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John Biggs, Executive Mayor of Tower Hamlets
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cc. Rt. Hon. Greg Clark MP, Secretary of State for
Communities and Local Government
Will Tuckley, Chief Executive of Tower Hamlets
Councillor Peter Golds, Leader of the Conservative
Group
Councillor Oliur Rahman, Leader of the Independent
Group

22 March 2016

Dear Mayor,

**Commissioners' response to the Best Value Strategy and Action Plan
first 12 month update submitted under Directions dated 17th December
2014**

The London Borough of Tower Hamlets is required under Directions dated 17th December 2014 to draw up and agree with Commissioners, a strategy and action plan to secure the Authority's compliance with its Best Value Duty and submit this to the Secretary of State. The Authority produced its initial plan in March 2015 and provided an update to the Secretary of State in September 2015.

Commissioners responded to the initial plan in our letter dated 18th March 2015 and to the 6 month update on 16th September 2015. We also formally wrote on 17th and 19th August 2015 on elements of the Additional Directions made on 29th April and 6th May 2015.

This letter sets out our response to the first 12 month update contained in your letter dated 17th March 2016 but because many of the issues we raise have been referred to in earlier letters, we have taken the opportunity to review the whole Direction period since the Council entered the Direction regime in December 2014. We have structured this letter to deal with the

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outstanding issues arising from the additional Directions, the original Directions and an overview on the progress that has been made to date.

We would start by paying tribute to the efforts of some key officers in moving the organisation forward and your commitment and direction in wanting to achieve the goals which will lead the Council out of the Direction regime at the earliest possible time. This has accelerated since your Chief Executive, Mr. Tuckley, took up post and it is now possible to see and evidence tangible signs of progress.

However, we have made the point in earlier correspondence that parts of the Council have found it hard to accept that things were very badly wrong, despite all its achievements, and that a very different culture and approach is required to embed the changes necessary. It is not sufficient purely to undertake the steps necessary to agree a new process or policy and then record this as a success. Greater consideration is required regarding the outcomes the change is intended to deliver and how to embed and evidence the changes required. We recorded our concerns on this in earlier correspondence and we are pleased to note the very important comments you make in your letter about resistance to accepting that things were wrong in the past.

It is also of concern that Commissioners are still contacted by whistleblowers who do not have the confidence to approach the Council direct to alert it to what appears to be credible evidence of wrongdoing and malpractice. It may be that much of the allegations relate to a previous administration's activity but it is important that each element is properly dealt with to demonstrate openness and trust. We also note that failure to act on concerns and acquiescence in failing to challenge poor practice needs to be dealt with in addition to dealing with the allegation itself. Commissioners are considering what steps are necessary to follow these matters through to a conclusion.

As a consequence of the above, the Commissioners consider that the first period of the Direction regime disappointingly fell far short of the progress that could have reasonably been expected from an Authority that was prepared to acknowledge its failings and resolve to improve. We do not consider that this is due to any lack of commitment by you as the current Executive Mayor or the Council's Chief Executive. However, it is evident that the previous regime operated in a way which fell well below the standards required in good local government and was not prepared to recognise this, preferring to see Directions as something on the margin of the Authority's activity. This has contributed to significant lost time and lack of progress which we will comment on in more detail later in this letter. It does, however, draw into sharp focus the need and importance of embedding the proposed cultural change throughout the organisation.

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The Additional Directions

As noted earlier, we provided advice to the Secretary of State on the April and May 2015 Directions in our letters dated 17th and 19th August 2015.

Commissioners considered that the progress that had been made following your election made it possible to support allowing these Directions to lapse as part of a staged reduction in intervention powers. Nevertheless, we highlighted two key outstanding issues which you acknowledge in your letter

1 Target Setting, Appraisal and delegation of powers to the Chief Executive

The report which established the post of Chief Executive also approved a process by which an all-party group would set targets for and appraise the performance of the Chief Executive in line with good practice in local government. A consequence of that target setting would be the opportunity for you to delegate appropriate powers linked to the targets set and the role defined as previously discussed.

Your letter, dated 14th March 2016 to Mr. Caller (copy attached), is the first intimation that Commissioners have received of the programme for the finalisation of initial targets for Mr. Tuckley which we are pleased to see although it is also good practice to set the targets as part of a probationary assessment. However, we note that you have yet to commit to either the principle of delegation of specific powers to the Chief Executive or a timetable for doing so. Appropriate powers for the LB Tower Hamlets Chief Executive are, in our view, a fundamental change marking the difference between your administration and that of your predecessor which led to the intervention by the Secretary of State. We will wish to follow both these issues through to a satisfactory conclusion.

2 Boishakhi Mela

The approach the Council has taken in dealing with the issues relating to this event provide clear evidence that some parts of the Council have yet to set out on the Best Value improvement journey despite the leadership shown. We have previously noted that we had found it necessary to use the wide ranging powers included in the Direction dated 6th May 2015 only once, when we instructed that no future booking for the use of Council facilities or any grant application for future funding be approved for the Mela until all the issues arising from the audit reports had been satisfactorily resolved.

The outcome of this instruction was only reported to Commissioners at our public Decision Making meeting on 8th March 2016, despite the completed audit review being available to the Council on 18th November 2015 and the Independent Panel meeting taking place on 26th November 2015. Both of these reports confirmed that the issues relating to financial management and probity that had been reported over previous years were still unresolved, did not meet the Council's standards and there was no commitment to address them. Despite this evidence being documented in public, officers were still

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reporting that the Council had acted upon and resolved these issues and that the Council should be free to permit the event to take place on Council controlled land.

We found it necessary to require that resolution of the audit issues be incorporated into the contractual requirements to be satisfied before this important community event takes place.

December 2014 Directions

Annex B

Annex B Directions encompassed those activities where the powers were removed in part or in whole from the Council's control.

Grants

The Direction provides for all powers relating to the determination of any form of grant other than setting the overall cash budget to be removed from the Council's control and vested in the Commissioners who, in effect, become the Council for all such decisions.

We have previously recorded the progress made in establishing a new approach for the Mainstream Grants programme, regularising the relationship with the third sector and its umbrella body and better managing performance and outputs on a more self-regulated basis.

We also noted the delays and difficulties in ensuring that all parts of the Council understood and complied with the scope of the Direction. We believe that this has now been satisfactorily achieved. Commissioners have noted the steps being promoted to establish a coherent voluntary sector strategy and the linkages with activity being undertaken under the property strand of Directions.

We note the desire to recognise the value of community benefit provided by Third Sector Bodies in Council owned buildings, but we remain concerned that it will prove very difficult to embed any new process in a fair, objective and transparent way. We have yet to see any analysis as to how such a regime might impact on the allocation of individual grants. At this stage there is a potential risk that Commissioners will be unable to endorse the approach promoted by the Council as it will not satisfactorily discharge its Best Value duty.

Of significant importance is the delay in the Council establishing a cross party mechanism to provide Commissioners with advice on the allocation of grants to individual organisations as required by Clause 9 of the Directions. Commissioners first requested this be established in December 2014 as part of the initial series of meetings when the Directions were published. We have

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continued to comment on the failure to comply with this element of the Directions at regular intervals.

We endorsed a proposed approach identified by yourself soon after your election but it is only now that a working approach under the auspices of the Overview and Scrutiny Committee will be formally proposed to Commissioners and the Council, 18 months after it was first requested and ten months since you identified your preferred approach which we endorsed. It will be necessary for the process to become operational before the Council will have established a cycle which provides the required analysis and commentary on the process. Only at that point will Commissioners be able to dispense with their ad-hoc arrangement of inviting representatives of each group to speak on any item on our agenda at the Commissioners' Decision Making Meetings in public and move to offering co-opted place(s) to the administration to join us in taking decisions. It will then be possible to gather the evidence which will allow us to recommend to the Secretary of State a variation of the Annex B Direction, possibly by returning powers to the Council subject to some oversight or safeguards.

Elections

Commissioners noted significant improvement in the administration of elections as part of their observation of the two electoral events in 2015. Many of the concerns that had been aired in respect of previous elections had been addressed and the course seemed set for the further improvements that are still required. Nevertheless, this improvement had only been achieved by the deployment of significant additional resource, professionally, from partner agencies and in financial terms which were far above those normally deployed on elections elsewhere in London.

As an example, the Metropolitan Police Service deployed officers at every polling station throughout the hours of poll for the Parliamentary elections and Mayoral By-election. This level of activity was unprecedented in recent times and was supported by central funds. The challenge facing the Council and its Returning Officer is to deliver a fair and safe electoral event within more normal allocations of resources, embedding all the lessons learned and continue to improve practice and process.

Commissioners had identified to the Mayor the requirement for a further iteration of the Election plan in September 2015. We are pleased to note that the General Purposes Committee received a report on 16th March 2016 on the programme and issues and that we are now being briefed on detailed plans to meet the considerable challenge of two electoral events in the next few months.

Annex A Directions

Appointment of Statutory Officers

The three Statutory Officers are now in place on a permanent basis. Commissioners have not been requested to exercise their powers under Direction A4. However it is still necessary to address the issues identified above in relation to target setting, appraisal and delegation of powers to the Chief Executive so as to provide for an acceptable process of appraisal which runs from top to bottom of the organisation.

Property

Commissioners acknowledge that many of the preparatory steps have been taken which will lead to a consideration of a comprehensive asset strategy. We have already identified our concerns about the element relating to the use and occupation of community buildings but will consider the proposals as they come forward on their merits and in the light of the evidence, both existing and proposed, to be gathered to support the intended approach.

Commissioners recognise that the next stage in the delivery of this element of the Best Value Strategy is crucial. Agreeing a strategy is not an end in itself, it is the outcomes that the strategy is designed to deliver that will be scrutinised in most depth alongside the way in which achievement will be evidenced. The next iteration of this element of the action plan will enable Commissioners to advise the Secretary of State whether the current controls on disposals can be relaxed.

Publicity

For most of the time since entering the Direction regime, the Council has attempted to justify continuing with the pre-existing communications approach which used East End Life as its prime element knowing it was not code compliant.

Only after your intervention and consideration of a helpful report from the Local Government Association did the Council recognise that to discharge its Best Value Duty required a comprehensive review of their communications activity, both internal and external, together with considering the way in which the residents and partners wanted to interact with the Council. This is a prime example of refusing to recognise the need for change at the outset. However, we were pleased to assist you and the Council by extending the period for publications to be fully Code compliant until the Annual meeting of Council this year.

The challenge now is to establish a complete revision of this element of the Best Value strategy and action plan and agree it with the Commissioners. Commissioners will be particularly looking for outcome measures to support

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the goals identified and the means by which the outcomes will be evidenced. Appendix 2 to your letter, which is recognised as a work in progress had not been discussed and agreed with Commissioners before submission to the Secretary of State as a component of your Best Value Action Plan as required by the Directions so we will review it and comment in due course.

Procurement and Contracts

The Council has made steady progress in delivering its goals in this element of the plan. Commissioners are now identifying and requesting the evidence which will provide the basis on which we can recommend to the Secretary of State that this element of the Directions has been discharged. We have noted the efforts of those involved to bring order and good governance to an unacceptable situation when we started and which was well below that expected in Local Government.

Organisational Culture

From the outset Commissioners believed that this strand of activity was the key to successful exit from the Directions regime. No amount of process and policy activity will be effective unless the underlying culture and values of the organisation, at both Member and Officer level, support and enforce understanding and compliance because it is the right thing to do. The position when we arrived of a secretive, inward-looking organisation that turned a blind eye to dubious practice would never lead to success.

Commissioners have noted many pleasing initiatives and would draw particular attention to the work of the Overview and Scrutiny Committee's Transparency Commission report and the diagnostic work undertaken by Solace through a series of workshops. The presentation to officers, attached to your letter helpfully sets out the approach.

Commissioners believe that the above work should now be drawn together into a single programme of activity which should be championed by you and your Chief Executive working together with the support of other groups. A coherent plan, which finds ways to realistically and honestly look at where the Authority was and what needs to be rooted out, together with the journey that is still to be undertaken is, in Commissioners view the single most important component for success. The challenge that this poses, and the time it will take should not be underestimated.

Conclusion

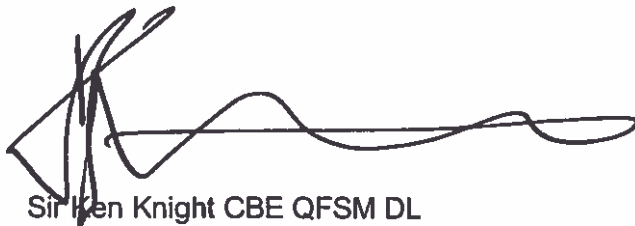
Tower Hamlets has found it difficult to face up to the need to change in a comprehensive and coherent way. As a consequence much time has been lost in moving towards satisfying the purpose behind the Directions.

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In our view, it is possible to catch up some of the time lost, however a relentless focus on outcomes and evidence will be required to enable Commissioners to advise the Secretary of State that the need for Directions has passed. It is important not to be overly optimistic about the time required both to do what is necessary and to evidence the embedding of change. Unless this is achieved, it will put at risk exit from the Direction regime.

The recent progress that has been made should make it possible to reduce the number of Commissioners over the coming period only if the messages contained in this letter are accepted and acted upon.

Yours Sincerely



Sir Ken Knight CBE QFSM DL
Lead Commissioner



Max Caller CBE
Commissioner

Chris Allison CBE
Commissioner

Alan Wood CBE
Commissioner

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The commissioners were nominated by the Secretary of State for Communities and Local Government under the Local Government Act 1999.

Max Caller
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14 March 2016

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Dear Commissioner,

Target Setting and Appraisal of Chief Executive

I write in response to your letter dated 9th February 2016 with regards to target setting and appraisal of the Chief Executive. I have shared this response with Cllr Peter Golds, Leader of The Conservative Group and Councillor Oliur Rahman, Leader of the Independent Group. You raise two specific points -

- 1) The Mayor to consider and formally delegate powers to the Chief Executive.

In March the Council's Governance Working Party is meeting to consider the Mayoral model. This will help to inform, including through discussion with other members, my thinking on the matter of delegations. The LGA have been facilitating the Working Party and have been helpful in providing links to the arrangements in other Council's with elected Mayors. I will reflect on the deliberations at the working party, our experience and the wider lessons and, following discussions with the Chief Executive, let you know the outcome.

- 2) The Council to establish and commence a system of all party appraisals for the Chief Executive.

I can confirm that the matters raised in your letter are in hand. The appraisal review is planned for the end of April 2016. This is to allow objectives identified from the revised Strategic Plan, which will be concluded in April, to be considered as part of the appraisal.

Mr Tuckley's probationary period ends on 19th April 2016 (his final probationary review meeting is booked in for 6th April 2016). The probation process will be completed before the annual appraisal is held. This will provide an opportunity for any feedback or developmental needs identified through the probationary process to be incorporated into the appraisal process and the agreed objectives.

Based on the document "Chief Executive: Performance Management Process", the planned timeline for the appraisal process is as follows:

Action	Date
Members to be trained to undertake the appraisal process	First week in April 2016
Independent facilitator to be appointed	First week in April 2016
Target/objective setting meeting (re 2016/17)	Second week in April 2016

Conduct appraisal	After 19 th April 2016/Before 30 th April
The Mayor and Group Leaders, with the Chair of the HR Committee will assess the Chief Executive's performance against the defined performance measures to date	Week after the appraisal
Any incremental progression arrangements put in place	With effect from 1 st April 2016
Report publically the targets and performance measures agreed: To HR Committee and/or Council and Elected Members	18th May (Council AGM)

Arrangements are in hand with the LGA and other local government advisory bodies to identify an independent facilitator and to procure external training support for Members.

The agreed process for the appraisal includes identifying personal development targets for the Chief Executive and these will be included in the Personal Development Plan (PDP) for the Chief Executive.

With regards to putting in place formal arrangements with a coach or mentor, this will be discussed as part of the appraisal process and arrangements will be made as necessary.

I trust that this addresses the issues you raised and provides reassurance that these matters are being dealt with appropriately. Please let me know if you require any further information.

Yours sincerely



John Biggs
Executive Mayor of Tower Hamlets