separate operational review of the THEOs and Safer Neighbourhoods Operations services has also taken place.

7.47 Members of the statutory Community Safety Partnership told us they were both surprised at the review commencing and were not provided with an opportunity to feed into the scope and purpose of the review. We understand that questions were asked at a partnership meeting about whether the review would cover the whole partnership, but they were not provided with clarity. This seems to be a further example of weak strategic partnership arrangements. A draft Terms of Reference was included in an email between the commissioning officer and the reviewer, dated 15 February 2024, that includes questions about the effectiveness of the partnership and comparative performance of partners.[91] These Terms were agreed and signed off by the relevant Corporate Director on 9 February 2024. The Terms of Reference for the review does not feature in either the strategic summary or final review. It is surprising that the Council commissioned a review covering partnerships without including partners in its development.

7.48 We have been told that the Community Safety Review was commissioned on the grounds that the service is ‘not fit for purpose’ and the first phase of a directorate wide change programme. The Terms of Reference for the review include a question ‘is it fit for purpose?’ The view that the service is not fit for purpose is not shared by all relevant parties, including some statutory partners, who believe that the current arrangements have been effective over a number of years. They also have confidence in the current team, whom they believe to be

[91] We were also advised that the Terms were expanded slightly after this time, to consider arguments for and against moving to an integrated enforcement model.

high-performing, and can see the positive impact of the work. Tower Hamlets' crime rate for the year ending December 2023 is lower than comparable areas, but higher than the Metropolitan Police average.[92] This is a complex area and no single figure will fully demonstrate performance, however we note that the number of anti-social behaviour reports to the Metropolitan Police in Tower Hamlets in 2022 was 12,913, below the full pre-pandemic year in 2019 when there were 16,777 reports. The Council provided us with some internal reporting data which suggested that the number of ASB cases reported to the Council was broadly stable between 2022/23 and 2023/24.

7.49 We have heard from a range of sources internally and externally that neither the Terms of Reference nor the general scope of the Community Safety Review were made available to those interviewees asked to participate in advance of their interviews. We have heard from some interviewees that they did not consider some questions to be relevant or appropriate.

7.50 There was some confusion between the Community Safety Review and the THEOs Review, including from interviewees whom the two review teams appear to have met together. It is therefore not possible to differentiate the views of staff about each review. It may have been more efficient to undertake such interviews together, but reviewers should have made clear to staff and partners the difference between the two reviews. We are not clear as to why the two reviews were commissioned through different routes, given the clear overlap in the content, interviewees, timelines, and purpose as reported by the commissioning officer. The Community Safety Review is more strategic than the operational review, though also covers THEOs and Safer Neighbourhoods Operations. At times they draw from the same materials, including a shared quote from an interview. The operational review refers to the lead for the Community Safety Review as a colleague. There is no other reference to the Community Safety Review in the operational review. The Community Safety Review briefly mentions the operational review.

7.51 Responses to our staff survey showed that the Community Safety Review, and the way in which it has been carried out, has created significant concerns and placed a great deal of stress on some team members who have been asked to participate in its process. Other respondents were more positive – there is clearly some division at senior and service level.

7.52 It is the view of some respondents to the staff survey that the outcome of the review is pre-determined. While we were assured that this is not the case, it is a matter that might have been addressed by better communication.

7.53 This case is an example where the Inspection Team has struggled to access information. Inspection team requested a copy of the Community Safety Review on 15 April 2024, with a deadline of 18 April 2024. On 17 May 2024 we were provided with a 'strategic summary' of the report, as the Council stated it did not yet have the full report. The note providing this 'strategic summary' was dated 29

[92] Accessed, 28 July 2024 https://www.police.uk/pu/your-area/metropolitan-police-service/performance/compare-your-area/?tc=E05009317 Tower Hamlets rate in the year ending December 2023 was 117.86, compared to an average of 141.02 in the 'most similar group' and a Metropolitan Police average of 102.36. The crime rate in Tower Hamlets has been lower than the most similar group but higher than the London average since at least December 2020.

April. It is not clear why there was a delay between 29 April and 17 May in providing the Inspection with this note.

7.54 Following the extension of the Inspection deadline, the Inspection team, via the Chief of Staff and the Single Point of Contact arrangement, made clear to the Council orally that they would like to be kept up to date on the matter of the Community Safety Review. This was set out in writing on 20 June. On 17 June 2024, the Inspection team requested a follow-up meeting with the relevant corporate director.

7.55 The scheduling of this meeting required several follow-up requests, and took place on 16 July. Following this meeting, and also on 16 July, documents containing the Community Safety Review and operational review were shared with the Inspection Team. These review documents were dated 29 and 30 April 2024 respectively. It is not clear when the Council received these documents, or why it was unable to share them on 17 May, at the time it shared a ‘strategic summary’ of the Community Safety Review. We understand that the Council is treating the review sensitively, prior to processing through Council governance.

8. Use of Resources

Best Value Guidance – Use of Resources

An authority must have in place and properly deploy an effective internal control environment to safeguard the use of resources, and clear and effective processes to secure value for money. It must have appropriate financial management, reporting and regulation arrangements in place, in accordance with CIPFA's Financial Management Code, to govern the strategic and operational management of its investments, funding, assets and companies. This includes ensuring it has the appropriate skills and capacity in place, commensurate with the complexity of its finances, using specialist expertise when needed.

Authorities must comply with the Prudential Framework in making investment and borrowing decisions and not take on excessive risk. They should have effective systems for identifying, reporting, addressing and reviewing financial risk and have consideration of CIPFA's Financial Resilience Index.

Investment decisions must have a commensurate level of scrutiny, transparency and approval to make sure that officers and members fully understand the risks.

Financial management and reporting should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise and independent assurance when needed.

Authorities should respond to audit recommendations and address issues identified in a timely way.

Capacity constraints should be identified and recruitment to fill key posts prioritised. Succession planning should be considered, with a longer-term view as to when there might be a gap in, experienced senior officers. Special severance payments should only be considered in exceptional cases.

8.1 The Best Value guidance requires an authority to have effective internal control as well as appropriate financial arrangements and reporting arrangements in place. Authorities are required to comply with the prudential framework and understand their investment decisions. Audit recommendations should be addressed in a timely way. The Department set out in its letter to the Chief Inspector that the inspection would be in relation to functions including section 151 of the Local Government Act 1972, the strength of associated audit and scrutiny arrangements in relation to this function, budgetary proposals and medium-term financial planning. It also set out that the inspection would consider decision-making, encompassing leadership, governance, culture, use of resources and impact on service delivery in relation to these functions.

8.2 The Council has set a general fund balanced budget for 2024/25 and has a funded capital programme. The general fund out-turn was a minor underspend with minor slippage on its capital programme, following detailed budget monitoring through

the year. The Council is currently in a strong financial position although over the long-term budget pressures may weaken this position as detailed in this section.

8.3 The Council has a strong internal audit function but the high number of internal audit reports receiving a limited level of assurance needs to be addressed by the Council.

Revenue Budget & Capital Programme 2023/24 including Provisional Out-turn

Revenue Budget Overview and Provisional Out-turn

8.4 The Council set a balanced budget on 1 March 2023, albeit that the original general fund revenue budget was underpinned using reserves totalling £22.1 million. The provisional general fund revenue budget out-turn was a £300,000 saving. However, this is a combination of many budget variances, with the major overspends being Housing (£5.2 million), Adult Social Care (£3.1 million) and Special Education Needs (£3.2 million). The Council undertook budget monitoring throughout the 2023/24 financial year.

8.5 Overall, after contributions to £5.0 million) and from (£11.3 million) reserves there is a net overspend by directorates of £4.2 million and an underspend/additional income on the corporate and financing budgets of £4.5 million. The corporate underspend includes £3.5million higher investment returns and lower Minimum Revenue Provision, £2.2 million from the London Mayor to fund Free Healthy Schools Meals and a £2.7 million released from reserves relating to the 2021/22 business rate pooling, which was no longer required. Conversely, the pay award resulted in £4.9million additional expenditure over that budgeted.

8.6 The out-turn for the Dedicated Schools Grant was an overspend of £1.5 million resulting in a year end cumulative deficit of £15.8 million on the DSG ringfenced account. The Housing Revenue Account was an overspend of £5.2 million, primarily due repairs and maintenance.

Use of Reserves

8.7 In terms of utilising reserves in the 2023/24, the Council forecast to use £14.5 million of Earmarked Reserves, whereas the actual net contribution from reserves based on the provisional out-turn was £6.3 million. This is in addition to the £22.1 million used to provide a balanced revenue budget.

Savings Achieved in 2023/24

8.8 The budget for 2023/24 included savings of £15.5 million and this is reflected in the Cabinet reports of 27 March and 10 July 2024. The budget submitted to Council on 1 March 2023 for 2023/24 indicated net savings of £9.5 million after changes to savings proposals relating to the previous administration. An explanation to this difference was provided by the Council whereby £1.2 million was carried forward from savings not delivered in 2022/23 but were considered deliverable in 2023/24 and £4.8 million.

8.9 The provisional outturn position is that of the budgeted savings of £15.5 million, £12.3 million has been delivered, with £2.1 million considered still to be deliverable,

but not until 2024/25. The remaining £1.1 million is now considered to be undeliverable as it relates to historic undelivered corporate savings going back to 2017/18 in some cases.

Capital Programme

8.10 The Council's General Fund Capital Programme had a 92% delivery in 2023/24 i.e. £81.7 million out of a programme total of £88.9 million, thus resulting in a forecast variance of £7.2 million. The variance of £7.2 million comprises £8.9 million of slippage offset by £1.7 million of overspends. Ordinarily, where a potential overspend is identified remedial action should be taken at that point in time. In terms of the Housing Revenue Account capital programme this achieved 84% delivery in 2023/24, £60.7million out of £72.2 million.

Summary of 2023/24 Projected Out-turn

8.11 In summary, the Council's General Fund Revenue Budget out-turn for 2023/24 is very much in line with the budget, but the level of revenue budget overspend on the Housing Revenue Account is a cause for concern, especially the additional costs on repairs and maintenance. The slippage on the Capital Programme both General Fund and Housing Revenue Account is at an acceptable level, although best practice would dictate that overspends should not arise without seeking additional funding.

8.12 The Council throughout the year undertook budget monitoring with timely reports being provided to Cabinet. In addition, the provisional out-turn report presented to Cabinet on 10 July was comprehensive and understandable.

Revenue Budget 2024/25

Revenue Budget Overview

8.13 The Council at its meeting on 28 February 2024 set a balanced budget for 2024/25 as required by law. The budget provides for a Net Service Cost of £487.9 million before, growth, savings and inflation which provides for a total funding requirement of £462.6 million. Total funding is £456.2 million leaving a budget gap of £6.4 million which is funded from reserves, albeit that is a net sum based on a drawdown from reserves of £15.6 million and a contribution to reserves of £9.2 million; covering the creation of new Reserves namely the Mayor's Accelerated Delivery Fund (£6.9 million) and a Risk Reserve £2.3 million). The budget includes growth items of £19.2 million which we were advised are to deliver the Mayor's priorities and has resulted in all the priorities now being included in the base budget.

Council Tax Increase 2024/25

8.14 In original proposals the Council in its Medium-Term Financial Strategy did not propose a Council Tax increase, albeit at the Cabinet meeting on 31 January a 2.9% increase was proposed and endorsed by the Council as part of its budget setting. In so doing the Council established a Cost-of-Living Relief Fund for those

with a total gross household income of up to £49,500 whereby, there is no increase in Council Tax. Additionally, the Council approved a 2% Adult Social Care Precept.

Movement in Reserves

8.15 Full Council on 28 February 2024 received an update on the reserves as part of the budget report including the projected movement up to 31 March 2027. In summary, it was projected at that point in time, over the financial years 2024/25, 2025/26 and 2026/27 the Council will be contributing £19.2 million to the Mayor's Accelerated Delivery Fund and £2.3million to the Budget Risk Reserve. By comparison the Council will draw down £20.4 million from reserves to support the base budget up to 31 March 2026, with no support from reserves expected in 2026/27.

8.16 The Council holds a General Reserve of £21.2 million at 31 March 2024 which is not unreasonable. In terms of Earmarked Revenue Reserves with Restrictions these are projected to fall from £108.0 million on 31 March 2023 to £101 million on 31 March 2024 (based on the provisional out-turn) then to £56.7 million on 31 March 2027, (based on the 2024/25 budget report) which again is not unreasonable as they are used for the purpose intended.

8.17 In respect of the Revenue Reserves without restriction, in other words the Council is free to utilise as it considers appropriate these are tabulated below as reported to Council as part of the 2024/25 budget-making process.

Table 1: Unrestricted revenue reserves from 2024/25 budget-making process

Name	31.3.23 £m	Expected Movement 23/24 £m	Expected position at 31.3.24 £m	Expected position at 31.3.25 £m	Expected position at 31.3.26 £m	Expected position at 31.3.27 £m
Mayor's Priority Investment Reserve [1]	47.9	(26.7)	21.2	5.6	0.8	0.8
Risk Reserve [2]	15.9	-	15.9	18.2	18.2	18.2
Mayor's Accelerated Delivery Reserve [3]	-	-	-	6.8	17.1	19.1
ICT Reserve	9.3	(2.0)	7.3	7.3	7.3	7.3
Transformation Reserve	3.1	(1.0)	2.1	2.0	2.0	2.0
Mayor's Tackling Poverty Reserve	1.6	(0.7)	0.9	0.9	0.9	0.9
Service Reserve	14.5	(2.8)	11.7	11.1	10.6	10.3
Social Care Pressures Reserve [4]	-	3.1	3.1	3.1	3.1	3.1
Total	**92.3**	**(30.1)**	**62.2**	**55.1**	**60.0**	**61.7**

Note 1: The reduction in the Mayor's Priority Investment Reserve from 31 March 2024 to 31 March 2025 reflects the decision by Council on 28 February 2024 to utilise £15.622million towards the 2024/25 budget.

Note 2: The Risk Reserve is based on a matrix of Low, Medium and High, risk factors relating to Fees and Charges which covers the years 2024/25,2025/26 & 2026/27 together with a 1.5% inflation variance. It is interesting to note that the Fees and Charges is calculated using three years whereas it would not be unusual to undertake an annual calculation of the reserves held for risk purposes especially as the Council has a General Fund Reserve of £20.0million.

Note 3. In respect of the Mayor's Accelerated Delivery Fund this was a new reserve the Council created as part of the budget process, see paragraph 8.16.

Note 4. The Social Care Pressure Reserve was created in 2023/24 as approved by Council on 1 March as part of the budget process for 2023/24.

8.18 The Council's constitution Part C item 2 'Maintenance of Reserves' requires 'For each Reserve established, the purpose, usage, procedures for the management and control of reserves, and basis of transactions should be clearly identified'. For the Mayor's Accelerated Delivery Fund no evidence could be identified that set out its purpose, use or management beyond its title. The Council should consider this, in order to adhere to the constitution and provide transparency to taxpayers.

8.19 The out-turn position of the general fund reserves without restriction as shown in the above table is £70.9 million (£62.2 million at budget setting) which reflects higher balances in the ICT, Mayor's Tackling Poverty, Service, Transformation and Social Care Reserves.

8.20 Additionally, the Council holds other reserves covering Capital, Housing Revenue Account and Dedicated Schools Grant. These were projected at budget setting on 28 February 2024, to be at 31 March 2024 £375.8million (£413.7 million in the provisional out-turn) reducing to £228.6million on 31 March 2027, which is not considered unreasonable.

8.21 Overall in relation to reserves, the Council and in particular Members, need to keep these under regular review and satisfy themselves of the need and level for each reserve, but as highlighted above, the Council needs to address the Mayor's Accelerated Delivery Reserve.

Budget Savings

8.22 In approving the 2024/25 revenue budget the Council has included budget savings for 2024/25 of £33.8 million and the Council considers that £11.9 million has already been achieved through budget realignment. The remaining sum of £21.9 million has a number of dependencies. By way of contrast the budget savings achieved in 2020/21 was £10.2 million and in 2021/22 was £23.6 million. The level of savings identified by the current administration is significantly higher than those achieved in the final years of the John Biggs administration.

8.23 The budget report to Council included a template for each saving which provided further detail for councillors, albeit some were more developed than others. The Council considered these were the business cases albeit further detail was provided to the inspection team regarding the fourteen staffing restructures amounting to £5 million of the budget savings, the detail of which is covered below.

8.24 A review of the £11.9 million where the Council considered the savings have been achieved through budget realignment was undertaken by investigating those where the saving exceeded £1 million. These were all found to be acceptable and reasonable. The Medium-Term Financial Strategy highlights for 2025/26 the removal of the Corporate Provision for Redundancy of £2.5 million. While this may not be inappropriate, the inspection has highlighted that the Council is in the process of a major transformation programme and the removal on 1 April 2025, without any other funding source being identified to fund redundancies does present a financial risk.

8.25 The total of budgeted savings in 2024/25 with dependencies is £21.9 million and a summary of those over £1 million, which is 71% of this saving were looked at in detail. Several risks were identified are as follows:

- Commercialisation (Enforcement & CCTV) (£1.6 million in total comprising £0.1 million in 2024/25, £0.5 million in 2025/26, £1 million in 2026/27). The saving is reliant on a response from the market and progress is being made through the appointment of an organisation to support market testing, but the saving is reliant on a positive market response.
- Parking Savings (£5 million in total comprising £1.1 million in 2024/25, £3 million in 2025/26, £1 million in 2026/27). The risk rests with £2.1 million saving in 2025/26 which relates to an increase in PCN charges, which is London-wide and is subject to consultation.
- Adult Social Care (ASC) Commissioned Care and Support Savings £2 million This saving relates to packages of care provided to Adults in the Borough where this is an identified need. Staff are committed to delivering these savings, but there is a risk that, given it is a demand-led service and current national expenditure trends in social care that they may not be achieved.
- Care Technology Transformation £2 million in total, comprising £1.1 million in 2024/25, £0.7 million in 2025/26, £0.2 million in 2026/27 This saving is predicated on the appointment of strategic partner and Cabinet at its meeting on 16 May 2024 approved the procurement route. However, it will be some way into the financial year before an appointment is made and work commences to deliver the savings.
- Public Health Grant Reserve Substitutions £1.8 million. The Public Health Grant Reserve as reported to Council on 28 February 2024 is £7.2 million. This saving seeks to fund certain services that have a health element from this reserve during 2024/25, 2025/26 & 2026/27. As reported to Council it will be necessary after that time to find alternative funding. The Director of Public Health confirmed this substitution is permitted under the Public Health Grant.
- Capital Financing & Investment Income £3 million in 2024/25 but with an increase cost in 2025/26 of £0.5 million and in 2026/27 of £0.8 million. The Council is confident that given increased interest rates it will achieve an additional £3 million from investment income in 2024/25. It recognises that cash balances will fall and thus this will impact the projected position in 2025/26. Through its Treasury Management Function it will be for the Council to monitor this budget throughout the year.
- Cross Council Third Party Spend Review (£1.4 million in total comprising £0.5 million in each year 2024/25, 2025/26 & 2026/27). The Council has appointed an external party to review its Third-Party spending, and this work is ongoing, and the extent to which the savings target will be achieved is unknown.

- Service Restructures. There are 14 Service Restructures and in 2024/25 these total £3.3 million plus £1.4 million for Corporate Resources and £327,000 in respect of the Mayor's Office i.e. a total of £5 million. On reviewing a sample of the staffing proposals, while they were detailed, the financial information was very high level and not costed in detail per post. It was noted that Directors must meet the approved staff savings, but while the consultation process has commenced in some areas, this is not the case for all areas. No doubt there will be feedback from staff and Trades Unions, and this could create a delay in achieving the full savings in 2024/25. The £5 million saving was considered by the Budget Board at its meeting on 25 April 2024, where it was advised that £2 million was amber (behind schedule, but MTFS deliverability was not impacted) and £2.9 million was green (on track).

8.26 Clearly, there remains a risk to the quantum of savings that can be successfully delivered in 2024/25. It remains relatively early in the financial year and as such we cannot confirm these savings will be delivered on the impact on subsequent years of the MTFS, but this must be monitored and scrutinised closely but the Council and councillors.

8.27 To enable the monitoring of the savings included in the budget and to provide challenge, the Council has established a Budget Board which is meeting monthly, chaired by the Corporate Director of Resources and has senior representatives from all Directorates. In addition, it has developed a budget tracker. The Budget Board held on 25 April 2024, was observed and the meeting considered several of the above savings' proposals and reassurance was provided, that actions are in hand including potential mitigation measures to secure the savings identified. The budget should in our view also be subject to some monitoring by Overview and Scrutiny Committee in the interests of openness and transparency.

8.28 The Council continues to develop their use of Microsoft Power BI as a tool for budget monitoring including meeting savings targets and this is good innovative practice.

8.29 The Council has identified based on the report to full Council, further savings of £5.6 million for 2025/26 and £4 million in 2026/27, and those exceeding £1 million which commence in 2025/26 are as follows:

- Increase in Leisure income £1 million in 2025/26 & £1 million in 2026/27, this is considered later in the report.
- Council Tax Second Home Premium £2 million.

8.30 The MTFS highlights that a further £5 million saving is budgeted to be made in 2025/26 as the growth bid for Waste Services included in the 2024/25 budget is for one year only. A commentary on the waste service is given in the section on service delivery, including the corresponding budget risk.

8.31 The Cabinet at its meeting on 16 May 2024 allocated £1.9 million from the revenue contingency to improve Housing options homelessness services. This is a one-off and the Council has recognised that future ongoing costs will need to be considered within the next Medium Term Financial Strategy.

Overall Financial Sustainability and Future Years' Revenue Budget

8.32 The previous administration made financial cuts to services which they would argue has laid the foundation to maintain future financial sustainability of the organisation. However, the budgeted savings achieved in 2020/21 was £10.2 million and £23.6 million in 2021/22 by comparison to the budgeted savings in 2024/25 of £33.8 million and is therefore significantly greater than any budget saving exercise previously undertaken by the Council in one year. The Council's current strong financial position is recognised by the Corporate Director in her Section 25 report to Council on 28 February 2024 as part of the Budget process.

8.33 As part of its 2024/25 budget setting process, the Council refreshed its Medium-Term Financial Strategy for 2025/26 and 2026/27. These provide for a budget surplus of £5.4 million and £2 million respectively assuming the savings identified above (£5.6 million in 2025/26 and £4 million in 2026/27) are delivered. However, the 2025/26 financial year provides a contribution from reserves of £4.8 million and the current intention is for the budget surpluses and the contribution from reserves to be a contribution to the Mayor's Accelerated Delivery Fund.

8.34 The 2025/26 revenue budget assumes the £5 million investment in waste in the current year is one-off; we heard this is unlikely to be the case and that this needed in full or nearly in full on an ongoing basis. Coupled with the investment into Housing Options Homelessness Services of £1.9 million from the General Contingency, which is also likely to be ongoing, the Council has a potential budget pressure of nearly £7 million per year from 2025/26, which is not included in its Medium-Term Financial Strategy. If this is not addressed, the Council's financial position could deteriorate over the medium term, particularly if there is slippage in the savings proposals.

8.35 We recognise the Council has identified the need to commence a refresh of its MTFS for the 2025/26 and 2026/27 financial years as well as commencing work on 2027/28. A draft updated MTFS will be submitted to Members in September 2024 but in the meantime Members and Officers have commenced reviews of departmental budgets through the Strategic and Resource Planning of the Mayor's Advisory Board. In undertaking this MTFS refresh the Council needs to ensure it has financial sustainability in the medium to long term given likely budget pressures, reducing revenue reserves and that we heard the need to make further investment into some front-line services.

8.36 In order for the Council to meet its own constitutional requirement, it must set out the purpose, usage, procedure for the management and control of the Mayor's Accelerated Delivery Fund. In addition, the Council must continue with its rigorous budget-board process to deliver in full, the identified savings otherwise it may face financial challenges in future years.

Capital Programme 2024/25

Overall Programme and Funding

8.37 The Council has a clearly defined process for consideration of capital programme bids before they are submitted to Cabinet as part of the budget setting process. The process includes the need for a project initiation document (PID) which Officers are responsible for preparing and submitting for approval.

8.38 The Council's capital programme for 2024/5 to 2026/27 including the revised programme for 2023/24 was approved by Full Council on 28 February 2024 and amounts to £291.1 million for the General Fund and £457.1 million for the Housing Revenue Account (HRA). By comparison the three-programme approved on 1 March 2023, for General Fund and HRA covering the period 2023/24 to 2026/27 was £350.5 million & £464.1 million respectively. The report presented to Full Council (on the 28 February 2024), demonstrates that the programme is fully funded with only £66.3 million coming from prudential borrowing (budgeted interest cost of £2.3 million in 2024/25), the remaining funding sources being grants £104.6 million, Section 106 £53.5 million, CIL (Community Infrastructure Levy) £54.1 million, LIF £5.5 million, capital receipts £5.3 million and right to buy receipts £1.9 million. Further analysis on housing is provided in the sections on the Housing Revenue Account and service delivery.

8.39 The Capital Programme for 2024/25 onwards approved by full Council on 28 February 2024 includes four significant additions namely:

- Institute of Academic Excellence
- Culturally Sensitive Substance Misuse Treatment Centre
- Women's Resource Centre (with a focus on Bangladeshi Women)
- Basic Need Programme.

Community Infrastructure Levy (CIL) and Section 106 Monies

8.40 The Council provided a briefing note on their approach to securing Section 106 and CIL monies as well as their projected income and expenditure up to 31 March 2027. The approach taken by the Council and the level of income and expenditure appear reasonable and accord with established good practice.

8.41 The projected spend of CIL and Section 106 monies accords with the capital programme, although for Section 106 monies cannot be a direct reconciliation due to timing issues. The Council has confirmed no Section 106 monies have been returned to developers since 1 April 2022 and overall, no matters of concern were identified on Community Infrastructure Levy or Section 106 monies.

Treasury Management

8.42 The budget report to Council on 28 February 2024 included the Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report 2024-25 to 2026-27. The budget report sets out that the report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the relevant Codes and Guidance.[93] Given their specialist nature we have not reviewed detailed investments and borrowing transactions.

Housing Finance and Housing Revenue Account (HRA)

8.43 The Council took over the management of housing directly from its Arms Length Management Organisation, Tower Hamlets Homes on 1 November 2023, as

[93] Agenda, Budget Council Meeting 28 February 2024, https://democracy.towerhamlets.gov.uk/documents/g14378/Public%20reports%20pack%2028th-Feb-2024%2019.00%20Council.pdf?T=10

approved by the Cabinet on 22 February 2023, whereby officers were authorised in consultation with the Mayor to serve a Termination Agreement on Tower Hamlets Homes; albeit the contract did not expire until 31 March 2024. The Cabinet report had very little financial information and specifically did not reference the business plan.

Housing Revenue Account Business Plan

8.44 A 30-year HRA Business Plan has been developed and from information provided by the Council in respect of the Plan it is based on several critical assumptions which have been accepted by the Council. These are:

- An Interest Cover ratio of 1.15, this has reduced from 1.5 in 2023/24
- Voluntary Minimum Revenue Provision contributions will not be paid from 2023/24 onwards.
- The HRA retains revenue balances at a minimum of £10m unadjusted from the previous model.
- A 10% stock conditions survey sample
- Using 5% as the cost of borrowing in 2023/24, falling to 4.5% in 2024.25, 4.0% in 2025.26 and then 3.5% thereafter
- That the number of households exercising their right to buy their Council home will remain at 30 units per annum initially and then reduce to 20 per annum,
- Over the next three years investment will be £20m, £25m, £30m, with works being prioritised based on risk and known stock conditions rather than age.

8.45 It is recognised that for the first two assumptions specific external advice was provided. None of the assumptions are considered inappropriate, but in year 17 (2039/40) the headroom is £603,000; thus, the Council needs to ensure the business plan assumptions are delivered to keep its level of borrowing and the management of its debt maturity under close financial control.

8.46 The concern is that by only having undertaken a 10% stock condition survey on Tower Hamlets Homes stock there is an immediately heightened financial risk to the Council. Ideally the stock condition survey should have been based on a much higher level of stock survey sample than 10%. The Council has sought to mitigate the risk by providing additional capital as outlined below.

Housing Revenue Account 2024/25

8.47 The Housing Revenue Account for 2024/25 was approved by Full Council on 28 February 2024 and is budgeted at a gross income of £123.2 million with expenditure of £104.4 million before interest on debt/investments (£4.8 million), revenue contribution to capital (£10.2 million) thus providing a budgeted surplus of £3.8 million. The HRA balance at 31 March 2024 (based on the provisional out-turn) is £23.4 million, thus it accords with the Business Plan of maintaining a minimum £10 million revenue reserve.

HRA Capital Programme

8.48 The HRA Capital Programme for 2024/25 of £118.7 million was approved by Full Council on 28 February consisting of £95.7 million for new homes and the approved programme projects and £23 million for the rolling programme. The

programme from 2023/24 to 2026/27 is £457.1 million of which £151.5 million is funded by Prudential Borrowing, with the budgeted interest on debt for 2024/25 being £5 million in 2024/25. The inspection team were advised that the rolling programme allows for works to be substituted based on risk, supply chain availability and ability to deliver within specific timelines. Therefore, where projects are pushed back in the rolling programme, budgetary provision is available to fund unbudgeted emergency works. For completeness the Council's Capital Programme does provide for £28 million and £34 million in 2025/26 and 2026/27 respectively to fund the rolling programme, which exceeds that identified in the business plan.

8.49 In addition, within the HRA Capital Programme a £10 million contingency has been set aside over the next three years to meet unexpected costs associated with the existing stock. As a last resort, headroom currently exists within the HRA business plan to increase borrowing. Overall, the Council has indicated as part of the HRA business plan that it has been budgeted to spend £1.1 billion on the existing stock over the next 30 years, an increase from £1 billion which was previously modelled. Whether this level of funding is sufficient to maintain the housing stock received from Tower Hamlets Homes is uncertain at this stage.

Financial Accounts

8.50 The Council used Deloitte as its appointed auditor up to the end of the 2022/23 financial year and from the 2023/24 financial year Ernst and Young (EY) are the appointed auditor.

8.51 The last set of accounts to be signed off by the appointed auditor were the 2019/20 (which occurred at the same time as the 2018/19 accounts) on 30 November 2023. However, both sets of accounts were given a qualified opinion due to concerns in the following (the same applied to both set of accounts):

- Failure to prepare Group Accounts
- Pension Liability[94]
- Related Party Disclosures
- Officers' Remuneration

8.52 In addition, in issuing their 2019/20 value for money conclusion, the external auditor qualified their opinion in respect of financial reporting, risk management and the system of internal control. A qualified opinion was also given on value for money for 2018/19.

8.53 In 2020 and 2022 the Council established external reviews of its closure of accounts process as a means of a learning exercise. These provided a clear steer to Council officers in terms of the process of closing accounts in a timely manner, given the reporting requirements, which is now benefiting the Council.

8.54 The Council accounts for the financial years 2020/21, 2021/22 and 2022/23 have been published, the period of public inspection has concluded, but they have not been signed off by the appointed auditor. The previous government undertook

[94] On 30 July 2024 the Council made us aware of investigations they have undertaken in relation to pension issues arising from the 2018/19 and 2019/20 accounts, and setting out some high-level steps they are taking to resolve these.

a consultation on 'Addressing the local audit backlog in England', which closed on 7 March 2024.[95] The consultation was regarding a proposal that all accounts up to the 2022/23 financial year have a backstop date of 30 September 2024 when the appointed auditor will need to form an opinion. This was reported to the Audit Committee on 23 April 2024 and the appointed auditor in their report stated:

"We do not expect it would be possible to complete and give an opinion on the accounts for the years ended 31 March 2022 and 31 March 2023 and therefore expect that we would need to issue a disclaimer of opinion in respect of both these years. We will nevertheless expect that we will need to complete some procedures (such as those set out above in relation to the updated statement of accounts for the year ended 31 March 2021) and sufficient time would be need to be allowed for these, as well as evaluating the impact on our audit report of any errors or deficiencies identified. We expect to complete these procedures in June/July 2024 and evaluate the results of those procedures and draft our audit report in August 2024".

8.55 The appointed auditor also confirmed that they will bring a consolidated Annual Auditor's Report, including a commentary on the value for money to a meeting of the Audit Committee in September 2024.

8.56 The Council published its 2023/24 accounts by the required deadline of 31 May 2024, but the external audit will not conclude until the position of the previous years is confirmed.

8.57 On 30 July 2024, Jim McMahon, Minister of State for Local Government and English Devolution, made a written ministerial statement regarding the local audit backlog.[96] This set out the government's intention to lay secondary legislation to set a series of backstop dates, the first of which was proposed as 13 December 2024 for financial years up-to and including 2022/23. We have not been able to provide judgement in relation to this new timeframe. However in our view, had the previous government's proposed backstop date been enacted and the external auditor's view become reality the Council would have been unlikely to receive audited accounts for the years ending 31 March 2022 and 2023 and possibly 31 March 2021. This would mean that the Council would not be able to confirm its financial position to stakeholders and moreover, and would make it likely that additional work will be needed by the new auditors to confirm the opening balances with potential additional cost to the Council resulting.

Property and Asset Management

8.58 A review of some property and asset management matters has been undertaken and our findings reflect those of the Corporate Peer Challenge. Their recommendation number nine concerned the need to record and formalise Mayoral/councillor involvement in decision making relating to the transfer of property to third parties and to report decisions in this area to Overview and Scrutiny Committee.

[95] Addressing the local audit backlog in England: Consultation, 8 February 2024, https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/addressing-the-local-audit-backlog-in-england-consultation

[96] Written ministerial statement made on 30 July 2024 regarding the Local Audit Backlog. https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46

8.59 As reported to the Overview and Scrutiny Committee on 22 April 2024, the work on this recommendation is ongoing but, in our view, needs to move quicker. We are not clear on the mechanism by which this will be reported to the Overview and Scrutiny Committee as work progresses. We have reviewed the relevant papers for the meeting of 22 April 2024 and consider that it is insufficiently detailed to enable the Overview and Scrutiny Committee to perform its proper function. Failure to address this Corporate Peer Challenge recommendation as a matter of urgency could lead to the Council not meeting its best value requirement relating to property.

8.60 The Council is also refreshing its Strategic Asset Management Plan[97] which has not taken place for five years and by the Council's own admission this is having negative impacts on an effective Corporate Landlord Model. In addition, the Council has a backlog of lease renewals and rent reviews for commercial property. These two issues may be having a detrimental impact on the level of rental income the council is currently receiving.

[97] Agenda item 6.7, Strategic Asset Management Plan 2024-29, Cabinet meeting of 24 July 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15299

8. Service Delivery

Best Value Guidance – Service Delivery

Well-run local services are customer- and citizen-focused, and meet the needs of diverse communities. They should improve outcomes for the people who use them and achieve the best balance of cost and quality (having regard to economy, efficiency and effectiveness).

Service plans should be evidence based and clearly aligned to the local authority's priorities and strategic plans, which will reflect the priorities identified through community planning. Services should take account of feedback from citizens and service users, and be scrutinised by a transparent and robust performance framework.

Poor individual services can often be an indication of broader governance and financial weaknesses within an authority.

Equally, corporate governance failure almost certainly will at some point negatively impact how services are delivered locally, in terms of missed opportunities or silo working and a failure to make strategic connections.

Local authority data, the assessments of other government departments and service regulators and ombudsmen identify whether services are being delivered efficiently and effectively, and whether authorities are responsive to customer complaints.

Authorities should benchmark service provision with comparable authorities, for example by using the metrics available on Oflog's Local Authority Data Explorer.

9.1 The letter from the Secretary of State to the lead inspector set out that the inspection should consider impact on service delivery in relation to the functions about which the Department set out their concerns.

9.2 Council services should be customer and citizen focused and be an integral part of a vibrant community. There should be a focus on improving outcomes for those people who use them. Service plans should be evidenced based and align to the local authority's statutory obligations, the council's priorities and its strategic plans. Services should take account of citizen and user feedback and be scrutinised by a transparent and robust performance management framework. Services should be efficient, effective, evidenced based, respond to user feedback and work towards continuous improvement.

9.3 It was obvious throughout our inspection that the Council has a widespread understanding of the challenges it faces, as well as the potential opportunities for Tower Hamlets and its residents. There is an ambitious set of priorities driven by the Mayor that are widely understood by councillors, officers and partners. The current Council Strategic Plan for 2022 – 2026 reflects the priorities that were set out in the Mayor's election manifesto and are regularly referred to in key fora and council documents. The level of ambition exhibited by the Mayor, Cabinet and Council is considerable with the current priorities focused on:

- Homes for the future;

- Accelerating education;
- Boosting culture, business jobs and leisure;
- Investing in public services;
- Empowering communities and fighting crime; and
- A cleaner and greener future.

9.4 The Council has developed a set of service plans in place which aim to build upon the corporate priorities outlined above.

9.5 The current administration has insourced leisure services, Tower Hamlets Homes (THH) and has budgeted £12.2 million for youth services (Young Tower Hamlets in 2024/25, £5.7 million to introduce free school meals (reduced in 2024/25 due to grant from the Mayor of London), reintroduced education maintenance allowances budgeted at £1.9 million, and budgeted £0.6 million for the Mayor's University Bursary and is committed to focus on meeting community needs. These priorities should be accompanied by a strong evidence base of impact and should not financially distract or draw from delivering core statutory services, or core business as usual.

9.6 There is a strong political desire to deliver key Mayoral commitments swiftly and to see an impact before May 2026, however, these challenging demands are sometimes seen by officers as unreasonable and inevitably place significant pressure on the organisation. There are some examples where the desire for speed has led to either pauses in implementation, or a limitation on the effectiveness of delivery, such as the pause in the investment in youth services and community languages.

9.7 We have noted elsewhere in the report, in the section on Partnerships and Community Engagement, that some key partners of the Council tell us that do not feel involved at a strategic level, or in the design and delivery of some critical service developments. This poses a risk to good service delivery in the Council. We consider that it will be extremely difficult to deliver the Council's ambitious priorities without strengthening these arrangements although we appreciate a more collaborative and co-productive approach does require additional time and resources. At a middle management and operational level relationships between partners seem strong with many excellent staff working together to deliver good outcomes for residents.

9.8 The Council is supported in its delivery by a very strong communications function. We have noted elsewhere that this is one of the areas in which the Council has recently won an award.

9.9 Although the Council has a key role in leading and ensuring its priorities are delivered in the borough, they each require a significant and complementary contribution from the Council's partners in order to ensure successful delivery. However, it is not clear that the Council always recognises the need to include, involve, collaborate and co-produce with key strategic partners such as health, police, schools and community providers. As we have noted elsewhere, A number of partners raised feeling that they were not involved sufficiently at a strategic level, and that there was a lack of understanding by the Mayor, Cabinet and the leadership team of their critical role in delivering improved outcomes for residents and the need to work together to deliver some of the Mayor's priorities such as improved GP access, raising educational achievement or reducing youth crime.

9.10 This gives the impression to partners of the Council being self-centred and primarily interested in delivering its own priorities rather than engaging in co-production and collaboration to support the delivery of improved outcomes for residents. At a middle management and operationa level relationships between partners seem strong with many excellent staff working together to deliver good outcomes for residents.

Housing

9.11 Housing growth, housing services and the delivery of the Housing Options service are all critical elements of housing services within the borough. It is the issue about which the Inspection team received the most correspondence from residents and is a particular priority for the Mayor.

9.12 There have been two recent adverse outcomes following complaints made to the Local Government and Social Care Ombudsman (LGSCO). The Council has accepted the recommendations from both reports (13 March and 18 March 2024). One investigation related to delays in assessing a homelessness application and deciding whether the council owes a main housing duty. Regarding the second complaint, as a result of the investigation, the Council admitted that it has a six-month backlog in processing all housing register applications. The local resident waited over a year for the application to be approved. The investigation found problems with the way the council considered her application, including failing to assess the application on medical grounds. The Council also agreed to review the way it allocates properties, after the investigation revealed the council had a long backlog in processing applications to join its housing register.

9.13 The inspection team requested an update regarding progress of the recommendations, as of 7 May 2024. We noted that there are some actions still outstanding. On 27 June 2024, we requested a further update and were informed that the findings of the reports would be formally reported to the July Audit Committee meeting, which did not occur.

9.14 In terms of housing supply, as is the case across the UK, particularly in London and other core cities, housing supply and demand do not match. Housing demand in Tower Hamlets is significant and the number of households in temporary accommodation are very high and the out-turn for 2024/25 was an overspend of £5.2 million on housing of which £4.6 million related to homelessness and rough sleeping. Tower Hamlets has a particular issue with overcrowding, which is happening too often. Resolving these issues effectively is very challenging and will continue to be so in the future. Dealing with the high demand for and low supply of homes requires a whole council approach together with high levels of support from partners. Politicians told the us that at least 80% of their casework is housing related. The referral rate is extremely high and there is no doubt that the Council is facing high demand for affordable and social housing from its residents. The Mayor recognises these challenges and is keen to make improvements on behalf of residents.

9.15 The Inspection Team were asked to consider the arrangements made to bring Tower Hamlets Homes, a former Arms Length Management Organisation, in house. The context for this decision is the wider housing service and pressures in Tower Hamlets. We have therefore given broad consideration to housing matters.

9.16 There are three core elements of the Council's responsibility in relation to housing. Firstly, the supply of good quality accommodation in the borough (Housing supply and delivery), including the development of new units. Secondly, the management and allocation of social housing stock (Allocations). Thirdly, the response to homelessness (Temporary Accommodation [TA] and homelessness). We believe that the Mayor and Council is very focused on these issues and generally making progress, however, progress is slow in terms of increasing the supply of new homes.

9.17 In general terms, staff and managers expressed concern to us that the service was operating in very difficult circumstances and required additional funding in order to alleviate the pressure they were experiencing. We have referenced the Council's decision to allocate an additional £1.9 million to alleviate the situation which is a welcome step forward and one staff recognise.

Insourcing Tower Hamlets Homes

9.18 The 2022/23 statistics show that Tower Hamlets owned a total of 11,285 properties for social rent.

9.19 In order to achieve much greater control of the housing system the Council has recently insourced Tower Hamlets Homes (THH) as there was a view that it had lost its focus and was not serving residents well.[98] The housing landscape in London and Tower Hamlets is very challenging and insourcing Tower Hamlets Homes in 2023 appears to us to have been an appropriate step to ensure greater control of the housing allocations and the delivery system. This will enable greater capacity to tackle the interface between high housing demand and low supply. However, this step alone will not address the significant housing shortfall currently being experienced in the borough.

9.20 The financing of housing is covered within the use of resources section, in particular the management of capital risks associated with taking on responsibility for Tower Hamlets Homes stock.

9.21 In our staff survey we heard from staff who have been part of the insourcing of Tower Hamlets Homes and who felt the experience had been negative for them.

Housing Supply

9.22 There are around 24,000 households currently on the housing register in the borough and around 10,000 overcrowded homes within the Borough. The Council's Strategic Plan 2022-26 sets out its commitment to build 4,000 social homes over four years to help alleviate the situation. The Greater London Authority's London Plan produced in 2017 sets ambitious targets for housing completions for Tower Hamlets. The 10-year target in the London Plan for net housing completions (2019/20 -2028/29) are 34,730, or 3,473 net completion each year.

Table 2: Completed Units in Tower Hamlets, 2019/20-2023/24

[98] Decision taken at Cabinet meeting of 22 February 2023, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=13176

Financial Year	Completed Units	Completed Affordable Units
2019/20	4,097	1,005
2020/21	3,258	622
2021/22	3,571	986
2022/23	3,486	689
2023/24	1,113	459

9.23 While housing is a key priority for the Mayor, both the completion rate and target completion rate are lower than under the previous administration and well below original targets and the Mayor's ambition. We are aware of a housing scheme that would have brought forward a significant number of units that was turned down against officer advice. The Council's refusal of this application was later overturned by the Greater London Authority.[99] It is our view that the level of housing delivery seen in 2023/24 is too weak to make a significant impact on the housing pressures seen in Tower Hamlets before the end of the Mayor's term in 2026.

9.24 All London boroughs are experiencing the challenge of maintaining high levels of affordable housing completions caused by a range of issues such as construction inflation, labour supply, economic uncertainty and prioritising investment on existing homes to deal with issues such as damp and mould.

9.25 Tower Hamlets Council is therefore very unlikely to meet both the Mayor's ambitions for increasing housing through new homes and any associated targets. This is not particularly as a result of the Council's strategy or action, but much more about the state of the economic environment over the past three or four years and developer caution. The Council presents a range of solutions, including making its own planning applications in its capacity as a landowner and landlord, third party investment and leaseback, but inevitably these will take time to increase supply from its current level. As a result, pressure on the Housing Options service will continue for the foreseeable future.

Managing and Allocating Housing Stock

9.26 There are concerns among the community about housing allocations, which have been reported in the media and have been raised to the Inspection team. We have undertaken work to examine particular concerns about unfair decisions being taken in housing allocations. This is a complex issue, and we understand that a number of residents consider there to be unfairness in the system. This was not a significant focus of the Inspection, but given the quantity of times it was raised with us we undertook some work to establish whether further investigation was justified within the scope of the inspection. From the information we requested and were provided with, we were unable to identify any systematic unfairness in the allocations policy and its delivery. We did not investigate any individual cases as we did not consider this would have been appropriate for a best value Inspection.

[99] https://www.london.gov.uk/programmes-strategies/planning/planning-applications-and-decisions/public-hearings-mayoral-call-ins-directions-refuse-and-appeals/aberfeldy-estate-public-hearing

9.27 We did note the Council operates a scheme called project 120 for those needing wheelchair accessible dwellings. This scheme is detailed in its main allocations policy, and we were provided with example correspondence sent to project 120 households to explain this process to them. We asked to compare the length of time between application and first offer and being rehoused and were provided with data showing that, since the project's start date, both processes were faster for project 120 households than for households in other priority 1A banding.

9.28 We asked for data on housing complaints. The Council provided these for a single time period from 1 April 2020 to 31 March 2024. This showed that 76% of complains were not upheld, 12% were partially upheld and 6% were upheld. 85% of complaints were dealt with at stage one, 11% at stage two and 3% at ombudsman stage. Of the 18 cases taken to ombudsman stage, only five were closed or not upheld – the remainder were fully or partially upheld or led to reasonable offer of redress.

9.29 Households in Tower Hamlets experience a greater degree of overcrowding than average. In 2021,15.8% of households had at least one fewer bedrooms than they needed, compared to 11.1% in London and 4.3% in England. Overcrowding can increase the likelihood of condensation in a property, [100] and therefore associated damp, mould and physical health risks. Overcrowding is also associated with having adverse mental health.[101]

Responding to Homelessness and Allocating Social Housing

9.30 The Housing Options service is on the front line of managing high demand and low supply and has a political spotlight upon it driven by the Mayor's and Councillor's caseloads and this administration's political commitments to deliver increased housing supply. In the latest available quarterly data published by government (October-December 2023), the Council reported making assessments of statutory homelessness duties on 821 households – the eighth highest number out of the thirty-two London boroughs in that quarter. During the same period, the Council accepted 64 households as being unintentionally homeless and in priority need.[102] At 31 December 2023 the Council was accommodating 2,815 households in temporary accommodation, again the eighth highest number of the London boroughs. In terms of the number of individuals sleeping rough in the borough, at the 2023 snapshot there were 32 individuals sleeping rough on a single night – the twelfth highest number in London.[103]

7.56 The Council presents the situation as being one of the worst in the Capital. Although we agree the situation is difficult and challenging it is a situation replicated and sometimes worse in other local authorities in London.

[100] Keeping out the chill: fixing London's cold, damp and mouldy homes, London Assembly Environment Committee, February 2019, https://www.london.gov.uk/sites/default/files/keeping_out_the_chill_-_final.pdf
[101] https://www.health.org.uk/evidence-hub/housing/housing-stability-and-security/relationship-between-overcrowding-and-mental-health
[102] Statutory homelessness: detailed level local authority-level tables, October-December 2023, England
[103] Rough sleeping snapshot in England: autumn 2023, https://www.gov.uk/government/statistics/rough-sleeping-snapshot-in-england-autumn-2023

9.31 Earlier in the report we highlighted the pressure the staff in the service are experiencing and there is no doubt that housing related issues will be a key driver for strategic and operational interventions. The Council are taking steps to review their temporary accommodation allocations policy and making revenue funding commitments. It is our view that this cannot be considered a one-off commitment. Service demand is likely to remain high in future years, with continued pressure on the Council's budget.

9.32 On 16 May 2024 the Cabinet agreed an additional £1.9 million of funding to assist in tackling what the Mayor described as the shocking state of housing services in the borough. Whilst we agree the additional funding is welcome, this investment is well overdue in light of the challenges in the service and will provide for upwards of 30 additional front-line roles. By creating these new posts, the Council will reduce its reliance on short term posts which have been subject to frequent staff changes and thus bringing an additional pressure on the service.

9.33 We feel that the Mayor's assessment of the service over the past two years has been overly harsh. The pressure on this service is significant and constant and reflects the housing supply shortfall across London. Staff have been especially demoralised by the way in which this has been voiced by the Mayor in public meetings, notably at the Cabinet meeting on 25 January 2023, continuing at the Cabinet meeting of 16 May 2024. In our view, the Mayor's statements at these public meetings do not meet the standards required under the Member/Officer Protocol.[104]

9.34 The recent investments in the service are appropriate and welcome, particularly when combined with a fresh focus on developing a range of housing and investment solutions. However, this will not shift the dial overnight and will in our view require ongoing financial commitments.

9.35 The Council has moved the Housing Options service from the responsibility of the Corporate Director for Regeneration to the Corporate Director for Resources and Deputy Chief Executive for a time-limited period. We have heard from staff that they did not feel adequately consulted on this change. It seems the Corporate Director of Resources has prioritised action to resolve the issues the service is currently experiencing and reports an improvement in staff morale.

Elections

9.36 The letters from the Department to the Council and the Lead Inspector set out the specific areas in which the Department had concerns, including 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.

9.37 Prior to 2 May 2024 Stephen Halsey had not previously been a Returning Officer. However, he is currently supported by an experienced and confident Elections Manager. Both were recently involved in the London Mayoral and GLA Assembly elections on 2 May 2024. On 22 May 2024 the Prime Minister called a general election for 4 July 2024. As a result of concerns raised by a number of

[104] https://democracy.towerhamlets.gov.uk/documents/s235862/PartCCodesandProtocols.pdf

politicians and stakeholders during the inspection to that date and because we did not consider the GLA Mayoral and Assembly election to be typical of either a local council or Parliamentary election, the Lead Inspector wrote to the Secretary of State to ask for an extension to the inspection to 31 July 2022. This request was approved on 24 May 2024.

9.38 For the Mayoral and GLA election different arrangements apply than in a Parliamentary or a local Mayoral and Council election. For the GLA election London is divided into 13 constituencies, with the local GLA City and East constituency consisting of the boroughs of Tower Hamlets, Newham, Barking and Dagenham and the City of London and Constituency Returning Officer (CRO) was the Chief Executive of Newham Council as the largest borough in the constituency. The Chief Executive of Tower Hamlets was, however, the Borough Returning Officer (BRO) and was accountable for polling stations and dealing with postal votes within the borough and also completed the verification and count of ballots for the borough. Inspectors attended a number of polling stations on election day and also attended the constituency verification and count at the Excel Centre. In our view the election was conducted well within the borough and we had no particular concerns. The Council's Elections Manager is experienced and extremely competent.

9.39 At the count some staff members mentioned the election was quiet in comparison to the local elections and raised concerns about the Council's ability to handle local and parliamentary elections smoothly as they were a very different dynamic.

9.40 During the inspection up to 22 May 2024, a number of local politicians raised concerns about candidate safety and the management of any forthcoming parliamentary election and the future local elections in 2026. The GLA election is not comparable in terms of local political involvement, community politics or in terms of management of the election. It therefore did not provide a like for like comparison for inspectors to assess whether these concerns were justified. It was difficult therefore to draw any conclusions from the GLA elections. The Metropolitan Police have recognised the risks associated with behaviour at polling stations and at the count, including the verification. During the GLA elections, the police posted a police officer at every polling station and plans were already in place to support the Returning Officer in this way in subsequent elections. Partly due to these issues, the Council sought permission from the Returning Officer in Newham to hold the parliamentary count at the Excel Centre which is in the boundaries of the London Borough of Newham.

9.41 Confidence in our democracy and democratic processes is of critical importance and is a core task of the Returning Officer, their team and the Council. It was therefore very worrying that a number of politicians who spoke to us during the elections expressed a lack of confidence in the capacity of the Council to deliver a safe, well managed and fair election. Gaining the confidence of stakeholders in relation to any forthcoming elections across the political spectrum will always need to be a priority for both the Borough and the Returning Officer.

9.42 The former Secretary of State's agreement to extend the Inspection to 31 July afforded the opportunity to observe and monitor the Returning Officer's arrangements for delivering the parliamentary elections.

9.43 There are three parliamentary constituencies in Tower Hamlets. These are Poplar and Limehouse, Bethnal Green and Stepney, and Stratford and Bow. However, the larger part of the new constituency of Stratford and Bow is within the boundary of Newham and is therefore administered by the Returning Officer in the London Borough of Newham.

9.44 Following the announcement of the election on 22 May 2024 discussions were held with the Returning Officer and Elections Manager regarding the scope of observations. The inspection team also consulted with both the Electoral Commission and Police regarding observation. Our observations included the organisation, the logistics and verification of postal ballots during the pre-election period. The team also visited a large number of polling stations during polling day on 4 July 2024 across both constituencies administered by Tower Hamlets and attended the verification and count at the Excel Centre overnight on 4 July 2024.

9.45 The inspection team agreed with police, Electoral Commission and Returning Officer to forward any concerning material, social media posts and activity which we believed to be concerning with the context of the election regulations and legislation. We also met with the police and the Chief Executive of the Electoral Commission to ensure that all parties understood and were comfortable with the Inspection's role in relation to the Council's functions regarding elections. The Electoral Commission approved members of the team as accredited electoral observers.

9.46 During the pre-election period we had no particular concerns regarding the management of the election process. However, we received a significant number of social media posts and materials which were very concerning and, in our view, intimidatory in nature. Almost all were directed towards Labour candidate Rushanara Ali and were passed promptly to the Returning Officer, Electoral Commission and Metropolitan Police. It is for the Electoral Commission and Police to take any appropriate action within their remits. We are now aware from the police that many of these incidents sit below the criminal threshold and are activities that are not restricted by current legislation.

9.47 On polling day we observed a significant number of Palestinian flags on council property, particularly lampposts. Considering the fractious politics in Tower Hamlets, and in the context of the intimidatory challenge targeted towards specific parliamentary candidates, this was not acceptable. Appropriately the Council had four teams following up requests to remove them. We were informed by the Council that a total of over 100 flags were removed on the day. Having said this, we visited at least three polling stations who had reported flags in the morning, but flags were still present at these stations during the evening.

9.48 Inspectors also experienced a difficult situation outside a polling station with a Labour Party member being abused and harassed by a number of men. The police did intervene in this incident. A number of Palestinian flags had been placed outside the polling station and were reported at 9.00 am but were still there at 7.30pm. The inspectors were also challenged by members of the community at this station.

9.49 Although Inspectors did see many flags outside polling stations during the course of polling day, which they reported to the Elections Manager, the above incident was the only one experienced by the team. However, we do understand

that Labour polling tellers and some candidates did experience harassment and intimidation on the day.

9.50 We attended the verification and count at the Excel Centre for the two constituencies administered by the Returning Officer for Tower Hamlets. This concluded at around 5.30 am on 5 July 2024. We consider the count centre and the process of verification and counting to have been well managed.

9.51 The Election Manager was particularly effective and efficient and we were impressed by their grip on the whole process - from the date the election was called through to the declaration on 5 July 2024. We did consider that there is a risk of a single point of failure if the Elections Manager was unavailable or indisposed. We also note that work to develop and mentor the team is ongoing in order to build confidence, capacity and resilience in the team. We believe this work to be essential in the period up to the Local Elections in May 2026. Work is also needed to be focused on managing the materials and media of candidates as we believe this to have been inappropriate during the campaign and caused significant tension. As set out above, is for the Electoral Commission and Police to take any appropriate action within their remits and we are now aware from the police that many of these incidents sit below the criminal threshold and are activities that are not restricted by current legislation.

9.52 According to some of its members, the Tension Monitoring Group was established in order to be able to stand up and meet in response to particular tensions in the community. It is our view that the tensions created and very apparent during the Parliamentary election were sufficient to consider this action.

9.53 Given the experience shared with us by staff and politicians regarding previous local elections and the obvious high level of tension experienced at this parliamentary election generated by community politics in the Borough, it is our view that there needs to be a clear plan to manage the concerns expressed by politicians, managers and staff.

Leisure

9.54 During our inspection the Council took back in house (insourced) the management of its leisure facilities which reflected the decision of the Cabinet at its meeting on 1 August 2022. Tower Hamlets are not the only local authority in London to insource leisure services in recent years. Given this is an important service it was considered appropriate to review the original decision the transfer arrangements and the ongoing delivery of the service. This decision was also referenced in the letter from the Department setting out the scope of the inspection.

9.55 The Cabinet at their meeting on 1 August 2022 considered a range of options of the future delivery of the Council's leisure services as the contract with Greenwich Leisure Ltd (GLL) was ending on 30 April 2024. The report clearly indicates the assessment criteria and specifically at Appendix 3B is the Evaluation Framework Summary, which covers financial and non-financial criteria, but critically indicates the preferred option as outsourcing to a leisure operator.[105] Under the executive summary of the report (not the actual recommendation)

[105] Supplementary Paper 2, Cabinet meeting 1 August 2022, p. 61, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=13169

officers recommended an outsourced model should be taken forward. Under confidential cover the Cabinet did receive an appendix relating to resourcing costs and financial options appraisal scoring the outcome of which is reflected in the evaluation.

9.56 However, the Cabinet agreed at that meeting that the insourcing option be progressed by officers. This has involved the shift of management from GLL to the Council. We understand the desire of the administration to insource this service, but it is not supported by the evaluation presented to Cabinet.

9.57 This decision has some cost implications and there is an ongoing financial pressure based on some significant assumptions. In our view this required a stronger evidence base, it is yet to be seen whether this decision delivers the expected outcomes. Regardless of this, we believe the decision-making process should have been more rigorous in terms of the evidence base and long-term capital costs of the decision.

9.58 We believe that when politicians decide to disregard an officer's recommendation which has been based on a comprehensive evaluation, in our view there should be a stronger evidence base to justify such decision.

9.59 The transfer of the service occurred on 1 May 2024 and seems to have been managed well with a relatively smooth transition to date. Given the scale of this TUPE[106] transfer of staff it is a little concerning that consultation with Trades Unions did not take place until three weeks before transfer date.

9.60 The one-off budget for delivering the insourcing of Leisure Services as envisaged through the MTFS, was £1.9 million in 2024/25, but at budget setting based on known factors at the time, was reduced by £525,000 to £1.4 million.

9.61 The Cabinet at its meeting of 16 May 2024 received an update on the insourcing, including the financial projections which highlighted a net cost to the Council in 2024/25 of £2.1 million as well as net costs in 2025/26 of £1.3 million and £241,945 in 2026/27. A financial return to the Council is projected from 2027/28 onwards. The figures presented to Cabinet reflected the growth bids included in the 2024/25 budget of £2.1 million and the MTFS of £2.3 million. The 2025/26 figure is reduced by a saving or income generation target of £1.0 million, which remains work in progress as it does for years 2026/27 onwards thus presenting the Council with a financial risk. The positive general financial standing must not obscure the need to have detailed risk mitigation strategies.

9.62 Cabinet also received details of Capital Expenditure needed based on a Condition Survey and this highlighted a need for £27.1million (at current prices) of capital over the next ten years with only the 2024/25 sum being funded at £3.7 million leaving an additional capital budget requirement of £23.4 million without inflation.

9.63 We believe there are some challenging financial issues arising from this insourcing, particularly the ambitious income generation targets which other councils which have insourced leisure have struggled to meet, together with capital funding not being secured beyond the current financial year. This decision represents a financial and political risk and therefore in our view justifies the

[106] Transfer of Undertakings (Protection of Employment) – TU(PE) regulations protect an individual's rights as an employee when they transfer to a new employer.

requirement of a stronger evidence base in the report to support the decision and disregard an officer recommendation based on a robust assessment against agreed criteria - it is yet to be seen whether the risk will pay off. In any case, we consider the decision-making process should clearly consider the risk of agreeing an alternative option and should have represented any financial risk of this scale more transparently.

9.64 Direct control of services appears to be a key driver for this administration – the insourcing of leisure we believe is an example of this. It is important for any authority to make decisions based on best value grounds even at times when political principles are a priority. As set out above, we consider that the original decision to insource leisure services was not taken on the basis of sufficient evidence, given the risks involved. It is too early to assess whether this decision will have any future detrimental impact on the Council's finances and service delivery.

Youth Services (Young Tower Hamlets)

9.65 The statutory regime underpinning the provision of youth services is set out in Section 507B of the Education Act, 1996. Local authorities must, so far is reasonably practical, secure sufficient educational leisure time activities and sufficient recreational leisure time activities for qualifying young people. Local authorities also have a duty to secure access to sufficient youth work activities, ascertain young people's views on activities and publicise positive activities.

9.66 The vision for the Young Tower Hamlets was set out in the Youth Investment Report to Cabinet on 26 April 2023. The Youth Service as a whole has been budgeted to receive significant additional investment during the term of this administration, rising from £3.8 million in 2022/23, to £9.9 million in 2023/24 and for 2024/25 £12.2 million.[107] This is a rise of well over 300% over a 3-year period. New spending lines on the Young Tower Hamlets service is the primary driver of this change, with additional funding of £6.3 million in 2023/24 and £8.5 million in 20242/5. The largest area of expenditure in 2024/25 is on employees which totals £9.2 million, by comparison to £2.4 million in 2022/23.

9.67 The staffing structure provides for 224 posts equivalent to £40,928 per post. The Mayor and the Council's administration are very committed to the plan which includes; a safe place in every ward and a significant increase in youth workers on the ground. There is also a drive to insource a significant amount of youth provision to come within the control of the Council although there has been an extension to current contracts with external advisors and some consideration being given to have a more mixed economy of provision which includes external providers.

9.68 The proposed plan appears to replicate much of the ambition and the service configuration arrangements from 2014 before funding was reduced under the previous administration. We believe national best practice and policy on youth provision has shifted since 2014 perhaps as a result of savings made in the sector and therefore a comprehensive review of current national best practice evidence should have contributed to the initial business plan and service design.

[107] Figures taken from internal budget document provided by the Council during the Inspection.

9.69 The current plan focuses on four key elements:

- Having Universal 'safe spaces' in each ward,
- Targeted whole family support,
- Integrated detached youth work team,
- Commissioning specialist youth provision for specific groups of young people.

9.70 Despite the Youth Service investment being considered a flagship initiative by the administration we have not yet been presented with a coherent strategy with a detailed evidence base underpinning this level of increased investment in a non-statutory activity. We requested a business case for the decision to expand youth centres and were provided with a Cabinet report for a meeting taking place on 26 April 2023, at which Cabinet decided to endorse the proposed youth service operating model and agree to implement and operationalise the model.[108] The funding package was agreed at full Council during the 2023/24 budget-setting process.

9.71 This high level of increased investment in our view would normally be accompanied by a comprehensive and detailed business case, supported by at least national good practice research, a comprehensive evidence base and a range of performance measures which can then be used demonstrate the impact of this investment on outcomes for young people. The appendix attached to the budget report which supported full Council to take this decision does not fully reflect this process.[109] We believe that the increase in savings required across the council and potentially statutory services to fund this level of increased investment requires a more detailed rationale and strategy.

9.72 The 26 April 2023 paper[110] states that a new strategy would be developed to set out clear objectives with a theory of change to ensure that the service would improve outcomes for children in the following ways:

- Supporting post-16 transition into education, training and employment;
- Increase participation in universal 'safe spaces' provision;
- Prevent offending and entry into the youth justice system; and
- Increase employment opportunities for residents in paid and voluntary youth work roles and an accredited youth work training pathway.

9.73 One of these outcomes supporting post -16 transition into education, training and employment and preventing offending and entry into the youth justice system are both laudable outcomes for a youth programme. Increased participation in

[108] Youth Investment Report, Cabinet Meeting of 26 April 2023, https://democracy.towerhamlets.gov.uk/documents/g13219/Public%20reports%20pack%2026th-Apr-2023%2017.30%20Cabinet.pdf?T=10

[109] The value for money case is as follows: 'This activity increases the number of young people engaged in youth service activities in a curricular and extra-curricular setting. The growth bid will improve outcomes for children and young people, ensuring that they receive the appropriate support as and when they need it and gain better outcomes in the future, achieving greater socio-economic growth. A recent report commissioned by UK Youth and released during November 2022 Youth Work Week reports that for every £1 spent on youth work, the benefit to the taxpayer is between £3.20 and £6.40.' Ref: GRO / CHI 007 / 23-24, 5.8 Annex 2 – Appendix 3B – New Growth Business Cases – GF, Budget Council, 1 March 2023, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=309&MId=13184

[110] Youth Investment Report, Cabinet Meeting of 26 April 2023, https://democracy.towerhamlets.gov.uk/documents/g13219/Public%20reports%20pack%2026th-Apr-2023%2017.30%20Cabinet.pdf?T=10

provision may be a step towards these goals but it is not an outcome in itself. It is not clear that increased employment and training opportunities for residents is an outcome strictly relating to the children who would benefit from such a service.

9.74 In any case, we would have expected the Cabinet's endorsement of the model and agreement to implement it to have been informed by the theory of change showing how the service would improve outcomes for young people, and do so in a way that represents best value for the Council. Of the outcomes set out above, two (participation rates in youth services and number of new entrants into the youth justice system) are represented in the performance targets for the Council's Strategic Plan for 2024/25.[111]

9.75 Given the number of stakeholders with an interest in the investment, including young people, we would also expect to see an approach adopted to develop the service based on consultation, partnership and co-production. Some consultation has taken place, but many staff and managers have told us that consultation with them was limited.

9.76 We understand from managers, staff, and partners that they are yet to see a comprehensive strategy and they do not feel they have been consulted, although consultation with young people (the Hackathon) has been sought on what interventions have the greatest impact. There has also been a consultation with parents. We consider a whole system and stakeholder consultation should have been the starting point in designing a youth service. We have heard that the approach has instead been to set a financial target and develop services to meet the spend profile. It is a statutory requirement to consult with young people and to develop youth participation arrangements[112] and we believe comprehensive consultation to be a critical activity in these circumstances given the scale of investment proposed and should have happened well before deciding on the shape of the service.

9.77 We have been told that the strategy is currently being developed, but the level of investment has been decided before having a strategy. Managers have told us that several attempts to write a service brief were attempted by officers, but rejected as they were not large enough, or used sufficient resources, or ambitious enough. Staff and managers tell us they were effectively being asked to design a service to spend to a target financial figure does not seem appropriate. We have been informed by several different staff members that eventually the Mayor's office provided managers with the service brief and the investment profile which at that time simply replicated much of the service configuration used in 2014 without any consultation, or evidence base. We do not believe this is the best way to create a business case for such a significant investment in young people. This is compounded by insufficient discussion with providers in the development of the service.

9.78 We consider that given the significant investment it would have been advantageous to have worked with organisations such as the National Youth Agency (NYA) who are funded by the Government to act as the professional, statutory and regulatory body for youth work in England. This would have provided

[111] Strategic Plan: 2024-25 Annual Delivery Plan Performance Targets, Cabinet meeting of 24 July 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15299
[112] Section 507B of the Education Act 1996, https://www.legislation.gov.uk/ukpga/1996/56/section/507B

clear guidance on ensuring elements such as needs assessment, youth engagement, workforce planning, targeted specialist interventions, safeguarding and the youth work curriculum were all sufficiently incorporated alongside the youth offer into the Council's strategy. This engagement would have given clear guidance on the establishment of an effective monitoring, evaluation and impact systems.

9.79 The general views we have heard from staff and stakeholders is that the money would perhaps have greater impact if focused on other areas of provision. The largest deficit we have been told on both a national and local level is in targeted, specialist professional support to young people in areas such as mental health, speech and language therapy, educational support and SEND delivered through a mixed economy of provision. Those we spoke to, whilst welcoming the additional expenditure, do not feel increasing basic youth provision, employing more unqualified youth workers and developing several youth centres as safe centres will deliver optimum outcomes for young people. However, this does not appear to be the approach being adopted by the Council.

9.80 In addition, the community safety partners, whilst welcoming the investment in youth proposed by the Mayor, have told us that they have not been involved in the plan's co production and are not convinced it is targeted on the appropriate activities to reduce youth crime. This re-enforces a view expressed to the us that the Council is being very insular about service investment and development.

9.81 We would encourage the Council to implement through collaboration and co-production within a strong strategic partnership which involves young people. We also believe the design and ultimate impact on outcomes would be enhanced if organisations such as NYA were part of the team developing provision and support a more robust approach to strengthening monitoring, evaluation and impact. We believe the Council should develop a comprehensive evidence base to support the business plan for investment.

9.82 There are a number of key community providers of youth services in the Borough and many colleagues associated with the service feel that it is essential to continue the community provision delivered through community groups and local providers as they are performing well, understand their communities and importantly already have an ongoing relationship with young people and their families. Colleagues believe that bringing too many services in house, increasing provision of generic youth work and youth workers and increasing the number of youth centres (safe spaces) will not have the desired impact.

9.83 The programme of implementation has been paused in order to kick start the service. To date a significant number of agency staff have been used, including in several instances whole teams employed through an agency, but this is unsustainable and, in our view, does not constitute best value. The lack of a strategy and fully developed implementation plan could cause this programme to being vulnerable to delivery before the end of the electoral term in 2026. Without an evidence base the service is also vulnerable to reductions in the event of any change of administration as it would be difficult to justify this level of investment without evidence of impact. We understand that the new structural arrangements went live on 6 June 2024 and intends to recruit to permanent roles at that time. It is therefore too early to make a judgement on any impact of any increased investment. The capital programme is unlikely to see all centres operational by 2026.

9.84 The total net spent on services for young people in all local authorities in England totalled £341 million in 2021/22.[113] This was made up of £134 million on universal services and £207 million on targeted services.

Education

9.85 As previously stated in this report the Council's policy and service priorities are ambitious. The drive to increase Oxbridge and Russell Group entrants to the level of these entrants from Newham is referenced regularly and is a major Council development. This initiative is complex and will take time.

9.86 We understand from schools that there has been limited consultation on this programme. From our experience, we would have expected significant consultation and co-production with the secondary schools and current sixth form providers about this initiative, and evidence of working together to ensure it complements current provision of post-16 education and school improvement in primary and secondary schools. Currently, 14 schools have sixth form provision and a number of good or outstanding schools have the ability to expand in response to some increasing cohorts of pupils between years 7 and 11.

9.87 The Planning for School Places 2022/23 Review Report presented to Cabinet on 14 December 2022[114] indicates pupil place planning evidence shows variable and inconsistent growth in the pupil cohorts. For example, between 2016 and 2019 there was flat growth with declining numbers between 2019 and 2022 in primary pupil numbers. This is further complicated by inconsistent growth across the borough with decline in the west of the borough and a rise in numbers in the east. This is causing significant capacity surpluses in some schools and lack of capacity issues in others. The secondary school population rose steadily between 2016 and 2021 with positive net migration of pupil expected to continue in the future.

9.88 The Council at that time considered that a 10% surplus for year 7 onwards in secondary schools was sufficient to enable operational flexibility and parental choice. The Council was reasonably assured that its planned capacity for secondary school places to be sufficient in the medium term.

9.89 For post 16 provision numbers were expected to grow, to beyond 4000 pupils with the expectation that schools with oversupply of places would operate at capacity. Any growth was expected from current sixth form expansion in the Borough's schools rated as 'good or outstanding' by Ofsted.

9.90 We heard from stakeholders that proper consultation had not occurred to date and there is a view among schools that the Council is focused too heavily on the Mayoral priorities, and not enough on mainstream school improvement to drive up standards.

9.91 We are aware that the Council is developing plans for a post 16 'School of Excellence' (or 'superschool' as described at the 2024 staff event on 11 July 2024). We have also heard from staff and managers that the Council may breach regulations and legislation on an academy establishment, sponsorship and

[113] Trends in funding levels for youth services, House of Commons Library, February 2024, https://researchbriefings.files.parliament.uk/documents/CDP-2024-0040/CDP-2024-0040.pdf
[114] The Planning for School Places 2022/23 Review Report, Cabinet meeting of 14 December 2022, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=13173&Ver=4

development in terms of finding a sponsor for its proposed school of excellence. The Council is aware as exemplified in the Planning for School Places 2022/23 Report to Cabinet that there is not a significant sixth form sufficiency issue in the Borough and any growth could be accommodated by expansion of current sixth form providers. Therefore, to continue to develop this proposal to perhaps directly approach an academy provider could cause a risk resulting in an irregular arrangement and would possibly jeopardise the school's status resulting in unbudgeted revenue costs.

9.92 A paper presented to Cabinet on 16 May 2024[115] sets out that the Council will deliver the Institute for Academic Excellence as part of its work in financial year 2025/26, subject to consultation and agreement by the Department for Education. This implies an opening date of September 2025. In our experience, given the Council's progress to date, such a delivery timescale in our view will be impossible.

9.93 We have been told by those working in and with schools in the borough that the administration's limited view of education and school improvement in the Borough could cause a risk that schools decide to move quickly to become academies and not stay in their current governance arrangements. As we have indicated the pupil place planning figures suggest that there is not a problematic sixth form sufficiency issue in Tower Hamlets. The creation of a new sixth form school could prove very costly for the Council. Although we believe the ambition to increasing Russell Group University student entry for the Council has merit and create an inspirational drive for young people, it must be achieved within regulations and not distract from improving education results for all young people. Particularly if combining existing oversupply and establishing a new sixth form could lead to the closure of other, existing sixth forms.

9.94 There are other ambitious aspects of the Mayor's priorities in the area of education that the Council has delivered. This includes Free School Meals, which were delivered from September 2023 for all pupils up to the age of 16. In February 2023 the Mayor of London announced a London-wide Free School meals scheme for every primary school in London, initially for one year – the scheme has now been made permanent. The rapid delivery of the scheme demonstrates that the Mayor was able to make good progress in delivering some of his key priorities relatively early in his term. These schemes are extremely popular across the borough and we would stress the need to create as strong evidence base of impact.

9.95 From 2023, the Council also delivered an Education Maintenance Allowance scheme and a University Bursary of £1,500 for Tower Hamlets residents with a household income of under £25,000 and engaged in full-time study programmes.

Community languages

9.96 The Council's Strategic Plan 2022-26 includes a commitment to reinstate the Community Language Service to support children to improve their knowledge of their mother tongue. We requested to view the delivery plan for this work, along with some other Strategic Plan commitments, to better understand the Council's

[115] Tower Hamlets Council Strategic Plan: 2024/25 Annual Delivery Plan, p.5, Cabinet meeting of 16 May 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15501&Ver=4

work to delivery political priorities. There is also a comparatively large budget of around £800,000 attached to this service area.[116] We were provided with a set of delivery plan documents dating from June 2023-January 2024. These documents were project plans leading up to a roll-out date of 19 February 2024, to coincide with Mother Tongue Language Day on 21 February. We were unable to ascertain from these documents whether the rollout of the service had occurred and, if so, what activity had taken place since. We therefore enquired about the service's progress since January 2024 and were informed on 16 July that:

In early February, we were asked by the Mayor and the Deputy Mayor (who is also the lead member for this area) to stop the rollout of the service given the changes in senior leadership in the directorate including the appointment of a lead for Young Tower Hamlets where we anticipate the responsibility for this work will sit in future. We are considering whether the service will be commissioned, that will be determined in the next month or so.

9.97 We do not understand why the Council did not provide us with this information at the time we requested the delivery plans for the service.

9.98 The Council appointed a Head of Community Languages in the autumn of 2023. We understand that in early June 2024, the Council began taking this individual through a redundancy process due to a 'decision to no longer proceed with plans to create a Community Language Service'.

9.99 On 16 May, the Cabinet approved the Council's Annual Delivery Plan for 2024/25, which included a pledge to 'build a new Community Language Service to promote multi-lingualism for educational success' and a corresponding deliverable to 'expand Community Language Service across Tower Hamlets, building on lessons learned from pilot programme.'[117] There does not appear to be a corresponding performance measure for this pledge in the Council's wider suite of Delivery Plan Performance Measures. The Cabinet has reviewed the Council's progress against the 2024/25 Delivery Plan since it was agreed.[118] The papers provided detail the performance targets, but do not provide any high-level tracking against the pledges. There was therefore no opportunity for Cabinet to review progress against this particular pledge, which we believe to be stalling.

Waste

9.100 Waste services commenced insourcing under the previous administration of John Biggs. The Council has the lowest recycling rate of all authorities in England, with just 17.7% of household waste sent for reuse, recycling and composting in 2022/23.[119]

[116] A growth bid of £800,000 for 2023/24 was agreed at Budget Council on 1 March 2023. https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=309&MId=13184
[117] Agenda, Decisions and Draft Minutes, Cabinet, 16 May 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15501
[118] Cabinet, 24 July 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=720&MId=15299
[119] LG Inform, Percentage of household waste sent for reuse, recycling and composting (annual) in Tower Hamlets, 20/03/2024. https://lginform.local.gov.uk/reports/lgastandard?mod-metric=46&mod-

9.101 The current administration considers the TUPE process was flawed when the service returned to the Council. As a result, the current Mayor declared a waste emergency and increased the waste budget as a one-off in 2024/25 by £5 million to improve the service. We understand the Council has taken some lessons from the experience of waste insourcing and applied them to the insourcing programmes for Tower Hamlets Homes and leisure services. A proposal agreed at full Council on 28 February 2024[120] will fund several additional front-line staff. These could conceivably be needed for more than one year.

9.102 We have heard from staff and managers that the current base budget of £19.2 million is insufficient on an ongoing basis and a reasonable budget would be circa £23-24 million. This would enable performance improvement in recycling and other areas. Critically, the Council will need to consider the position when setting its 2025/26 budget to ensure that service standards are not reduced.

Grants

9.103 The Council's grant making regime and the decision to bring back all grants management into the Authority, alongside arrangements for the Community Grants programme, was set out as an area for consideration in the letter sent from the former Secretary of State to the Council's Chief Executive in February 2024.

9.104 At the Cabinet meeting on 29 March 2023, Cabinet agreed the establishment of the Mayor's Community Grants Fund (MCGP) to replace the Community Fund which was ending on 31 October 2023. Cabinet delegated the approval process to the Chief Executive and on 25 September 2023, he agreed grants of £11.96million for the period 1 November 2023 to 31 March 2027.

9.105 The Inspection team were provided with details of the application and evaluation process as well as the monitoring process for organisations receiving funding. Given the extent of the grants programme, the Inspection team decided to adopt a sampling approach, undertaking a review of five applications, selected at random, across the various themes and different wards as well as borough wide. All five applications sampled had submitted appropriate information to support their application and monitoring returns had been completed.

9.106 In reviewing the application process, the themes set out for the MCGP are clearly linked with the Council's Strategic Plan (2022-26), with many of the eight priorities crossing over into the grant programme.

9.107 The assessment process included an assessment on both the organisation and the project proposal. When assessing the organisation, the process consisted of three essential pass/fail criteria which were governance, managing money and borough connection. Further assessment criteria included; quality assurance, business planning, managing people, equality and diversity, safeguarding children and adults at risk of abuse, and insurance. For the project assessment, criteria included service delivery, track record, demonstrates local connections, service co-

area=E09000030&mod-group=AllLaInCountry_England&mod-type=namedComparisonGroup&mod-period=1

[120] New Growth Business Cases, Budget Meeting at Council, 28 February 2024, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=309&MId=14337&Ver=4

design, quality assurance, community cohesion and Equality and Diversity, value for money, and outcomes. The standard required against each criterion, the evidence applicants were asked to provide, and the scoring guidance, were all set out in the prospectus.

9.108 Whilst the assessment process appears clear and transparent, in our view there is duplication in some of the criteria outlined by the Council. For example, 'borough connection' is an essential criteria for the organisation assessment according to the prospectus, with a pass/fail assessment. Notably, the project assessment also has a 'demonstrates local connections' criteria in which applicants are asked to demonstrate local connections and their ability to reach residents and communities in the borough. Similarly, both assessment processes asked for evidence against quality assurance.

9.109 In our view, the assessment process could have been more streamlined to avoid duplication of evidence provided by organisations and ensure the process is as least burdensome as possible. Whilst the assessment process for the MCGP appears robust, the application requires a lot of information for the six-week turnaround given to applicants. Due to the nature of the grant programme, many of the applicants are smaller organisations with limited available funding and capacity.

9.110 We were unable to carry out a detailed analysis with the time and resources available to us in order to assess whether there were patterns in terms of which wards and ethnicities receive the most benefit from the MCGF.

9.111 The review team are aware that external legal advice was obtained relating to the process of grant awards which identified the need to follow a six-stage process. We have not been able to test whether the Council have adhered to the legal advice they received in relation to the grant-awards process because we were provided with the relevant legal advice too late in the inspection process.

9.112 We are aware of the recommendation made by the Corporate Peer Challenge in September 2023 relating to Grant Allocations, specifically around resetting relationships with the VCS and third sector and working in partnership with them to monitor grant programmes. Based on the update provided to Scrutiny Committee on 22 April, this is still work in progress and in our view needs to move at pace.

9.113 We were informed by the local voluntary and community sector that they felt there was a lack of consultation with them in the design of the funding programmes. This was particularly noted in relation to ensuring that the design of the fund did not accidentally create negative equalities impacts, and the impact of the fund design on small charities.

9.114 The Equalities Act 2010 requires public authorities, including local councils, to have due regard to certain equalities considerations when exercising their functions, for instance when taking decisions.[121] We asked the Council for a copy of all equalities impact assessments undertake in relation to the Mayor's Community Grant Fund and were directed towards an assessment published in the

[121] Public Sector Equality Duty: guidance for public authorities, December 2023, https://www.gov.uk/government/publications/public-sector-equality-duty-guidance-for-public-authorities/public-sector-equality-duty-guidance-for-public-authorities

grant award decision documentation.[122] We have reviewed this assessment, and in our opinion it provides a detailed analysis of the decisions taken within the framework. It does not provide the same detailed assessment of the potential impacts of the framework within which those decisions were taken and is dated after the framework was determined. The framework, as set out in the prospectus, sets out priorities in relation to specific groups and decisions about these priorities have the potential to impact on groups of people with different protected characteristics. We therefore recommend undertaking an equalities assessment as part of the design of such grant schemes, as well as allocation decisions.

9.115 We also reviewed the equalities impact assessment screening undertaken for the Mayor's Small Grants Programme.[123] Again, this is related to a decision to allocate funds and not the design of the programme, and the Council confirmed this was the only relevant assessment. The screening assessment is not a full assessment – the Council determined that this was not required on the grounds that there was no risk that the policy, proposal or activity being screened would disproportionately adversely impact groups with different protected characteristics.

9.116 To monitor and manage the performance of MCGP, the Council requests regular performance updates to ensure that the themes and individual projects are on track to deliver the targeted outcomes. This includes a report which covers the first five months, followed by quarterly update reports, a minimum of one visit within the first year, and monitoring returns on a quarterly basis. Where any issues arise in performance, appropriate remedial actions are agreed by the Council, which could include withdrawal or reallocation of funds. Of the five grants sampled by the Inspection team, we did not find any specific concerns around the delivery of recommended grants against the geographical area or the KPIs they committed to deliver against. The results are varied, but most of projects we looked at are currently delivering against their targets.

[122] Chief Executive Decision; Mayor's Community Grants Fund, 11 August 2023, https://democracy.towerhamlets.gov.uk/documents/s224162/MCGP%20Award%20Report.pdf
[123] Report on Small Grants, Grants Determination (Cabinet) Sub-Committee, 8 November 2023, https://democracy.towerhamlets.gov.uk/ieListDocuments.aspx?CId=812&MId=14404

9. Conclusions

10.1 No large and complex organisation can be perfect, but local authorities should be fit for purpose, operate lawfully and to high standards. While the Council has a number of strengths it can be proud of, we have found a significant accumulation of best value concerns across a number of areas.

10.2 Tower Hamlets, its history, people and places make it an amazing place. It has been a great privilege to spend time in the borough, and to meet some of the many passionate and enthusiastic officers working for the Council.

10.3 The Council has many highly professional committed and motivated people working in it and with it. They provide a high level of competence and expertise within the Council. Staff work hard to ensure that the Council's interventions and services make a positive difference to people's lives and we want to both recognise and thank them for their work

10.4 It is our view that the leadership of the Council is predominately focused on the use of resources and high-level strategic direction to exemplify fulfilling the Council's Best Value duties, which has merit, but the wider need for good governance, culture and leadership as described in the government's Best Value guidance and identified in this report need equal attention and should be addressed with equal importance.

10.5 Taking all the information, interviews, documents and observations into account it is our judgement that of the seven Best Value themes it is in leadership, culture, partnerships and governance that we have most concerns and we believe that there are weaknesses for the Council to address. We have summarised the key elements and concerns arising from the inspection under the seven Best Value themes in this conclusion.

10.6 Good leadership is crucial to any organisation. It boosts morale and motivation, shapes values and goals, ensures the effective use of resources and creates a healthy corporate culture.

10.7 We found that relationships between the political leadership and the corporate officer leadership team have improved since a very low point following the election in 2022. This improvement is a result of a completely new corporate leadership team which has been established since that time. The corporate leadership team is not yet fully in place, but the Council has now made permanent appointments to all corporate director and statutory officer roles. It will take time for the new team to fully embed. The high-turnover of senior officers has been disruptive to the organisation, and we consider that the Council has suffered a loss of expertise and knowledge in this process.

10.8 The capacity and capability of the political leadership of the Council is improving with time, with many inexperienced politicians entering the Council in 2022 this deficit was inevitable. This journey is slower than we would have expected, and in our view, this has had an impact on the effectiveness of the leadership of the Council. However, we recognise that the Council has in place Councillor Learning and Development.

10.9 The political environment within the Council has been described to us as 'toxic' and it is characterised by a disproportionate focus from the two main political groups on the past. In our view, this creates an environment in the Council which many officers find challenging and which is preventing the Council from moving forward. This slows progress on improvement and gives rise to a defensive approach with a lack of openness and transparency.

10.10 The lack of challenge in the Council is a concern. We consider that this is driven by the instability of senior officer leadership, and a perception of patronage in the Council. We have seen insufficient evidence that the organisation is open and transparent, and values the constructive criticism required to drive improvement. This has caused an erosion in confidence in the leadership from a range of stakeholders, such as politicians, partners, managers and staff.

10.11 Culture is important in any organisation as it sets the tone by which the organisation operates and builds trust. We have significant concerns in relation to the Council's culture and believe this has a significant impact on the effective governance and leadership of the organisation and the quality of its strategic partnerships. Trust is a rare commodity within the Council and this is a major concern. There is a significant lack of trust between officers, Councillors and partners. This is impacting on staff and has resulted in some competent and highly experienced officers leaving the Council.

10.12 The Corporate Peer Challenge identified a two-council culture. The Council believes it has made progress to address this, however we consider that it remains a significant concern.

10.13 Most importantly we consider there is a culture of patronage in the Council. We have reviewed a series of case studies relating to several officer appointments and procurement decisions which in our opinion can only be described as being based on patronage and a desire to return the Council to the arrangements in place in 2014.

10.14 Good governance is crucial to ensure transparency of decision making and, through this, accountability to the electorate. The public need to have confidence and trust in the Council decision-making processes. We believe that there is evidence of weak governance in the Council.

10.15 The chairing of meetings at times is poor and disorganised, although this improving. A number of female councillors raised concerns about being shut down, or not being given the opportunity to speak.

10.16 There are some poor practices in the operation of the day-to-day governance processes and procedures, as well as some good examples of business-as-usual practice. The council must strive to work in a more open and transparent manner.

10.17 Scrutiny is vital to securing efficient delivery of public services and driving improvements. We have not seen sufficient challenge of the Mayor and administration during scrutiny meetings, and consider that the scrutiny culture at the Council is weak and confused. The Council is taking steps to address this through a Scrutiny Improvement Plan, but it is too soon to say whether this will be effective in addressing the significant challenges the Council faces.

10.18 Some significant decisions have been taken where the information provided to decision makers is not as rigorous as we would expect, for example the significant

investment into Youth Services where funding was allocated in 2023/24 with little information being provided in a business case to Cabinet or to full Council, by comparison to the size of the investment.

10.19 The ongoing process of analysing performance, identifying opportunities and making positive changing processes, resources and services is an important element to achieve best value. The Council demonstrates improvements in some areas of its work, and celebrates success.

10.20 We note that the Council is establishing a new target operating model (TOM) which links the corporate objectives as defined by the Mayor's priorities and service plans. We are therefore, satisfied the golden thread exists. The Council's performance in service delivery remains satisfactory although variable with recycling being its lowest performing service. The council is taking specific action in relation to areas of weaker performance.

10.21 In order to maintain this improvement, and ensure that it takes place across all areas, we believe the Council should cultivate a culture of openness and challenge, and ensure that it benchmarks itself against high-performing peers. This would enable the Council to engage in more meaningful wider service-transformation.

10.22 We recognise that the outstanding matters relating to the financial accounts and annual governance statements inherited by the administration from before 2022, have been positively addressed.

10.23 Partnerships and working in partnership involve a complex and dynamic set of relationships. Working collaboratively with common goals across sectors and with a range of stakeholders is critical to achieving Best Value. The Council's partnerships at the strategic level are weak, and key partners feel that their relationships with the Council had deteriorated over the past two years. The Council was considered by many partners to be insular and very focused on delivering its own priorities rather than on joint planning, co-production and integrated strategy. There was a lack of trust and confidence in the administration regarding the commitment to develop strong strategic relationships and to build organisational cohesion and collaboration.

10.24 By contrast at an operational level staff worked very well with partners to deliver front line services such as social care and public health initiatives. Relationships with schools and large parts of the voluntary sector also reflected this same strategic and operational dissonance and this causes concern among partners.

10.25 It is critical in every council that resources are used efficiently and effectively to provide value for money to taxpayers. The Council is currently in a strong financial position. It has set a balanced budget for 2024/25, albeit supported by a net drawdown from reserves of £6.4 million, and has a capital programme which is funded.

10.26 We heard of emerging financial pressures which, coupled with high political ambition and reducing reserves over the medium term, means the council will have to ensure financial sustainability over the long term. We would expect to see this reflected in the updated Medium-Term Financial Strategy update to be presented in the autumn.

10.27 We found good internal audit practice although the level of internal audits receiving a limited assurance (56%) is higher than we would expect. The Council

should also consider the membership of the Audit Committee to accord with best practice.

10.28 The Council has insourced leisure services and its former Arms Length Management Organisation Tower Hamlets Homes. We believe that justification for these decisions can be made, but these were not adequately presented in the relevant decision-making paperwork. On the whole, we consider that the processes have been well managed, though note that some Tower Hamlets Homes staff have not found the experience positive.

10.29 Delivering high-quality services to residents is a core function of any local authority. There is much good practice within Tower Hamlets. Overall, the Council has sought to direct funding to its strategic priorities such as youth services (£12.2 million in 2024/25) Free School Meals for primary and secondary pupils and Education Maintenance Allowances. The Council should ensure that these efforts do not eclipse business as usual.

10.30 We are concerned that the case for the Institute of Academic Excellence, or superschool is weak. Performance at primary and secondary levels in school is strong although we accept work is still required to improve ‘A’ Level performance in the borough. There is strong evidence from across the country that investment in school improvement is the best route to improving ‘A’ level performance.

10.31 We observed both the GLA and parliamentary elections and consider they were well run, and the Council has a very experienced and competent Elections Manager. Our concern would be that this could be a single point of failure and contingency arrangements should be put in place ahead of the Mayoral and Council elections in 2026.

10.32 In summary, it is critical that the Council recognises the concerns highlighted in this report. In our view there is a need to change the culture of the organisation and to demonstrate a serious intention to improve in a number of areas. This activity needs to be a priority over the next two years. The Council’s response to this challenge will be a significant determinant in assessing the Council’s capacity to improve in the future.

Appendix A: Glossary

We have provided some definitions of terms used in the report, to assist a lay reader. Where possible we have explained terms within the main report, or in footnotes.

Arms Length Management Organisation	A not-for-profit company that provides housing services on behalf of a local authority.
Community Infrastructure Levy	A charge which can be levied by local authorities on new development in their area. The levy can be used to fund a wide range of infrastructure, including transport, flood defences, schools, hospitals, and other health and social care facilities and facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities, healthcare facilities, academies and free schools, district heating schemes and police stations and other community safety facilities.
Head of Paid Service	The officer designated under the Local Government and Housing Act 1989, s 4.
Individual Mayoral Decision	A decision taken by the Mayor in relation to any of his executive functions, including a key decision, outside of the context of a meeting of the Executive (cabinet meeting).
Key Decision	A key decision is defined in legislation[124] as one which will result in the council incurring new spending or savings affecting its budget or where it could significantly affect its communities in more than one ward. The law requires that the council must publish its intention of taking all forthcoming key (executive) decisions by providing a minimum of 28 days' notice beforehand.[125]
Mayor's Advisory Board (MAB)	An informal body to enable the Mayor and his Cabinet to discuss strategic and policy issues with senior officers, including draft executive decision reports before they are presented to Cabinet. The MAB has no decision-making powers. Membership of MAB is made up of the Mayor, Cabinet members and relevant senior officers. The Chief Executive, Monitoring Officer, corporate directors, Head of the Mayor's Office and the Mayor's political advisor are usually in attendance for the entire meeting. Report authors will attend as required.
Mayor's Advisory Board – Cabinet Pre-Agenda Planning	The purpose of this meeting is to consider the final versions of the reports to Cabinet.

[124] Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089
[125] The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, https://www.legislation.gov.uk/uksi/2012/2089/contents

Mayor's Advisory Board – Strategic and Resource Planning	This meets particularly during budget preparations and looks at budget and performance related issues. Officer membership is reduced to only those who are required for the items involved.
Medium-Term Financial Strategy	Every council must have a balanced and robust budget for the forthcoming financial year as well as a medium-term financial strategy projecting forward likely income and expenditure over at least three years. This is sometimes known as a medium-term financial plan.
Section 106 Agreement	Common term referring to planning obligations, which are legal obligations entered into to mitigate the impacts of a development proposal. Section 106 contributions must deliver a scheme that is related to the development that paid those contributions.

Appendix B: Staff Survey Results

The staff survey was open from late April to mid-May 2024, and re-opened in July 2024 following the extension of the Inspection, to enable more staff to provide their views. It was completed by 304 staff members. Responses were anonymous and restricted to individuals using a Tower Hamlets email account to ensure all responses were from staff members. An alternative approach would have been to make the survey open to anyone. This may have enabled more frontline to access the survey. On balance, we prioritised ensuring that the information we did have was not compromised by any external parties.

We did not collect demographic information, or information about where individuals worked within the organisation, in order to prioritise anonymity.

Rounding may mean that percentages do not add up to 100.

1. **Do you understand Tower Hamlets' priorities, and how your work supports this?**

Response	No	%
Yes	263	88
No	36	12

299 responses

2. **How well are services performance managed in your area?**

Response	No	%
Extremely well	83	28
Somewhat well	159	53
Not at all	46	15
Don't know	10	3

298 responses

3. **Are senior officer leaders in the Council open and accessible to you as a member of staff?**

Response	No	%
Yes	157	53
No	110	37
Don't know	32	11

299 responses

4. **How well do officer leaders in your area of work model behaviours that help Tower Hamlets to improve?**

Response	No	%
Extremely well	92	31
Somewhat well	117	39
Not at all	64	21
Don't know	25	8

298 responses

5. **How has turnover in senior management affected your area of work?**

Response	No	%
Negatively	187	63
Positively	13	4
Not at all	77	26
Not applicable	22	7

299 responses

6. **How well does your manager support you to deliver your work and develop in your role?**

Response	No	%
Extremely well	155	52
Somewhat well	86	29
Not at all	55	18
Don't know	3	1

299 responses

7. **Do you understand the decision-making framework in the Council?**

Response	No	%
Yes	176	59
No	124	41

300 responses

8. **How easy do you find it to make good quality, timely decisions about your area of work?**

Response	No	%
Extremely easy	43	14
Somewhat easy	106	35
Not at all	147	49
Don't know	4	1

300 responses

9. **Are you aware of the Member and Officer Codes of Conduct?**

Response	No	%
Yes – members only	18	5
Yes – officers only	86	29
Yes - both	140	47
Neither	52	18

296 responses[126]

10. **How well are the Member and Officer Codes complied with?**

Response	Members %	Officers %
Extremely well	9	27
Somewhat well	22	38
Not well	24	7
Don't know	45	28

293 responses

[126] There was an issue with the way in which this was presented through Microsoft Forms which allowed respondents to answer both yes and no. One respondent answered in this way.

11. Do you understand the core values of Tower Hamlets?

Response	No	%
Yes	281	93
No	21	7

302 responses

12. How well do you think that the Council operates as one cohesive organisation?

Response	No	%
Extremely well	33	11
Somewhat well	97	32
Not well	157	52
Don’t know	14	5

301 responses

13. Are there any examples of behaviours that have made you feel included?

Free-text: 166 responses.

14. Have you seen or experienced any behaviours that make you feel excluded or isolated at work, and can you share examples?

Free-text: 220 responses.

15. If you see or experience something you think is wrong happening at work, do you feel comfortable to challenge this?

Response	No	%
Yes	157	52
No	145	48

302 responses

16. Do you think any concern you raise would be dealt with appropriately?

Response	No	%
Yes	84	28
No	128	42
Don’t know	90	30

302 responses

17. Do you feel able to make suggestions to improve work in your area?

Response	No	%
Yes	261	86
No	41	14

302 responses

18. If you make suggestions for improvement in your area, are these taken on board?

Response	No	%
Yes	149	49
No	87	29
Don't know	66	22

302 responses

19. What further steps would you like to see the Council take to improve how it works?

Free-text: 220 responses.

20. Are there any examples in your area of work where improvements have been made to how things are done?

Free-text: 148 responses.

21. How well do you think services are delivered in your area?

Response	No	%
Extremely well	93	31
Somewhat well	165	55
Not well	39	13
Don't know	5	2

302 responses

22. Do you think that input provided by Councillors leads to improvement in your service area?

Response	No	%
Yes	54	18
No	167	55
Don't know	80	27

301 responses

23. In your area of work, is money spent wisely and according to policy and procedure?

Response	No	%
Yes	186	63
No	109	37

295 responses

24. Do you have sufficient resources and capacity to do your job to a good standard?

Response	No	%
Yes	143	48
No	157	52

300 responses

25. Are there any examples of good or poor service delivery or use of resources that you would like to share with us?

Free-text: 171 responses.

26. How often do you or your team engage with key partners, including the community, outside the Council to deliver your work?

Response	No	%
Daily	118	40
Weekly	62	21
Monthly	31	10
Quarterly	17	6
Yearly	6	2
Not applicable	64	21

298 responses

27. Do you think that the Council engages well with all the different communities in Tower Hamlets?

Response	No	%
Yes	143	48
No	64	21
Don’t know	92	31

299 responses

28. Can you provide any examples of good practice or opportunities for improvement in partner and community engagement?

Free-text: 123 responses.

29. Is there anything we haven’t asked you that you would like to tell the Inspection team?

Free-text: 154 responses.

Appendix C: Legal Framework for Senior Officer Appointments and Tower Hamlets Appointments Procedures

1.1 The Council's Appointments Sub Committee was established by the Human Resources Committee in May 2023, to consider appointments of the Head of Paid Service, other statutory and non-statutory chief officers and deputy chief officers.

1.2 Section 112 of the Local Government Act 1972 requires the authority to appoint such officers as it thinks necessary for the proper discharge of its functions and for those officers to enjoy such reasonable terms and conditions, including remuneration, as the authority thinks fit. Section 7 of the Local Government and Housing Act 1989 requires that all appointments must be made be on merit.

1.3 Local authorities are required by section 38(1) of the Localism Act 2011 to prepare, approve and publish an annual Pay Policy Statement. These statements must articulate an authority's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay policy statements must be prepared for each financial year and must be approved by full council. This is to ensure that decisions on pay policies are taken by elected councillors or members who are directly accountable to local communities. S.43 provides those determinations of pay, including severance payments, must be made in accordance with the published statement for the year in which the determination is made.

1.4 When preparing and approving pay policy statements local authorities must have regard to relevant guidance including statutory guidance issued by the Secretary of State. The Openness and Accountability in Local Pay Guidance which was issued under section 40 of the Localism Act 2011 (2011 Act) in February 2012127 and supplementary guidance issued in February 2013128 sets out the key considerations that underpin the pay accountability provisions in the 2011 Act. In particular, paragraphs the importance of transparency and accountability for decisions.

1.5 The Council's current Pay Policy Statement for the year 2024 - 2025 was approved by full Council on the 20 March 2024. It appears not to fully comply with the statutory guidance published by the Secretary of State. There does not appear to be any report to full Council to explain the reason for departures from the statutory guidance or provide transparency in relation to either remuneration packages of senior officer or severance payments. For example, the Pay Policy Statement 2023/24 (and 2024/25) suggests that the total remuneration for the Chief Executive will be in the range £120,000 to £124,999. The draft accounts for the Council for the year 2023/24 reveals that the total remuneration to the Chief Executive was £262,044. This is in contrast to the former Chief Executive who received a salary of £200,862 in 2022/23 and a severance payment £246,512. This does not appear to have been subject to any vote by the full Council, or reported to them.

1.6 The Council has adopted in its constitution the relevant officer employment procedure rules reflecting the appointments and dismissal processes. The Council has also an agreed recruitment and selection the officer employment procedure rules as set out in the constitution and the Councils agreed recruitment and selection policy.129

1.7 The Local Authorities (Standing Orders) (England) Regulations 2001 (as amended) requires that, where a Council is operating a Mayoral Governance model before any offer

[127] Openness and accountability in local pay: guidance, 2012, https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-guidance
[128] Openness and accountability in local pay: supplementary guidance, 2013, https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-supplementary-guidance
[129] The document provided to us by the Council was last reviewed in August 2022 and implemented in June 2022.

of employment is made to a chief or deputy chief officer, the proper officer designated for that purpose, must notify the elected Mayor and every member of the Cabinet of the intention to make the appointment, the name, salary and other relevant particulars of the post, and allow a reasonable period for the Mayor and Cabinet councillors an opportunity to make any substantial or well-founded objections to that appointment, before the appointment is made. These provisions apply irrespective of whether the appointment is to be made by the full Council, a committee, or by an officer of the Council delegated to do so. The provisions are broadly set out in the Council's constitution. No distinction is made in the regulations to fixed term or interim arrangements, rather they apply to all such appointments for any duration.

1.8 We have found that the Council has not always observed with these processes and rules and we go into further details in the appendices.

1.9 Section 7 of the Local Government and Finance Act 1989 provides that all officers employed by a local authority shall be appointed on merit. The Local Authorities Standing Orders Regulations 1993 makes provision for the drawing up of job descriptions and person specifications, and their advertisement. We have set out our views on the Council's compliance with section 7 of the Local Government and Finance Act 1989 in the main body of this report, and in the unpublished appendix to this report containing detailed cases.

Appendix D: Correspondence from Tower Hamlets Council Officers to the Lead Inspector

18 May 2024, Letter from the Chief Executive to the Lead Best Value Inspector

Dear Kim,

As you are moving towards that point in the Best Value Inspection process where you start to formalise your report, I thought it may be useful to remind you of a number of important discussions that have passed between us during the period covered by your inspection. We have discussed on several occasions the need to ensure that information is made available as quickly as is practicably possible and that the relationship between the Council and the BVI Team is as productive, positive and transparent as possible, and it is on this basis that I am writing to you today. I am also mindful of the need to ensure that there are "no surprises" and that any information relative to the Best Value Inspection does not surface after the publication of your report.

We have discussed, and you have confirmed that your powers are specific and focused upon providing assurance to the Secretary of State that the Council is complying with its Best Value Duty under Part 1 of the Local Government Act 1999 as amended by the Local Audit and Accountability Act 2014 ("the 1999 Act"). You have also confirmed that to understand current organisational context you would be including the years from 2015/16 to 2022 in your inspection.

Further I have advised you that the legal consensus is that the arrangements to which s 3(1) of the Local Government Act 1999 apply are higher level strategic decisions about how best to secure continuous improvement in the delivery of the Authority's functions.

I have on several occasions referred to historical failings of the local authority between 2016 and 2022. These failings have been extensive and significant, and as Chief Executive with a responsibility for the reputation of the Council, staff, the local community and ensuring value for money and compliance with the Best Value duty, it is incumbent on me to raise these concerns formally.

Firstly, as a direct result of the failure to produce auditable accounts over a six-year period beginning at the start of government intervention and continuing throughout, the Council was unsighted on major failures to meet its Best Value Duty specific to value for money. The last time the Council received no qualifications to its accounts was the last year of the previous Mayoralty in 2014/15. Of concern is the external auditors' comments regarding the accounts covering the later years of government direction, and just after, which confirm systemic and serious failures in Best Value at a point when government was giving the organisation a clean bill of health, following four years of government intervention.

Until recently, the absence of external audit opinions and corresponding complete annual governance statements masked from public sight the extent of those failings. The current management team's successful delivery of audited accounts during the last financial year makes very clear the extent and seriousness of these Best Value failings in the period up to 2020. The findings quoted below are independent 3rd party evidence of the situation that prevailed historically.

Extracted from Audited Accounts, AGS and Statements of Assurance

For 2018/19 (Deloitte's) Qualified VFM opinion stated that: Statutory-Accounts-2018-19.pdf (towerhamlets.gov.uk)

(1) The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making.
(2) It cited uncertainty around the Council's reserves position and delays in the audit of accounts, and significant control weaknesses in the Council's financial reporting arrangements.
(3) The Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.
(4) Within the Annual Governance Statement, the Council has reported on significant governance issues identified from its annual review of effectiveness.
(5) Reported under resourcing of Internal audit. The Head of Internal Audit had reported that he had limited the scope of his annual opinion on the system of internal control as he has not been able to consider IT risks. The Head of Internal Audit was not able to report on the Council's system of risk management in 2018/19 pending the establishment of independent review arrangements for this, and in 2019/20 has reported he can provide only limited assurance on its operating effectiveness.

(6) The Council did not have proper arrangements in place throughout the full year to understand and use appropriate and reliable performance information to support informed decision making and performance management; manage risks effectively and maintain a sound system of internal control; and work with third parties effectively to deliver strategic priorities.

7) Picking up on the Ofsted issues reported in previous VFM's (from 2017), the Annual Governance Statement describes improvements which the Council has made in response to these findings. These improvements were not in place over the full year.

For the year 2019/20 (Deloitte's) - Qualified VFM opinion stated that: Statutory-Accounts-2019-20.pdf (towerhamlets.gov.uk)

(1). The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making
(2) There was uncertainty around the Council's reserves position, and delays in the audit of accounts and significant control weaknesses in the Council's financial reporting arrangements.
(3) In addition, there were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked.
(4) The Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.

Only when the current management team was put in place were auditable accounts for these years able to be produced. The external audit value for money opinion from Deloitte has been qualified every year covering the period 2016 to 2020.

Following on from the above, you will recall that we have discussed the many inherited issues that the new management team have had to address. These issues stretch back to 2016 and when you arrived you explained that to understand our current position you would need to also review the period from 2016 to 2022. This was welcome as not to do so would be to hold this

Council accountable for these historic failures. I understand from recent conversations that you are undecided about the extent to which your report will cover legacy matters occurring during the period of government intervention albeit that that there will be an acknowledgement that these exist. As the level of failure in corporate governance and the inability of the organisation to meet its Best Value Duty during this period must, by any objective measure, be considered extremely serious, I would urge you to cover this in some detail. During the period covered by government commissioners and government directions, a period described several times as one of continuous improvement by the Deputy Director, Local Government Stewardship in his published letter to me justifying your inspection, you now have and will shortly be provided with more evidence clearly demonstrating that the following failures took place.

- Due process was not followed in relation to a major social care contractual award presenting extensive risk to this critical supply chain. As a direct result, extensive uncontrolled spend in excess of £62 million favouring a single small community-based provider took place. A provider with inadequate governance arrangements, recently the subject of a suite of serious whistleblowing allegations including fraudulent international money transfers. These allegations remain subject to an ongoing independent investigation by PWC which was commissioned by the current Corporate Director of Resources and Section 151 officer. As this matter is so serious we are arranging an urgent detailed briefing for you next week where the extent of this failure will be set out.
- To date £11m of 'blind' payments have been identified made to social care providers following a system failure. The full extent of this financial failure is yet to be established. Individuals in the Council were aware of the issue at the time. Audit recommendations to address this were not implemented effectively. The situation left the Council open to serious fraud.
- £1m of VAT went unpaid as a result of the Council's reporting systems being unfit for purpose.
- A restructure of the finance service took place that resulted in the loss of critical corporate memory and directly resulted in significant and protracted levels of financial dysfunction.
- Procurement services were under resourced between 2017-20 and became dysfunctional.
- IT and data systems were under resourced with lack of consideration of corporate risk.
- Investment in council assets was neglected as has been highlighted by the recent leisure services insourcing project.
- Significant levels of resources were removed from critical support services like HR and IT with lack of examination of the corporate risks.
- The corporate grants register was discontinued leaving the Council with no corporate oversight of grant making and no ability to oversee assurance arrangements.
- 6 years of council accounts could not be signed, and draft accounts were not produced for a 3-year period.
- Several years of Annual Governance statements failed to be published.
- In 2017 an Ofsted report into the Council's Childrens Social Care services was published which found them to be inadequate. Further government directions were issued as a result.
- An approach to financial planning was adopted that lacked strategic foresight and failed to properly align resources to priorities resulting in an inappropriate and unnecessary application of reserves to address service priorities.

It is disappointing and troubling to reflect that this scale of best value failure actually happened during a period of government intervention in Tower Hamlets and that the nature of it cannot be attributed to inherited dysfunction. This directly calls into question central governments whole approach to local government intervention.

One might reasonably conclude from the above that the quality and impact of government intervention needs to be independently evaluated and accountable to the taxpayers in the Boroughs that are subject to it and who are tasked by government to pay for it.

In contrast to the above the new management team have identified and fixed the systemic failures that allowed £11m of blind payments to social care providers. The Commissioners may not have been advised or made aware of this issue but it is clear that management were aware that there was a problem. In any event they didn't fix it. There was no transparent reporting by the management team at the time. A breach of the Council's Best Value Duty.

On a positive note, the current finance management team have now created a highly effective finance service reversing years of service decline typified by long periods of temporary senior managers, misdirected restructures, and system failures.

It is also positive to note that the new corporate leadership team have identified and fixed the contract management systems that had allowed £62m of high-risk spend to a single small community-based care provider and the unscrutinised expansion of contract values. Again, this major failure of the Best Value Duty went unidentified during the period covered by government intervention. Swift action has since been taken to mitigate immediate risk and to further strengthen controls and avoid repetition. This has taken place alongside a re-designed procurement function as part of the agreed review of the resource's directorate.

The new corporate leadership team have undertaken the necessary work to get the backlog of year end accounts signed off by external audit and has published the backlog of draft accounts and annual governance statements.

The same management team has a considered, strategically planned and externally reviewed resourcing strategy for the HRA that mitigates risk, secures accurate stock condition data and addresses underinvestment in council assets (see HRA Resourcing Strategy).

This management team has also adopted a fully tested and robust three year MTFS, removing reliance on reserves and fully aligning resources to strategic priorities and risk which has been extensively & robustly reviewed by your inspection team and significant elements of which have been independently reviewed by Savills and Trowers and Hamlyn (e.g. see responses to log queries 94 – 115).

The Council has recognised the ongoing risk that underinvested support services pose to the organisation and is reinvesting in the Council's finance, HR function, data and IT systems.

The Council has redesigned the Mayor's Grants Process to allow full transparency, with rigorous external and internal assurance processes in place. It has reinstated the Council's Grants Register discontinued in 2019 and will be introducing a corporate check on assurance for all grants administered by the Council (see response to log 79).

All the above demonstrates that:

(a) the period during which this Council was under government direction was impacted by major and systemic failures to comply with the Council's Best Value Duty that were not the result of inherited dysfunction but of decisions made or failure to make decisions that should have been made by the organisation at that time

and

(b) The current management team have quicky identified and addressed these legacy

problems whilst successfully moving forward a challenging improvement and transformation programme.

The thought that the above information and essential context would not feature in your Best Value Report would be concerning.

Turning to the current inspection process. In our meetings I have raised concerns that the lines of enquiry being followed by your team may not be entirely focused on the arrangements for making strategic decisions about performance improvement or delivery, and were sometimes straying into non-specific searches for individual examples of failures of process. My concern was, and continues to be, that this may give the impression of being an exercise to find something on which to justify a government intervention rather than one focused on the strategic apparatus for decision making and governance that the best value duty relates to.

In one of our more recent conversations, you suggested that you were considering including observations about people's perceptions. You will recall that I expressed some concerns that this might be unsound unless these perceptions are backed up by hard evidence. Not to do so would be accepting hearsay as fact.

Again, in a recent conversation you advised that you were considering referencing concerns about the appointment of a Corporate Director. I understand that you felt that another candidate other than the person who was appointed was the better candidate. I responded by expressing some surprise that you would be considering such a move and I set out my reasons again here for your reference.

1. You were invited by the Council to observe the appointment panel that made the appointment in part expressly so that, should you have any major concerns, you could raise them at the panel meeting.
2. You did make it very clear that you felt all candidates interviewed were appointable.
3. You also agreed that the process followed to appoint was all in order and acknowledged the appointment to the role of Corporate Director was a matter for the Council enacted by locally elected councillors.

I would respectfully suggest that what we are left with is a difference of opinion rather than a failure of due process or Best Value.

When you have met with me and the Executive Mayor you have stated that you have found no 'red flags' meaning breaches of the best value duty by the current administration, or the current management team, and that you would advise me if this changed. I trust that, should you not find any, you will be explicit in your report to that effect. As your report will apparently include content where you think the Council could do better, the Minister must be clear that this is not seen as a breach of Best Value.

This brings me to another point we have discussed on many occasions – the inclusion of contextual data. Much of the focus of your inspection team has been on detailed process matters that you feel we might not be doing well. To be a fair objective and credible report, I assume it will provide the positive as well as the negative. If your report finds fault and reports an element of negative performance the SoS will be unable to determine if that performance is relatively weak or strong compared to other local authorities, and therefore be unable to judge if any form of support or intervention is warranted. As any support or intervention must be based on a comparative evaluation (otherwise it would be unsound), I assume your report will provide comparative data that shows how the Council is performing in any specific regard to other local authorities. We have provided evidence of service delivery and relevant external accolades, service delivery innovation and awards here. Where such data cannot be provided,

I assume you will state that you are unable to determine how well or poorly the council is doing in any specific regard compared with other local authorities. An example would be Overview and Scrutiny. We know that this process could be better, and we have identified and are implementing a comprehensive improvement programme. This is consistent with our Best Value Duty. How does our scrutiny function compare to other local authorities (for example those authorities that have little or no opposition)? Comparatively, I would suggest Tower Hamlets may be doing quite well and I would suggest that compared with other Executive Mayoral authorities we are performing well. In such an instance the views of the Centre for Governance and Scrutiny who are in a position to provide a comparative commentary of the Council's performance might be helpful to avoid any confusion or potentially unwarranted support or intervention.

I understand that part of the narrative of your report will be one that focuses on the politics at Tower Hamlets. This has always been a highly charged and challenging borough politically. It is not a place for faint hearts, but the robust politics has never hindered progress in Tower Hamlets which has had an enviable track record of performance and innovation over the years. Whilst you have said that the quality of challenge could be strengthened in some areas of scrutiny and political behaviours can be improved, you have not at any time indicated to me that this is preventing compliance with the Council's Best Value Duty. The evidence set out above in relation to the multiple corrective actions we have put in place over the past few months supports the view that it isn't. I would suggest that whatever the dysfunctions at a political level, the organisation is clearly demonstrating that it is able to manage them in relation to its Best Value obligations.

I was appointed to the position of Chief Executive on a permanent basis some 10 months ago, and the Corporate Leadership Team subsequently. In a very short period of time, we have demonstrated the ability to work with the Mayor and his administration to secure very significant political and policy shifts, from reducing the Mayor's Office, to accepting a very large programme of often politically challenging actions to address the LGA CPC recommendations, to accepting the need to raise council tax. We have provided you with examples of where we have successfully engaged the mayor who has listened and reconsidered his position as a result of that engagement. You are aware that I highlighted my concerns about a "two council culture" when I coined the phrase in my letter to the LGA when requesting they focus their work on specific areas. Now we have a good level of trust at CMT level and a relationship where real progress on political behaviours can and is being achieved. There is of course more to be achieved but the direction of travel is fast and in the right direction.

Mr Gove asked you to look at a number of specific areas of the Council and provide him with assurance that the Council continues to meet its Best Value Duty. I set each one out below with comments that may usefully inform your conclusions.

1) Strength of associated audit and scrutiny arrangements

We have not been made aware by you of any concerns about our Audit arrangements but are clear that our scrutiny function can improve. The legal consensus is that the arrangements to which s 3(1) of the Local Government Act 1999 applies are higher level strategic decisions about how to improve the performance of, or how best to deliver the authority's functions. The Council had identified the need to improve this function before the Inspection and had put in place arrangements to deal with it. It formed part of the LGA CPC Action Plan published in December 2023 and we have subsequently brought forward a further set of actions for driving this improvement. Whilst politics remains challenging in the Borough the evidence demonstrates that the Council continues to meet its best value duty.

2) Potential changes to constitutional arrangements

Having provided you with the information and data you have requested, I hope that you will provide the SoS with full assurance that there are no potential changes to the Council's constitution that present any concerns for Best Value.

3) budgetary proposals and medium-term financial planning

It is very clear that we have one of the most robust financial plans in the UK and that the Council's financial position is, relatively speaking, a healthy one. The Plan we now have is a substantial improvement on the financial planning arrangements that prevailed during the period that the Council was under government directions. It is a three-year plan instead of a one-year plan. The MTFS now has a coherent approach to Capital and the HRA. Funding has been identified to rectify under resourcing of corporate services and the Council has aligned resources much more effectively to local need. Risk within the Financial Strategy is properly accounted for, and the budget is clearly sustainable with a measured approach taken to use of reserves. Our financial plan and indeed our entire budget down to cost code and transactional levels is linked to our corporate priorities, demonstrating a clear golden thread that for many peers is often elusive to pin down. I do hope, therefore, that you will provide the SoS with full assurance that the budgetary proposals and medium-term financial planning arrangements for this Borough do not breach the Council's Best Value Duty.

4) The appointment of senior management posts

All appointments to senior management posts have followed due process. I very much hope that you will provide the SoS with full assurance that the arrangements for appointing senior managers do not breach best value.

5) The use of policy advisers

Any mayor is entirely free to use policy advisors and by doing so they do not breach the Best Value Duty. The Council had already identified the operational need to mainstream some of the mayor's advisory functions that duplicated functions elsewhere in the council prior to inspection (as set out in the LGA CPC Action Plan). I trust, therefore, that you will provide the SoS with full assurance that the use of policy advisors has not resulted in a breach of the Best Value Duty.

6) The expansion of the Mayoral office

It is difficult to understand the SoS's inclusion of this reference in your instructions. The size of the mayor's office is ultimately for a directly elected Mayor to decide and is not something that would normally be considered relevant to the best value duty or one that central government would have any role in determining. It was also put in place by the previous CEO appointed during the tenure of government commissioners. That said the LGA CPC raised this as a potential operational issue, and you have evidence that the size of the Mayor's office is being actively addressed and reduced. I trust, therefore, that you will give the SoS full assurance that the size of the Mayor's office is not in breach the council's Best Value Duty.

7) The policy and practice of grant making

I trust that you will provide the SoS with full assurance that the policy and practice of grant making is not in breach of the Council's Best Value Duty. We now have a process governing the Mayor's Community Grant programme that is externally audited, internally challenged, and run by officers to a process that has been reviewed by KC and identified as being consistent with the Council's Best Value Duty. We have re-established a Corporate Grant Register,

discontinued under the previous administration despite being critical to effective governance of the Council's Grant Function and provided evidence relating to the oversight and governance of the Mayor's Community Grant Fund (e.g. in responses to log queries 116, 117 and 118).

8) **Functions that relate to the appointment and removal of an Electoral Registration Officer and Returning Officer,**

Again, there seems to be no clear justifiable reason for this to have been included in the Best Value inspection as there is no evidence to suggest that these functions were in any way compromised. Equally any concerns specific to these issues might be more fittingly addressed by the Electoral Commission. It was a pleasure to personally visit 25 polling stations on May 2nd. I enjoyed my visits with you and those I undertook with the Borough Commander. Requesting police presence at all polling stations combined with the comprehensive approach taken by the Electoral Services Manager led to the effective and efficient management of the GLA elections. It was pleasing to receive positive feedback from the Electoral Commission, representatives from DLUHC, political parties, observers and the police. I trust that you will provide the SoS with full assurance that there has been no breach of best value in respect of the above.

9) **The funding of electoral registration and local elections work**

See my comments for 8 above. I trust that you will provide the SoS with full assurance that there has been no breach of best value in respect of the above.

10) **The use of resources for elections and the maintenance of the independence of the Returning Officer**

See my comments for 8 above. I trust that you will provide the SoS with full assurance that there has been no breach of Best Value in respect of the above.

11) **Arrangements to bring services in house, such as Tower Hamlets Homes and Leisure Services**

You have evidence that the decision-making process for both Tower Hamlets Homes and Leisure Services insourcing complied with the Council's Best Value Duty as all key elements of best value were considered when making the decision to insource. KC advice is clear in that respect. The decision made, subject to wider legal tests of reasonableness etc, is for the Council to make irrespective of whether it would have been the decision someone else would have made. It is clear from the evidence provided that adequate arrangements have been, and continue to be made, to bring these services in house (see links to insourcing decisions in the appendix). I trust, therefore, that you will provide the SOS with full assurance that there has been no breach of Best Value in respect of these decisions.

12) **In respect of the decision making for the above you have also been asked to consider leadership, governance, organisational culture, use of resources and impact on service delivery**

None of the above areas of focus can reasonably be considered to have breached the Council's Best Value Duty because you have asked for, and have received, evidence that all of those areas are working to ensure compliance with the Council's Best Value Duty. In a wide range of instances, the Council's new senior management team have quickly detected and rectified serious historical dysfunctions significantly impacting on best value. The Council is now unquestionably in a better and stronger place. Any commentary you may have on leadership, organisational culture, use of resources and impact on service delivery therefore

would not in themselves support the conclusion that there has been a failure of Best Value. Any objective comparison with peer local authorities would show that the organisation is performing well and is moving in a rapid upward direction. It is because we have effective Best Value arrangements in place that we have, for example, initiated actions to address the 'two council' culture issue which is evidenced as working. It is because we have effective Best Value arrangements in place that we have adopted robust actions to address service delivery impacts and better align resources. The improvement in respect of general governance and leadership is significant, evidenced, and rapid. It is my sincere hope that whatever commentary you offer in this regard will be contextualised by:

(a) comparison with the performance of the Council under government direction

And

(b) the significant and rapid achievements the Council's management team have brought about in challenging circumstances to improve matters. I also stress again that should you conclude that this Council has not breached its Best Value Duty by demonstrating to you that it continues to make adequate arrangements to ensure continuous improvement, you will be explicit in your report to this effect.

Finally, I write to raise my concerns about the 'fact' checking process. I understand that all we will be seeing of the report in advance of it being provided to the SoS will be some limited facts to check for accuracy. These will only comprise facts that you are 'unsure' about. All other facts will be withheld. No draft report will be shared with the Council because it is 'not allowed'. I am concerned that there is no rational justification for not sharing a draft report and asking for comments. You are not obliged to accept those comments but clearly the Council would be in a position to see not only all of the 'facts' that you have included, but also how you have interpreted and contextualised those facts. Allowing the Council to comment might well help you to identify incorrect content or conclusions. Refusing to share a draft of the report for that purpose can only weaken the final product and increase the risk of the report findings being flawed.

Finally, I would like to thank you for your leadership of the BVI Team and I hope the above will be of use to you as a reference point when compiling your report. I thank you for taking the time to provide me with feedback over the period of the inspection for which I am grateful and for the open way in which you have engaged in discussion.

Regards,

Stephen Halsey

Chief Executive

Appendix: Supplementary documents

Statutory Accounts 2018-19	Statutory-Accounts-2018-19.pdf (towerhamlets.gov.uk)
Statutory Accounts 2019-20	Statutory-Accounts-2019-20.pdf (towerhamlets.gov.uk)
Homecare Payments Process Guidance implemented to strengthen checks and controls	CEO - BV Inspection Audit - Enc 1a- Brokerage Team Guidance - Homecare Payments Process- FINAL Oct21.pdf - All Documents (towerhamlets.gov.uk)
Policy procedure for managing homecare contingency including strengthened finance controls	Policy Procedures for Contingency FINAL May 2024AK.pdf
Action plan to strengthen homecare procurement and status update	homecareprocurmentactions.docx
Detailed plan to improve procurement, building on work that went to HR Committee on 16th May	Procurement proposal V4_FI.docx
HRA Resourcing Strategy	LONDON BOROUGH OF TOWER HAMLETS
Link to budget meeting with MTFS papers	Tower Hamlets Council - Agenda for Council on Wednesday, 28th February, 2024, 7.00 p.m.
BVI Shared Log, evidence provided around MTFS assurance, external awards and grant processes and assurance flagged in letter text	BVI Log Shared Copy.xlsx (sharepoint.com)
Transformation Journey update	LONDON BOROUGH OF TOWER HAMLETS
Overview of the next phase of the Corporate Restructure including strengthening procurement, business support and HR functions	Overview of the next phase of the Corporate Restructure.pdf (towerhamlets.gov.uk)
Scrutiny Improvement Plan paper	LONDON BOROUGH OF TOWER HAMLETS
Delivering the MTFS paper	Executive Report Template (towerhamlets.gov.uk)
Improving Homelessness Service paper	LONDON BOROUGH OF TOWER HAMLETS
Mainstreaming the Mayor's Office paper	Mainstreaming the Mayor's Office (towerhamlets.gov.uk)
HR/ OD/ Business Support Improvement Plan (restricted paper at HR Committee 16/05/24)	Appendix 2 (restricted) HR Business Support Restructure.docx
Draft Grants Register	DRAFT Funding Register.xlsm (sharepoint.com)
External accolades, awards and recent examples of service delivery innovation	CEO - BV Inspection Audit - Good news stories - All Documents (sharepoint.com)
CPC Action Plan (March Update)	07.03.24 Corporat Peer Challenge Action Plan for BVI Team.docx (sharepoint.com)
Leisure Insourcing Update (May Cabinet paper)	Cabinet Report Leisure Insourcing update.pdf (towerhamlets.gov.uk)
Leisure Insourcing Decision	Decision - Leisure Recommissioning (towerhamlets.gov.uk)
Waste Insourcing Decision	Cabinet Report Leisure Insourcing update.pdf (towerhamlets.gov.uk)
Tower Hamlets Homes Insourcing Decision	Agenda for Cabinet on Wednesday, 22nd February, 2023, 5.30 p.m. (towerhamlets.gov.uk)
Youth Insourcing Decision	Tower Hamlets Council - Decision - Youth Investment Report

1 July 2024, Letter from Chief Executive to Lead Inspector

Dear Kim

On 24 May 2024 you wrote to the SoS DLUHC asking for an extension to the BV review.

You established the purpose of this extension as being

'in order that the inspection team can observe the process of the General Election in Tower Hamlets and provide the Secretary of State at that time with an assessment of the authority's ability to carry out those functions specified above.'

The functions 'specified above' were :

the appointment and removal of an Electoral Registration Officer and Returning Officer,

the funding of electoral registration and local elections work,

and the use of resources for elections and the maintenance of the independence of the Returning Officer.

The SoS agreed to the extension and by doing so effectively endorsed your stated purpose. This was done with no further clarification being given to me in my capacity as ARO. I subsequently asked to be provided with the necessary level of clarification, not least to explain the relevance of the stated purpose of the extension to a Best Value Inspection. That clarity has not been forthcoming, other than a vague statement that the team will be looking at the council's actions and activities as they relate to the support of the election process. In my estimation this falls below the level of clarity I need as ARO to understand the lawful scope of your activity and to be able to understand the risk it might pose to the proper conduct of the election. I wrote on 3 June 2024 to Max Soule, Deputy Director for Local Government Stewardship, to request clarity regarding what I considered to be a clear conflict between BVI purposes, the role of ARO, the role of the Electoral Commission and the Courts. The limited response received also failed to give any clarity.

In the absence of any coherent justification being forthcoming, I have now secured KC advice from Tim Straker, a leading electoral KC in England. I have shared this advice with the Electoral Commission who will no doubt be contacting you separately. That advice is unequivocal and I summarise it below.

The advice makes it clear that:

1. Best Value inspection of the functions of the acting returning officer in connection with the parliamentary elections in Tower Hamlets is beyond the powers given by the Local Government Act 1999.
2. None of the functions cited in your letter to the SoS and referenced above provide a valid reason for observing the election. Specifically:
    - The appointment of the returning officer occurs through the operation of the law. The appointment of the registration officer is a prior event and does not lend to any observational requirement in respect of the general election.
    - Local elections work does not bear on the general election and registration is determined by the terms of the representation of the people legislation.
    - The third function specified was the use of resources for elections and the maintenance of the independence of the returning officer. The returning officer discharges his duties, which are not functions of the London Borough. Further, the returning officer has power to appoint deputies to help him and the London

Borough may assign officers to assist in those duties. The KC states that 'Once again the connection with functions of a best value authority is illusory.'

3. The best value inspectors have no authority to ask for election material or involve themselves in observing the conduct of the election.
4. The process of the election is dictated by the rules. The application of those rules, which includes the resourcing of the polling stations and other matters, is for the returning officer. It is not a function of the London Borough. The independence of the returning officer must be respected by all.
5. The best value team should not involve themselves in the election. In so far as they do it can only be as and subject to the same obligations as members of the public.
6. The Best Value team have no more entitlement to attend the Count than any member of the public.
7. The Best Value team have no more entitlement to attend polling stations than any member of the public.
8. In so far as the Best Value Inspection Team are aware of potential criminal irregularities, they should report such matters to the police and, as a courtesy, inform the returning officer, who will be liaising with the police.
9. The returning officer functions independently of the London Borough; his functions as such are not functions of the London Borough and therefore must be outwith the scope of any best value investigation, which is an investigation in respect of the functions of a best value authority.
10. The KC agrees that any involvement in the election process at all by a Best Value Team active in the Borough within which an election is taking place puts at risk the independence of the ARO by reason of the ARO's functions being separate from any best value inspection of the local authority.

I append a copy of this advice on the understanding that this does not waive legal privilege. You are authorised by me to share this with the rest of your team and with officers of DLUHC.

It is clear that my concerns are well founded and that the Best Value process has no jurisdiction over any element of the electoral process. The conflation of the Best Value inspection process with the Electoral Process by both the Secretary of State in his original instructions to you and as a justification for extending the Inspection are not supported in law. To the extent that they undermine the independence of the ARO and interfere with the general election process they represent a risk to the proper running of that election process.

In the light of the above and with the support of the Electoral Commission no requests for engagement or involvement in any aspect of the elections can be extended to the Best Value Inspection Team beyond those afforded to members of the general public. I am acting in my capacity as ARO and my actions are based on unequivocal legal advice that-

1) the general election work is outside of best value scope and
2) you have no legal authority to hold the ARO to account,

Please note that this is in no way a refusal to co-operate with a best value inspection and is also informed by discussions and correspondence with the Electoral Commission.

As you know the Council has been committed to co-operating with the Best Value Inspection in every respect. In relation to the preparation for the General Election and prior to the legal clarification we have now received, this has comprised:

1) Inviting inexperienced members of your team to attend AEA Digital Training sessions
2) normally reserved for Presiding Officers
3) Attendance of inexperienced members of your team to supplementary training

4) sessions normally reserved for Presiding Officers
5) Allowed members of your team to observe Postal Votes Opening sessions
6) Allowed members of your team to observe Digital training sessions
7) Allowed members of your team to observe training and information sharing sessions with Agents

As the General Election (July 4th) approaches, and in view of the very clear legal clarification I now have and the absence of sufficient clarification from DLUHC, I must advise you in my capacity as ARO, that the approach I have adopted to date, specific to the Best Value Inspection and election preparation in Tower Hamlets, must now conclude, to ensure that the effective and efficient administration of the General Election is not undermined by unnecessary distractions moving forward.

Finally, I have noted sections 6A to 6E of the Political Parties, Elections and Referendums Act 2000. I understand you may have sought to engage with the Electoral Commission under these sections. I will seek clarification from the Commission, whose role, of course, I respect but I also seek clarification from you why you have sought observer status. Please have clearly in mind sections 6C(6), 6(D)(7) and 6(E) (1) & (2). These subsections reveal that the enactments are subject to the legislation, i.e. the representation of the people legislation, which regulate attendance at the count and for polling stations, and enables me to limit the number of persons, and to cancel entitlement to observe the election on the basis of misconduct at the count or in a polling station. I will take as misconduct any attempt to interfere, however slight, with the conduct of the poll, the count or election generally. In that respect, please note I have no doubt that should members of the BVI team be accredited observer status that they will conduct themselves appropriately, but it is incumbent on me to clarify my position.

I have no doubt that, as an experienced ARO, you will understand and accept my position.

Yours sincerely,

Stephen Halsey
Chief Executive

1 July 2024, Response from Lead Inspector to Chief Executive

Dear Stephen,

Thank you for your letter and the attached legal advice. You set out that you were content for me to share the letter and legal advice with the rest of the Best Value Inspection team and the relevant officials at the Department for Levelling Up, Housing and Communities, which I have done.

The Assistant Inspectors and I were appointed by the Secretary of State under the powers set out in Section 10 of the Local Government Act 1999. We are acting in accordance with the scope set by the Secretary of State and detailed in my appointment letter from Max Soule dated 22 February 2024, and reiterated in subsequent letters from Max Soule relating to the extension of the inspection to 31 July 2024. These letters set out specific functions of the local authority regarding which the department had concerns, including those relating 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. We consider that it is necessary for us to observe elements of the operation of the election to be held on 4 July to provide the Secretary of State with assurance in relation to the local authority's compliance with its best value duty in relation to these functions.

The Greater London Assembly and London Mayoral elections were held on 2 May 2024. At the recommendation of the Council, I and one of the Assistant Inspectors applied for accredited observer status from the Electoral Commission in order to support our attendance at polling stations and the count. The remaining team members with availability on 4 July have similarly applied for observer status to support their attendance at polling stations and the count. This will enable us to observe elements of the operation of the election, for the reasons set out above.

We note that the Electoral Commission's guidance sets out that any individual over the age of 16 can apply to become an electoral observer, provided that they are politically impartial. We have met with the Electoral Commission to outline the approach we would be taking during the pre-election period.

Thank you for the co-operative approach that you have taken to date in relation to our inspection of the local authority's functions in relation to elections. As we have demonstrated, our only intention is to observe the operation of the election. We do not consider that our presence would distract from or disrupt the effective and efficient administration of the election.

As you know, the Inspection team is comprised of individuals with long records of public service and includes two individuals who have acted as Returning Officers and one individual who has acted as a Deputy Returning Officer in the past. Every team member will behave according to the Electoral Commission's code of practice for electoral observers. Additionally the Inspectors will act according to the terms of their appointment and the Seven Principles of Public Life, also known as the Nolan Principles.

Your letter also requested that the Inspectors share any materials of concern relating to the election with the relevant authorities, including the police and the Returning Officer. We have shared such materials with yourselves, the police and the Electoral Commission and will continue with this approach.

I hope this clarifies our approach. Please let me know if you require further clarification.
Best wishes,
Kim Bromley-Derry

16 July 2024, Chief Executive to Lead Inspector

Dear Kim,

I've been reflecting on your advice that LBTH should communicate what we do well more effectively and develop opportunities to reset our relationship with the new Government. Already our interactions with the new Government feel very different to those with the previous administration, the Council has hosted our first ministerial visit and the tone of our initial discussions with Civil Servants have a much more collaborative and constructive feel to them. I look forward to Tower Hamlets once again becoming an authority which Departments co-produce and pilot new initiatives with.
Since receiving your helpful feedback, I have:

- Established the Association of Chief Executives for Mayoral Authorities, MHCLG officials are now joining these meetings and supporting work to improve understanding of the model and ways for this group to collaborate
- Increased the number of national awards shortlisted for and won across the authority as shown by our successes at the MJ awards
- Joined New Local to strengthen our links with other authorities innovating in public service delivery and ensure that our best practice work finds a wider policy audience
- Set clear expectations around mentoring and prioritising membership of relevant external professional networks for staff
- Worked with London Councils and the GLA to reflect on our experience of inspections and intervention and ensure that lessons are learned from these experiences

I've shared ideas for ministerial visits and stronger national policy engagement with DfE, MHCLG and DHSC to a very positive reception. I think there are particular opportunities for collaboration in these areas where LBTH is doing innovative, nationally significant work:

- **Housing**: we consistently deliver more homes than other London Authorities and have an ambitious pipeline of projects; open digital planning and wider planning innovation; recent investment in Housing Options; Homelessness Reduction; PRS decency and preparedness for new housing regulations including Building Safety.
- **Children and young people:** Through our investment and innovation in Early Help, Family Support and Social Care services we have successfully maintained low levels of children in our care. This has had a significant impact in terms of use of resources and our financial stability but more importantly, outcomes for children are clearly much better where we can keep them safely with their family. Tower Hamlets Learning Academy has been recognised as good practice and even referenced recently in the Department for Education Implementation Strategy – Stable Homes Built on Love. As an area with the highest proportion of young people on an Education Health and Care Plan (EHCP) in education nationally (6.8 %) we are keen to discuss opportunities for transformation and improvement with DfE on this agenda.
- **Public health and ASC:** we have already hosted our first ministerial visit from the Public Health Minister to our Smoking Cessation Service. Our Support for Carers; hospital discharge and young people's food initiatives work already has a strong, national profile and we look forward to building on this work with the new Government.

We are also working closely with other London Boroughs, the GLA, London Councils and Future London.

This is an exciting time for local government and the Council is looking forward to consolidating an emerging refreshed and refocused relationship with the new Government.

I undertook to keep you advised of progress in this respect and I hope you find the above helpful and of interest.

Yours sincerely,

Stephen Halsey
Chief Executive

19 July 2024, Corporate Director for Resources to Lead Inspector

Dear Kim,

Steve suggested that you haven't seen the external audit opinions, sharing links to these and a summary.

The external auditors' comments regarding the accounts covering 2018/19 and 2019/20 raise serious concerns about governance, financial controls, resourcing of internal audit and performance reporting. The findings quoted below are independent 3rd party evidence provided by Deloitte and set out very significant failings that were simply not acknowledged by government at the time or in the letter justifying the scope of this inspection. The external audit value for money opinion from Deloitte has been qualified every year covering the period 2016 to 2020.

Extracted from Audited Accounts, AGS and Statements of Assurance
For 2018/19 (Deloitte's) Qualified VFM opinion stated that: Statutory-Accounts-2018-19.pdf (towerhamlets.gov.uk)
(1) The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making.
(2) It cited uncertainty around the Council's reserves position and delays in the audit of accounts, and significant control weaknesses in the Council's financial reporting arrangements.
(3) The Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.
(4) Within the Annual Governance Statement, the Council has reported on significant governance issues identified from its annual review of effectiveness.
(5) Reported under resourcing of Internal audit. The Head of Internal Audit had reported that he had limited the scope of his annual opinion on the system of internal control as he has not been able to consider IT risks. The Head of Internal Audit was not able to report on the Council's system of risk management in 2018/19 pending the establishment of independent review arrangements for this, and in 2019/20 has reported he can provide only limited assurance on its operating effectiveness.
(6) The Council did not have proper arrangements in place throughout the full year to understand and use appropriate and reliable performance information to support informed decision making and performance management; manage risks effectively and maintain a sound system of internal control; and work with third parties effectively to deliver strategic priorities.
7) Picking up on the Ofsted issues reported in previous VFM's (from 2017), the Annual Governance Statement describes improvements which the Council has made in response to these findings. These improvements were not in place over the full year.

For the year 2019/20 (Deloitte's) - Qualified VFM opinion stated that: Statutory-Accounts-2019-20.pdf (towerhamlets.gov.uk)
(1) The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making
(2) There was uncertainty around the Council's reserves position, and delays in the audit of accounts and significant control weaknesses in the Council's financial reporting arrangements.
(3) In addition, there were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked.
(4) The Council did not have proper arrangements in place to manage risks e□ectively

and maintain a sound system of internal control.
The current management team have identified and addressed these legacy problems whilst successfully moving forward a challenging improvement and transformation programme.

We have:

- Identified and fixed the systemic failures that allowed £11m of blind payments to social care providers and the contract management systems that allowed £62m high risk spend to a single small community-based care provider.
- Created a highly effective finance service reversing years of service decline.
- Undertaken the necessary work to get the backlog of year end accounts signed off by external audit and has published the backlog of draft accounts and annual governance statements.
- Considered, strategically planned and externally reviewed resourcing strategy for the HRA that mitigates risk, secures accurate stock condition data and addresses underinvestment in council assets.
- Adopted a fully tested and robust three-year MTFS removing reliance on reserves and fully aligning resources to strategic priorities and risk.
- Recognised the ongoing risk that underinvested support services pose to the
- organisation and is reinvesting in the Council's finance, HR function, data and IT systems.

Best wishes
Julie Lorraine
Corporate Director of Resources / Deputy Chief Executive

22 July, Response from Best Value Inspection Team

Dear Julie and BVI team,

Many thanks for sharing this information. As you would expect, the team as a whole have been reviewing a number of public domain documents throughout the inspection, including previous years' audited accounts and 2018/19 specifically. Kim had understood Steve to have been referring to a document that directly commented on the Council's best value compliance, which he did not recognise.

Best wishes,
Chief of Staff to the independent Best Value Inspection of Tower Hamlets

Appendix E: Case Studies – Not for Publication