

WARRINGTON BOROUGH COUNCIL DIRECTIONS UNDER SECTION 15(5) AND (6) OF THE LOCAL GOVERNMENT ACT 1999 EXPLANATORY MEMORANDUM

1. The Secretary of State for Housing, Communities and Local Government (“the Secretary of State”) has exercised powers under section 15(5) and (6) of the Local Government Act 1999 (“the 1999 Act”) in relation to Warrington Borough Council (“the Authority”) to secure its compliance with the Best Value Duty.
2. This memorandum is intended as a companion document to the Directions issued on 9 July 2025. It summarises: the circumstances in which the Secretary of State has made these Directions, the reasons for this exercise of powers, and the implications of the Directions for the Authority.
3. The Directions remain in force up to and including 31 July 2030 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. This Memorandum, together with the Directions and related material, is published on the Government website at www.gov.uk

The context for the Directions

Background on decision to intervene

4. It is a matter of public record that Warrington Borough Council has significant debt leverage. Warrington’s debt stands at nearly £1.8 billion (as of Jan 2025), which is 4.8 times its total service expenditure and is the highest level of debt for a unitary authority in England.
5. Since May 2022, the Ministry of Housing, Communities and Local Government (MHCLG) had been working with and monitoring several councils with high levels of indebtedness relative to their revenue budgets, reserves or Council Tax base. Warrington Borough Council (WBC) is one such council.
6. MHCLG commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a detailed capital assurance review of Warrington Borough Council which highlighted concerns around governance and decision-making. CIPFA’s review concluded that they were concerned with the scale of commercial activity and associated debt at Warrington Borough Council.
7. Considering the Review’s findings, together with the Council’s response and other related assessments, on 8 May 2024 the then Secretary of State (the Rt Hon. Michael Gove), commissioned an inspection of the Council and their compliance with their Best Value Duty. He appointed Paul Najsarek as Lead Inspector, who was later joined by Richard Paver and Michael Hainge. Inspectors were asked to report their findings by 31 July 2024. The deadline was subsequently extended to 31 January 2025.

Best Value inspection Report 2025

8. On 31 January 2025, the Inspectors, having undertaken a thorough inspection, submitted their Report (“the Report”) to the Secretary of State setting out their findings. The Report describes some strengths in the Authority which the Inspectors found, including within certain services, like children’s services, and public sector partnerships and community engagement.
9. However, the Report documented serious concerns across a number of areas which the Secretary of State considers amount to failings by the Authority of its Best Value Duty under Part 1 of the 1999 Act. Concerns were identified in five of the seven best value themes described in statutory guidance issued on 8 May 2024 under section 26 of the 1999 Act in relation to: Continuous Improvement, Leadership, Governance, Culture, and Use of Resources.
10. On Continuous Improvement: The Authority has demonstrated “resistance” in its response to external challenge processes over recent years. Inspectors describe an “institutional behaviour” whereby the Authority fully accepts the findings from external reports and then fails to implement the recommendations. As a result, Inspectors are not confident the Authority has the “will or capacity” to implement the recommendations from their inspection, or that the Authority’s challenges will be addressed without “external support”.
11. On Leadership: Inspectors describe the political and officer leadership were “defensive and lacked transparency in their ways of working” when faced with an assertive and challenging opposition from 2021. There is a lack of strategic direction and a “low-challenge culture”, where members are highly deferential to officers. The commercial programme has grown incrementally “without clear strong overall oversight and without a clear strategy”, and the Authority’s priorities are not aligned with its revenue budget and commercial programme challenges.
12. On Governance: The Council’s commercial programme has been marked by “a lack of transparency and accountability”, with key decision-making “disproportionately influenced by a small group of officers”. Despite concerns raised by external bodies, including two adverse Value for Money opinions and the resignation of the now former external auditor due to escalating risks, meaningful reforms have not been implemented. Some recent investments have been found incompatible with CIPFA codes, statutory investment guidance and, in one case, Public Works Loan Board (PWLB) eligibility criteria. The absence of audited accounts since 2018/19 further leaves the Council in a precarious position.
13. On Culture: The Inspectors describe a culture where “members are highly respectful of powerful officers and there is a defensiveness to internal and external scrutiny”. This culture has contributed to a high-risk commercial programme that exceeds the expertise and capacity of even the most senior officers and external reviewers, leaving the Authority “in a very exposed position”.

14. On Use of Resources: The Authority manages a complex, high-risk borrowing and investment programme without an agreed strategy or the required expertise, with detailed knowledge confined to a few senior officers. The Authority is facing “an increasingly precarious revenue budget position with rapidly diminishing reserves”, compounded by the lack of external audit since 2018/19, which may lead to a restatement of reserves. While the Authority acknowledges its financial challenges, it continues to hope that national funding policy will resolve its Medium-term Financial Strategy (MTFS) shortfalls. The Inspectors are clear that the Authority’s challenges “need greater urgency to resolve”.

Other reports considered

15. The July 2023 CIPFA capital assurance review, published in May 2024, found that the Authority’s portfolio of debt-funded investments is “very large and uniquely complex”, and raised concerns with decision-making, oversight and governance. It identified the need for improved classification and management of the investments, and further scrutiny of loans and their compliance with regulations. Eight recommendations were made.
16. The March 2024 LGA Corporate Peer Challenge highlighted financial risks, and raised significant concerns around the Authority’s scrutiny, accountability and transparency. It made ten recommendations, including the delivery of CIPFA’s recommendations.
17. Having considered the findings of the Report, on 8 May 2025, alongside other evidence, the Minister for Local Government and English Devolution published the Report, together with a letter from senior departmental officials to the Authority setting out a proposed statutory intervention package to secure the Authority’s compliance with its Best Value Duty (“the minded to letter”). The Authority, and other interested parties, were invited to make representations on or before 22 May 2025 about the Report and the proposed statutory intervention package.
18. The minded to letter explained that the proposed statutory intervention is designed to accelerate and strengthen the improvement work needed at the Authority, and to set in motion a cultural reset of the organisation that ensures the Authority is compliant with its Best Value Duty and achieves the best outcomes for its residents and service users. It reflected the findings of the Inspectors and contained the following key aims:
- a. Provide the additional scrutiny, external challenge, advice and monitoring needed to oversee the improvements.
 - b. Establish a more member-led organisational culture.
 - c. Address systemic weaknesses in the Authority’s governance functions, to secure improvements in transparency, scrutiny and formal decision making.
 - d. Deliver financial sustainability, including by closing any short- or long-term budget gaps and reducing the Authority’s exceptionally high level of external borrowing and high dependency on high-risk commercial income.

- e. Increase corporate grip of the Authority's risk management and ensure compliance with all relevant rules and guidelines relating to the financial and debt management of the Authority.
 - f. Strengthen the commercial decision-making, property management, and management of commercial projects functions of the Authority to address the serious failings in these areas over recent years and ensure conformity with the Best Value Duty, thereby delivering improvements in outcomes for the people of Warrington and the public purse.
 - g. Agree as necessary any changes needed to the Authority's operating model and redesign of council services to achieve value for money and financial sustainability.
 - h. Ensure the Authority can play an effective role with partners, including in the Devolution Priority Programme.
19. The minded to letter included a detailed description of the Directions that the Secretary of State proposed to make under section 15 of the 1999 Act. The proposed Directions set out the functions that the Ministerial Envoys with powers to exercise functions would be able to exercise, outlined their responsibilities, and the actions the Authority would be required to take. This Memorandum explains the content of the Directions as finalised in light of representations received from the Authority and other interested parties, together with consideration of all other developments including the Authority's Care Quality Commission (CQC) assessment as published on 22 May 2025.

Representations

20. Before making Directions, the Secretary of State is required under section 15(9) of the 1999 Act to give the Authority an opportunity to make representations about the Report as a result of which the Directions are proposed, and about the proposed Directions.
21. Representations were received from the Authority, dated 20 May 2025, from the Chief Executive on behalf of Warrington Borough Council. The Authority "fully accepts" the proposed statutory package, and outlines the steps already taken since the 8 May minded to announcement to address the proposals, including the formation of an Improvement and Recovery Committee (I&RC), an agreement to recruit and appoint a new senior officer to lead on improvement and recovery work with the I&RC, an assessment of the skills, capabilities and capacity requirements needed to deliver improvement and recovery, and a restructure to reflect a new member-led core. The representation references the public statement made by the Council Leader at the Cabinet meeting on 12 May 2025, stating that the Council "will respond positively, co-operatively and at pace to all the recommendations made".
22. Representations were also received from:
- a. A group of the Authority's senior officers submitted an extensive response to the Report. The response sets out their challenge to the Report's findings and

conclusions, raises issues about aspects of the Inspection process, and seeks to offer alternative evidence to that cited by the Inspectors.

- b. A number of sitting Councillors responded to the Report and the proposed intervention. One expressed a willingness to engage with the Envoys and raised questions about specific aspects of the Report, particularly regarding the Audit and Corporate Governance Committee. Others broadly welcomed the findings and supported the proposed intervention. However, a number questioned whether the appointment of Envoys, rather than Commissioners, would be sufficiently robust, and some raised concerns about the Inspection process, including the political representation among those interviewed. Additionally, concerns were expressed about governance, accountability, and the capability of current leadership to manage the recovery process.
- c. Unison who did not express a clear view on the proposed intervention, but challenged elements of the Report, particularly where criticism of members' performance could be inferred, and expressed concern about the impact external appointees might pose on in-house service provision and staffing levels.
- d. A former MP supported the proposed intervention but recommended considering the appointment of Commissioners instead of Envoys.
- e. A former Leader of the Council who wrote against the proposal, disputing many of the Report's findings, and stating that appointing Envoys would be "disproportionate to the financial situation of WBC".
- f. Members of the 'Stop the Warrington Council Debt Group' expressed a strong preference for appointing Commissioners, rather than Envoys, and provided a comprehensive critique of the Authority's failings that aligned with many of the Report's findings.
- g. Four local residents, including two former Councillors, submitted representations. All expressed some support for the proposed intervention, though most believed Commissioners are specifically needed to deliver the required level of support. Concerns were raised reflecting a lack of confidence in the capability of the current political and officer leadership.

The statutory intervention package

- 23. Having carefully considered the evidence, together with the representations received and all other developments, the Secretary of State is confident that there is sufficient evidence to conclude that the Authority is failing to comply with its Best Value Duty.
- 24. The Secretary of State considers it necessary and expedient, in accordance with her powers under section 15(5) and (6) of the 1999 Act, to put in place an intervention package to secure the Authority's future and sustainable compliance with its best value duty.
- 25. The intervention will consist of the appointment of Ministerial Envoys, some of whom will have powers to exercise specific functions of the Authority, which are to

be treated by the Envoys as held in reserve, alongside Directions to the Authority. The Secretary of State considers that this package will address the failings identified above and the representation received from the Authority.

Ministerial Envoys

26. The evidence presents a strong case for intervention to support deliver the improvements required. Therefore, the Secretary of State is nominating Ministerial Envoys, some of whom will have powers to exercise specific functions, which are to be treated by the Envoys as held in reserve, to ensure that the Authority acts immediately to meet its duty under Part I of the 1999 Act. The Secretary of State has nominated individuals with significant experience and expertise in local authority governance, finance, and commercial activity given the failings of the Authority described above.

27. The Secretary of State has nominated the following people as Ministerial Envoys:

- Sir Stephen Houghton. Sir Stephen has been Leader of Barnsley Metropolitan Borough Council since 1988 and serves on the Barnsley Place Committee and Partnership Board, and South Yorkshire Mayoral Combined Authority. He has been on the Local Government Association Executive since 2010 and chairs Migration Yorkshire. He has also been an LGA Labour Regional Improvement Peer since 2006, and a National Peer since 2016.
- Harry Catherall MBE. Harry began his career at Tameside Council and later held senior roles at Stockport and Blackburn with Darwen, where he served as Chief Executive. His work has focused on service improvement, financial management, and organisational leadership. Following his retirement, Harry returned to interim leadership roles at Oldham and St Helens and has been Interim Chief Executive of Tameside Council since 2024. In 2025, he was awarded an MBE for services to local government.
- Carolyn Williamson. Carolyn has over 40 years' experience in the public sector. She joined Hampshire County in 2010 as Deputy Chief Executive and Director of Corporate Resources/S151 and became the county's first female Chief Executive in 2021.
- Phil Brookes. Phil is a crown representative at the Cabinet Office and has worked with several strategic suppliers to central government across facilities management and construction. He previously worked in several senior roles in the construction and utility sectors, and has been a member of the Croydon Improvement Panel since 2021, focussing on commercial projects and asset disposal

28. The Secretary of State has directed some of the Ministerial Envoys to exercise certain functions, which are to be treated by the Envoys as held in reserve, and for the Ministerial Envoys to have a role in overseeing other functions or actions which the Authority is required to take. The Ministerial Envoys are accountable to the Secretary of State, in that they have been nominated by her and can have their nomination withdrawn by her. The Ministerial Envoys will report to the Secretary of State on the progress of the intervention within the first six months, and thereafter

at six-month intervals – or at any other time deemed necessary by the Secretary of State.

29. The Ministerial Envoys are nominated for the period 9 July 2025 to 31 July 2027 or such earlier or later time as the Secretary of State determines. The Secretary of State may, on further consideration, nominate further Ministerial Envoys.
30. The Directions provide that the Ministerial Envoys' reasonable expenses and such fees as the Secretary of State determines are to be paid to them by the Authority. The Secretary of State is mindful of the need for remuneration to represent value for money for local taxpayers. In recognition of the nature and scale of the intervention, the Secretary of State has determined fees of £1,200 a day for the Lead Ministerial Envoy and £1,100 for other Ministerial Envoys.

Powers to be exercised by the Ministerial Envoys

31. The evidence set out above highlights failures in finance, commercial and property, along with the underlying culture of poor governance. For these reasons, the Directions enable the Ministerial Envoys, who have been granted powers, to exercise the following functions, which are to be treated by the Envoys as held in reserve:
- a. All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority.
 - b. All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority.
 - c. The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
 - i. providing advice and challenge to the Authority on the preparation and implementation of a detailed action plan to achieve financial sustainability, and to close any short and long-term budget gaps identified by the Authority across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan and reducing dependency on high-risk commercial income;
 - ii. providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy (MTFS) for the Authority, strictly limiting future borrowing and capital spending;
 - iii. scrutiny of all in-year amendments to annual budgets;
 - iv. the power to amend budgets where Ministerial Envoys with powers to exercise functions consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty;
 - v. providing advice and challenge to the Authority on the preparation of sustainable and affordable capital, investment, treasury management and commercial strategies; a strict debt reduction plan; and a revised minimum revenue provision (MRP) policy;
 - vi. providing advice and challenge to the Authority on a suitable scheme of delegations for financial decision making;
 - vii. ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.

- d. All functions associated with commercial decision-making, property management, procurement and the management of commercial projects by the Authority.
- e. All functions associated with the Authority's operating model and redesign of the Authority's services to achieve value for money and financial sustainability.
- f. All functions relating to the appointment and dismissal of persons to positions the holders of which are to be designated as senior officers and statutory officers, and the designation of those persons as statutory officers, to include:
 - i. The functions of designating a person as a statutory officer and removing a person from a statutory office.
 - ii. The functions under section 112 of the Local Government Act 1972 of:
 - i. appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
 - ii. dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.
- g. All functions to define the officer structure for the senior positions, to determine the recruitment processes and then to recruit the relevant staff to those positions.
- h. All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions.

Directions to the Authority

32. To achieve and facilitate the objectives of the intervention, the Secretary of State has also directed the Authority to take the following actions:

- a. Prepare and agree an Improvement and Recovery Plan to the satisfaction of the Ministerial Envoys, within 6 months, with resource allocated accordingly. This should integrate relevant contents and recommendations of the Best Value Inspection report, published on 8 May 2025, and the July 2023 CIPFA Capital assurance review, published on 8 May 2024. The plan should set out measures to be undertaken, together with milestones and delivery targets against which to measure performance, to deliver rapid and sustainable improvements in finance, commercial, property management and governance functions, thereby securing compliance with the Best Value Duty. The Improvement and Recovery Plan should include at a minimum:
 - i. An action plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan.
 - ii. An action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable.
 - iii. A comprehensive and strict debt reduction plan, including a strategy for asset disposals and a review of commercial investments, demonstrating

how overall capital financing requirement and external borrowing will be reduced over a realistic but expedient timescale, reducing debt servicing costs.

- iv. An action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority including PWLB lending criteria and an updated minimum revenue provision (MRP) policy.
 - v. An action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.
 - vi. An action plan to strengthen the Authority's financial and commercial functions, and to secure improvements in risk management, internal audit and governance, including a suitable scheme of delegations.
 - vii. An action plan to strengthen the Authority's governance function, to secure improvements in transparency and formal decision-making. This should include measures to improve the Authority's scrutiny function, including the taking and recording of formal decisions and the appointment of an independent chair of the audit and corporate governance committee.
 - viii. A corporate plan that aligns with the Authority's revised MTFS and reflects the actions that are needed to strengthen the finance, commercial, property management and governance functions.
 - ix. To devise and implement a plan for a programme of training and cultural change which ensures both members and officers understand their respective roles and the way in which the Authority and its activities are regulated and governed.
 - x. An action plan to resolve the significant external audit backlog including providing sufficient resources to do so.
 - xi. Actions to secure continuous improvement in all services.
- b. Within one month of the date of these Directions, initiate a full and open recruitment exercise for a suitable permanent appointment to lead the improvement work in the Authority and progress against these Directions. For the avoidance of doubt, an existing employee of the Authority may be appointed to the position provided that such person is a suitable permanent appointment to that position.
 - c. To report to the Ministerial Envoys on the development and delivery of the Improvement and Recovery Plan after the first three months, and six months and thereafter at six-monthly intervals, or at such intervals as the Ministerial Envoys may direct.
 - d. Develop a plan to ensure that the Authority has sufficient skills, capabilities and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure, including appropriate commercial expertise and capacity.
 - e. To review, in the first 24 months, the roles and case for continuing with each subsidiary company and investment of the Authority. For the companies that it is agreed to continue, ensuring that the Directors appointed by the Authority are appropriately skilled in either technical or company governance matters to ensure each Board functions effectively under the terms of an explicit shareholder agreement and a nominated shareholder representative.

- f. To work with the Local Government Association to agree a suitable timetable for a follow up review to their 2024 Corporate Peer Challenge report.
- g. To undertake in the exercise of any of its functions any action that the Ministerial Envoys with power to exercise functions may reasonably require to avoid, so far as practicable, incidents of poor governance, poor financial governance or financial mismanagement that would, in the reasonable opinion of the Ministerial Envoys with power to exercise functions, give rise to the risk of further failures by the Authority to comply with the best value duty.
- h. To allow the Ministerial Envoys at all reasonable times, such access as appears to the Ministerial Envoys to be necessary:
 - i. to any premises of the Authority;
 - ii. to any document relating to the Authority; and
 - iii. to any employee or member of the Authority.
- i. To provide the Ministerial Envoys, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Ministerial Envoys may reasonably require from time to time to carry out their functions and responsibilities under these Directions.
- j. To pay the Ministerial Envoys reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
- k. To provide the Ministerial Envoys with such assistance and information, including any views of the Authority on any matter, as the Ministerial Envoys with power to exercise functions may reasonably request.
- l. To co-operate with the Secretary of State for Housing, Communities and Local Government in relation to implementing the terms of these Directions.

Duration of the intervention

- 33. The Secretary of State considers that any aspect of the Directions should only be in force long enough to achieve the stated objectives of the intervention. The Directions will remain in force until 31 July 2030 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date. The Secretary of State may decide to extend Directions beyond this date, or it may be appropriate to return functions before this time.
- 34. The Secretary of State has asked for an initial report from the Ministerial Envoys within the first six months, and thereafter at six-monthly intervals. This allows ongoing review of whether it would be appropriate to change any element of the intervention, to expand the functions of the Ministerial Envoys with powers to exercise functions or for any function exercisable by the Ministerial Envoys to be returned to the Authority. The Secretary of State will review, at the appropriate time, the Directions and the Ministerial Envoys' roles to assess progress and consider whether any certain functions should be returned to the Authority.
- 35. Where the Authority and Ministerial Envoys agree that it would be appropriate for the exercise of a function to be returned to the Authority, the Ministerial Envoys will report this to the Secretary of State, setting out reasons, including clear evidence as to why the public could be expected to have confidence in the Authority exercising this function in compliance with the best value duty. The Secretary of State will carefully consider any such reports and, if agreed to, further Directions

will be issued to this effect amending these Directions made on 9 July 2025. The Secretary of State has not ruled out the possibility that further functions might be brought under the control of the Ministerial Envoys with powers to exercise functions.