



Department for Levelling Up,  
Housing & Communities

Max Soule  
*Deputy Director, Local Government  
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**Department for Levelling Up, Housing  
and Communities**

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Paul Najsarek  
*By email*

[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

8 May 2024

Dear Paul,

The Department is concerned with Warrington Borough Council's ("the Authority") ability to continue to comply with its Best Value Duty under Part 1 of the Local Government Act 1999 ("the 1999 Act").

Having had regard to the information below and the statutory guidance on Best Value Standards and Intervention, the Secretary of State has decided to proceed with a Best Value Inspection to provide direct, independent assurance that the Authority is continuing to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness:

- 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. The Authority 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 Authority at risk. While senior officers have showed grip, a number of areas such as risk management could be sharpened to protect the Authority from shocks.
- The Authority's response to the CIPFA report received in August 2023. In the response the Authority committed to reducing their 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. The report 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 their 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.

I am therefore writing to inform you that the Secretary of State, in exercise of his powers under section 10 of the 1999 Act, hereby appoints you as the person to carry out an inspection of the compliance of the Authority with the requirements of Part 1 of the 1999 Act.

The Secretary of State also, in exercise of his powers under section 10(4)(b) of the 1999 Act, gives you the following directions in relation to you undertaking the inspection.

First, in undertaking the inspection in relation to the specified functions where we have concerns, namely 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, you are 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, you are directed to report the findings of the inspection to the Secretary of State by 30 August 2024, or such later date as you may agree with the Secretary of State. The Secretary of State may, following receipt of your report or otherwise, issue further directions to you.

Section 12 of the 1999 Act provides that the Authority to be inspected must pay the Inspector reasonable fees for carrying out the inspection. The Secretary of State has set those fees as £1,200 per day together with reasonable expenses in line with the Authority's policy.

As to practicalities of your appointment as Inspector, we will provide you with an appropriate administrative team to support you in your role as Inspector, and any Assistant Inspectors whom the Secretary of State may appoint at your request.

Yours sincerely,

**Max Soule**  
**Deputy Director, Local Government Stewardship**