



Department for Levelling Up,
Housing & Communities

Max Soule
Deputy Director, Local Government
Stewardship

**Department for Levelling Up, Housing
and Communities**

2 Marsham Street
London
SW1P 4DF

Professor Steven Broomhead
Chief Executive
Warrington Borough Council
By email

www.gov.uk/dluhc

8 May 2024

Dear Professor Broomhead,

My department has been engaging with your Authority since May 2022 in relation to your Authority's capital risk, in advance of the passage through Parliament of measures in the Levelling Up and Regeneration Act 2023 and following the introduction of new Public Works Loan Board guidance in the same month.

As you will see from the attached letter, the Secretary of State has now, in exercise of his powers under section 10 of the Local Government Act 1999 (as amended by the Local Audit and Accountability Act 2014) ("the 1999 Act") and with regard to the statutory guidance on Best Value Standards and Intervention, appointed Paul Najsarek as the person to carry out an inspection of the compliance of the authority known as Warrington Borough Council ("the Authority") with the requirements of Part 1 of the 1999 Act. He is able to recommend the appointment of Assistant Inspectors.

The Department is concerned with your Authority's ability to continue to comply with its Best Value Duty under Part 1 of the 1999 Act and would like direct, independent assurance that the Authority is making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In making the appointment and commencing an inspection, the Secretary of State has had regard to, and considered, the events and issued outlined below:

- The Authority's extremely high levels of debt and borrowing. As of 31 March 2023 Warrington Borough Council was c.£1.80bn in debt, a figure that is 5.5 times its total service expenditure. Warrington has the second highest borrowing relative to its size for a unitary council in England.
- The July 2023 CIPFA capital review, which found that the Authority's portfolio of debt-funded investments is very large and uniquely complex which was concerning and puts the council at risk. The review also found that while senior officers showed grip a number of areas such as risk management could be sharpened to protect the council from shocks.
- The Authority's response to the CIPFA report received in August 2023. In the response the Authority committed to reducing borrowing levels over a 5-7 year period but did not provide a target for how much they would reduce it by or share a plan to do so, beyond pledging to revise their Commercial Strategy.

- The 2017-18 External Auditors' report which highlights increased risks due to the Authority's commercial strategy that needs to be managed. It cites that the audit has been extremely challenging and provides a negative value for money judgement due to weaknesses they identified within the Authority's arrangements during 2017-18 around the Council's Minimum Revenue Provision (MRP) policy. While the immediate MRP issue has been rectified further questions have been raised about the policy in the External Auditors' report and the CIPFA report.
- Engagement with the department from May 2022 to date.
- Specific instances of decision-making – in particular the decision in the July 2023 Cabinet meeting to conclude two new loan agreements for up to £145m and subsequent reversal of this decision.

The Secretary of State has given certain directions to the Lead Inspector in relation to his undertaking of the inspection.

First, the inspection is specifically in relation to the Authority's functions where we have concerns, namely the governance; section 151 of the Local Government Act 1972 and the strength of associated audit with particular attention to the decision making and scrutiny and risk arrangements; the capacity and capability across the organisation but particularly the finance function, and whether this is sufficient to meet the Best Value Duty; the adequacy of the Authority's plans and capacity to address the recommendations made by the CIPFA capital review and to control its debt levels and reduce them over time; what an appropriate level of capital risk would be for the Authority, with regard to the statutory guidance on Best Value Standards and Intervention; the impact the investment portfolio and its management has had on service delivery; and the prudence of financial decision making. Given our concerns relate to broad decision-making, and whether the standards expected for effective and convenient local government are being upheld, the inspection will consider decision-making in relation to those functions, encompassing leadership, governance, organisational culture, use of resources and impact on service delivery. Without prejudice to the scope of this inspection, he is directed to consider, in the exercise of those specified functions, whether the Authority is continuing to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Second, the Lead Inspector is also directed to report the findings of the inspection to the Secretary of State by 30 August 2024, or such later date as he may agree with the Secretary of State. The Secretary of State may, following receipt of the inspection report or otherwise, issue further directions to the Inspector.

Section 11 of the 1999 Act provides that an inspector has a right of access at all reasonable times to any premises of the Authority and to any document, including electronic documents, relating to the Authority which appear to the inspector to be necessary for the purposes of inspection. Statute also provides that the Authority shall provide the inspector with every facility and all information which the inspector may reasonably require for the purposes of inspection. In this context, you should ensure that, from the date of this letter, no documentation or records, whether electronic or paper, should be destroyed. The Authority must pay the reasonable fees of the inspector and any assistant inspectors whom the Secretary of State may appoint at the inspector's request. You may wish to consult my team here for advice on this.

I appreciate that the Authority has already started taking some steps to address these issues and thank you for the work to date and detail you have already provided.

Yours sincerely,

Max Soule
Deputy Director, Local Government Stewardship