
Ministerial Envoys to Warrington Borough Council

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To Secretary of State
Minister of State (Housing, Communities and Local Government)

Warrington Ministerial Envoys First Report

Background

Warrington Borough Council had a significant level of debt, standing at nearly £1.8bn (Jan 2025), 4.8 times its total service expenditure and the highest level of debt for a unitary authority in England. In July 2023, 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 and concluded that they were concerned with the scale of commercial activity and associated debt.

Having considered the Review's findings, together with the Council's response and other related assessments including the March 2024 Local Government Association (LGA) Corporate Peer Challenge, the then Secretary of State commissioned an inspection of the Council and their compliance with their Best Value Duty.

The Best Value Inspection Report described some strengths in the Authority, including children's services, and public sector partnerships and community engagement. However, the Report documented serious concerns across a number of areas which the Secretary of State considered amounted to failings by the Authority of its Best Value Duty. Concerns were identified in five of the seven best value themes in relation to: Continuous Improvement, Leadership, Governance, Culture, and Use of Resources.

On 9 July 2025, the then Minister of State for Local Government and English Devolution announced that he was using his powers under the Local Government Act 1999 to intervene at Warrington Borough Council. The intervention package, to be in place until 31 July 2030, comprises of specific actions the Council is required to take alongside the appointment of Ministerial Envoys.

We, the Ministerial Envoys have been asked to report to you on the progress of the intervention within the first six months, and thereafter at six-month intervals. This is our first report.

Executive Summary

We began work with the Council with an initial all day introductory session that included a stocktake of where the Council were at and early thinking on their Improvement & Recovery journey in line with the Ministerial Directions.

We have since been in discovery phase, understanding ways of working within the Council and undertaking a root and branch review of the financial position, its commercial activity and governance processes. We have had in excess of over 90 formal meetings, briefing sessions and site visits to support this activity with close and regular engagement with members of the Senior Leadership Team (SLT), key officers, members and local MPs.

As the first Envoy model with powers to use in reserve, we have from the outset been clear with all members and officers that we are here to support and provide challenge to the Council to improve in its best value duty, but would be prepared to make difficult decisions, including using our powers, if we thought it necessary. This has helped informed decision making along the way. We have been pleased with and appreciative of the welcome and the support that the members and officers have shown us from day one and wish to place on record our gratitude for that.

As a result of the previous Chief Executive's retirement and the S151 Officer announcing his departure prior to us starting, we worked quickly with the Council from the outset to fill these key positions, playing an important role in the recruitment process to ensure suitable candidates were appointed. This has resulted in:

- A new Chief Executive, joining the Council in March from Knowsley Council,
- A new Executive Director of Finance, joining the Council in January from the Greater Manchester Combined Authority, and
- In line with the Directions, the appointment of an Executive Director – Transformation and Improvement, joining in November on secondment from the LGA.

We encouraged an early review of working arrangements within the Council, instigating changes to the way the SLT operates including our attendance and establishing a Joint Leadership Group, bringing together for the first time the SLT, Cabinet and Envoys to discuss key priorities.

An Improvement & Recovery Plan has now been established following a number of meetings of the Joint Leadership Group. The plan sets out the actions required by the Council to stabilise its financial position, make improvements to governance, leadership, and decision-making processes with a clear timetable for delivering financial recovery.

Throughout this discovery phase, there have been difficult and challenging conversations to get a true understanding of the organisation, its financial position and its commercial investment portfolio. This activity has helped us gain a clear picture of the severity of the challenges the Council faces, particularly with regards to the financial position and commercial investments. We would like to thank officers for their assistance in providing information to support this activity and their time responding to our questions.

Financial position

We acknowledge the work that has been undertaken to reduce the Council's debt levels which now stands at £1.4bn. As of August 2025, end of quarter one, the Council was forecasting an out-turn deficit of £36m against the approved 2025/26 revenue budget. Initially the Council position was that this was in-year overspending however, we have established there was an in built historical structural underbudgeting coupled with over optimistic commercial income targets. This has since been addressed in the proposed Medium Term Financial Plan (MTFP) and 2026/27 budget.

The quarter two out-turn deficit stands at £39m and current forecast for the forthcoming four years is a budget gap of £130m, of which £94m relates to 2026/27 and reserves are now inadequate to meet the 2025/26 projected deficit outturn or the projected deficits over the next four years. Previous reliance on reserves to balance budgets has depleted available balances, leaving the Council without the financial resilience needed to manage current or future risks.

The Council has been progressing with a new MTFP process with our support and challenge, and which for the first time has involved the Joint Leadership Group and briefing for all Councillors and staff, to develop a savings proposals schedule as part of the MTFP report and robust pressures and income target forecasting. While the Council has since implemented a spending freeze and identified savings of £40 million across a range of areas, subject to agreement by Full Council, these will still be insufficient to close the immediate and medium-term gaps. The scale of change required is significant and cannot be delivered without upfront investment and local action to support a significant transformation programme of change that will impact all of the Council and its services.

Taken together, these pressures demonstrate that the Council is facing a structural deficit that cannot be resolved through further in-year management action, one-off measures, or additional short-term savings and means that the Council is no longer able to set a balanced budget without access to Exceptional Financial Support (EFS). We have therefore worked closely with the Council to request EFS, that would help stabilise the Council's finances and provide the time needed to deliver a sustainable and credible medium-term recovery plan. At the time of writing this report, a decision from government remains outstanding.

The Council's Transformation programme will be key to closing the budget gap and will require fundamental changes to the way the Council is organised and delivers core services. Led by the newly recruited Executive Director for Transformation and Improvement, it will need to encompass a wide range of initiatives including truly

transformational changes to the provision of Council services, but it will also include increasing income, reducing procurement costs, a move towards digital by default, resizing the council with a reduction in scale across many services. This will require a strong grip, cultural change and pace if it is to be successful.

Work is currently ongoing to formulate and resource the programme with a target of £95m over the four-year MTFP period and the requested EFS will be a key funding source to invest in this significant change programme.

Commercial Investments

In relation to the Council's commercial investment portfolio, two of the key conclusions highlighted as part of the Best Value Inspection related to the questionable justification of investments in support of growth and regeneration and secondly, that their viability was only possible because of the very low cost of borrowing, particularly from Public Works Loan Board (PWLB).

In November 2020, the government implemented changes to the PWLB's lending terms bringing to an end the situation where some Local Authorities used PWLB loans to support the acquisition of investment assets bought primarily for financial return.

There is some evidence in the Council, that initially, local regeneration was a driving factor, but over time the range of activities pursued became more removed from local priorities, more complex and contained much greater risk and were clearly driven by the primary purpose of generating income.

During our discovery phase, we carried out a thorough review of the Commercial and Treasury Management investment portfolio, providing the Council with a clear report and transparent assessment of and recommendation for each individual investment and the cumulative position (appendix 1).

The combined total commercial income generated over the last 15 years amounted to £165m, which was then absorbed into the revenue accounts on an annual basis to support the Council's service delivery rather than implement a transformation programme. It is clear from the more recent Cabinet Report updates on the Non-Treasury Investments that emphasis in reporting was placed on the surplus income generated in year, as opposed to the cumulative financial position of the investments or entities where less clarity existed. When the movement in asset valuations since commencement is included in the overall assessment – a reduction of approximately £308m – which after Minimum Revenue Provision (MRP) and specific loss provisions of £32.6m are applied, leaves a potential liability of £275.3m.

With the exception of the Housing Association Loan Portfolio, all remaining investments have failed to generate surplus income and overall have resulted in a net loss over the period of circa £109m based on the most recent asset valuations. Any losses would only be crystallised upon sale or exit of investments and therefore developing a clear exit strategy for each investment needs to be further developed over the next few months.

We have recommended the focus must be on the net potential liability of £275.3m and ensuring that the MTFP has appropriately and accurately addressed the projected annual revenue income anticipated across the portfolio.

Member/officer relationships

Our Political Envoy has had regular meetings with members in all parties to explain the role of the Envoy team, understand their views on the intervention and culture within the organisation. They have been co-operative throughout but it is clear that not all members are aware of the full extent of the position regarding its finances and commercial activity, including the Cabinet and therefore the severity of the challenges they face. A large proportion are new, having been elected in the May 2024 elections and so, for many, this will be the first time they will have been asked to make some very difficult decisions that will impact both staff in the council, the services they provide and ultimately the residents of Warrington.

It is clear that decision making in the Council has been very centralised and therefore lacked transparency and effective challenge, underpinned by long and complex officer reports to members, which made understanding and therefore scrutiny difficult.

Alignment with the Department of Health and Social Care (DHSC) intervention

Alongside our work, we have also worked closely with the DHSC Improvement Advisor appointed to support the Council to make improvements in adult social care following the section 50 notification. We supported the recent DHSC visit to the Council's adult social care team to discuss progress and how this activity fits within the Improvement & Recovery Plan.

Conclusion

There are major challenges ahead for the Council in delivering the level of change needed to address its financial position and there still appears to be some pockets of resistance to change in the culture of the organisation. The scale of the situation has now been laid bare and going forward on the back of a positive six months, it is vital the Council fully understands and accepts the severity of the position it is in.

With work now underway to progress the actions in the Improvement & Recovery Plan and develop a programme of transformation activity, the council can begin to take the necessary local steps towards becoming financially self-sufficient and start to meet the requirements of its Best Value Duty over the MTFP period. However, this is the start of a significantly challenging period, and we will be monitoring progress closely. We also await a decision on the Council's EFS request.

The rest of this first report provides an overview of the progress of the council over the first six months and a clear focus for the next six months ahead.

Early progress on immediate priorities

Improvement and Recovery Plan

The Directions required the Council to prepare and agree an Improvement and Recovery Plan to the satisfaction of the Ministerial Envoys, within 6 months, which should integrate recommendations of the Best Value Inspection report, and the July 2023 CIPFA Capital assurance review. An Improvement & Recovery Plan has now been established, with our input, which sets out the required actions and a clear timetable for delivering financial recovery.

The key priority now, for the next six months, is to move into delivery phase, implementing activity quickly to support the actions identified within the plan with sufficient resource identified and allocated accordingly. The following eight themes have been identified to deliver against:

- Financial sustainability and debt reduction
- Governance and Scrutiny
- Partnership working (including devolution)
- Continuous improvement
- Service standards
- Organisational capacity, culture and development
- Programme Delivery
- Strategy

Improvement and Recovery Board

An Improvement and Recovery Board has been established to provide strategic oversight, challenge, and direction for the Council's Improvement and Recovery programme. The Board, comprising of the Joint Leadership Group, independent members, and Trade Union representation, provide regular scrutiny, challenge, advice and monitoring to oversee progress. The Board has only met twice since the intervention began so we suggest a regular monthly review meeting with officers is scheduled to ensure all matters are appropriately considered, challenged and decisions made to ensure momentum and delivery of the programme.

Warrington Borough Council's First and Second Report

The Directions also required the Council 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.

The Council have engaged with us during this process, submitting their first report on 9th October 2025, with work primarily focusing on ensuring they had the right foundations in place to deliver their improvement and recovery work. Key achievements included:

- Establishing a Joint Leadership group with Cabinet, SLT and the Envoy Team,
- Proceeding with key senior appointments,
- Setting up an Improvement and Recovery Board and implementing a new budget setting process, and
- Agreeing a structure to agree an appropriate Commercial Strategy and commencing a review of all investments.

The Council's second report was received on 12th January 2026 and highlighted a clearer understanding of the challenges ahead and scale of the required improvement, following clarification of the budget gap and projected 2025/26 outturn deficit gap. The report also set a focus on aligning the required transformation plan and Improvement and Recovery Plan.

Key actions for the next 3 months included:

- Moving the Improvement and Recovery Plan forward into a fully resourced implementation programme,
- Navigating the EFS process, ahead of their budget council meeting in March 2026,
- Taking forward the next steps resulting from the envoy-led Commercial and Treasury Management Investment review, and
- Continuing to build their transformation programme, to support the overall improvement and recovery approach.

Transformation and Improvement

The Council were required, within one month of the date of the Directions, to initiate a full and open recruitment exercise for a suitable permanent appointment to lead the improvement work in the Authority. The Council did quickly initiate this, however, once we were in place, and having a greater understanding of the work ahead, agreed with the council to withdraw the exercise.

The scale of transformation and service re-design required is significant and requires the appropriate capacity to support it. The Council have now appointed a new Executive Director for Transformation and Improvement, on secondment from the LGA, to lead this work, bringing vast experience in helping councils improve. The immediate priority now will be to identify what additional resources are required and available to support this activity.

The Transformation Programme, will also require substantial one-off funding to deliver service redesign, digital improvements, workforce changes, and efficiency measures which the Council intends to fund through the EFS mechanism, subject to agreement from government. This includes a radical transformation of its Adult Social Care services. The Council accepts that it has no experience of developing and delivering a significant savings programme nor Transformation Programme therefore the MTFP includes a prudent provision for delayed and non-delivery of savings which will be kept under review and adjusted in light of experience.

A review of all services will be required, with limited resources focused on those services that most support residents. This will require new ways of working within a smaller organisation, but which provides an opportunity for greater involvement by local communities and neighbourhoods.

LGA Corporate Peer Challenge

The Council were required to work with the LGA to agree a suitable timetable for a follow up review to their 2024 Corporate Peer Challenge (CPC) report. Initial proposals were to do this late 2025 or early 2026, however as this was in the early months of our support and with competing resource pressures on the Council to deliver its Improvement and Recovery Plan, alongside a major transformation programme, it has been agreed with the LGA, to carry out the next full CPC in April 2027, which will provide a more accurate reflection of where the council are at.

Best Value Theme concerns and initial findings

The Best Value Inspection Report presented to government in January 2025 identified five key themes where the council were failing to comply with their Best Value Duty. These are set out below along with our early assessment of the Council's performance in these areas.

Continuous Improvement

- The Best Value Inspection Report identified that the Authority had *“demonstrated resistance in response to external challenge, accepting but not implementing recommendations from external reports”*.

The Council have welcomed our presence since we started, openly acknowledging their keenness to accept our support, expertise and challenge that suggests a beginning of a change in its approach to external challenge. There has been a clear commitment from the Council and Leader that they will take action on the recommendations, which has been evidenced through the collaborative nature of the work we have undertaken to date with Council members and officers.

We are confident that the Council are now showing clear signs of acceptance to challenge and change.

As part of our review of the Commercial and Treasury Management investment portfolio we have asked difficult questions to officers, challenging responses when necessary. They have in the main, responded in a positive and co-operative manner, welcoming the challenge and guidance we have provided. We have experienced some resistance to challenge and acceptance of the need to move away from previous ways of working during this process, but in general have seen a positive change in behaviours.

The Council were keen and quick to make progress on implementing the Direction to appoint a lead to take forward the improvement work and began work early to develop their Improvement and Recovery Plan, which has subsequently been approved and published.

The Council recognises that it had not progressed Council wide procurement savings which most other Councils' across the country had progressed. We therefore suggested commissioning a review of the Council's procurement service and a partner organisation has now been commissioned to start this review in January 2026.

As the Council's Chief Internal Auditor (CIA) was reaching retirement at the end of 2025, we suggested the Council review the option of joining an established Audit partnership alongside looking to secure a new CIA. A new CIA has now been appointed.

The Council were considering a voluntary redundancy scheme in August 2025 but were concerned about potential costs. We explained how a MARS (Mutually Agreed Resignation Scheme) would be a more efficient and effective approach to achieving staff reductions and which was launched in January 2026.

Leadership

- The Best Value Inspection Report described *“the political and officer leadership were defensive and lacked transparency with a lack of strategic direction and a low-challenge culture. 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”*.

For the first time, our Commercial and Treasury Management Investment Portfolio Review Report has provided the Council with a clear and transparent assessment of each individual investment and also the cumulative position. Concluding this review was challenging for us, with an immense amount of reading required and requests for additional information. This all took time for officers to provide and was an ever-changing position regarding some of the detailed financial information provided by officers.

Historically, the Council focussed on making available loans to Housing Associations to help deliver much needed social housing and were able to charge a small premium for credit facilities and drawn down loans. These loans have consistently generated an annual surplus, which to date, amounts to approximately £72m since 2009 and there have been no defaults on repayments. This concept, borrow at low rates and charge a premium for that borrowing, was then applied to investments in property development, commercial property, renewable energy, start-up commercial bank, private sector loans and a joint venture in an energy company. The annual premiums applied to the loans to these various entities then generated a further £93m of income, primarily since 2018.

We have experienced a culture of officers wanting to repeat investment decisions, such as renewing Housing Association loans rather than drawing a line under previous ways of operating, which would offer better value for money and be in the best interests of local residents. We hope therefore that the Commercial and Treasury Management Investment Portfolio Review Report will see an acceptance of the new culture.

As part of securing a successful future for both the borough and the council under a new operating model, the council, alongside partners, and community will need to establish a new Borough Plan, supported by a refocused Corporate Plan which includes new visions, priorities and outcomes linked to the new financial position and the opportunities being provided by devolution. This needs to be member led which should help shape both political and professional decision making with and beyond the Council.

We have suggested the Council undertakes a full review of income charges to establish increases in line with market conditions, which is being progressed as a Transformational review next year.

Governance

- The Best Value Inspection Report described the Council's commercial programme as having *"a lack of transparency and accountability, with key decision-making disproportionately influenced by a small group of officers, reforms have not been implemented with some recent investments found to be incompatible with CIPFA codes, statutory investment guidance and PWLB eligibility criteria"*.

We have found governance structures to be complex, which have not served the authority well, leading to a defensive culture within the organisation, with wider members having little impact or understanding of processes. A full governance review is required to create the conditions of open and effective decision making and a culture of constructive challenge and inclusion.

Having reviewed the position regarding the Housing Association loans alongside the direction to reduce the overall debt the Council is exposed to, we have advised ceasing Housing Association loans where there is no legal requirement, as the market will provide this facility through similar arrangement, making it unnecessary for the Council to intervene, particularly where the investment is not within the geographical boundary of the Council. We experienced a reluctance to follow this advice, with the small profit achieved on interest rate differential driving a behaviour of supporting a continuation of approach, however the Council ultimately accepted this approach albeit not without a number of requests to revisit our rationale.

We have suggested that PWLB discounts should be used to repay outstanding debt on assets being sold rather than using this towards the budget gap and the Council have accepted that this is an appropriate and prudent approach to write down debt when assets are sold.

The Improvement & Recovery Plan initially indicated that the previous CIPFA review actions had been completed and were ready for sign-off. We challenged the lack of independent evidence to satisfy this, suggesting an independent expert in the field be commissioned to undertake a full review of the Council's access and use of PWLB, the Council's MRP Policy, Treasury Management Strategy and Investment Strategy. This has now been commissioned and expected to report in May 2026.

Culture

- The Best Value Inspection Report described 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”*.

We have read a significant number of formal Council reports and have advised the Council to review its formal report format as these were lengthy, not easy to read and tended towards being overly positive and optimistic rather than providing a more balanced picture. A new template is being progressed along with supporting authors in improving current culture and practice.

We have also suggested the Council carry out a full review of all their buildings used for the delivery of core services. The review should start with an assumption that the buildings are no longer required to support core service delivery unless a strong case can be made for retention. This should allow the sale of surplus buildings to save revenue and generate capital receipts to pay down debt. A Corporate Asset Optimisation Strategy (CAOS) programme has now been initiated to take this initiative forward.

Use of Resources

- The Best Value Inspection Report described the Authority as *‘managing 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 leaves the Council in a precarious position.*

We outline above how our Commercial and Treasury Management Investment Portfolio Review Report has now provided the Council with a clear picture of the position of its commercial programme following years of a lack of appropriate options being presented to members.

We have on occasions experienced a culture of a resistance to challenge coupled with a general view that all of the investments had been positive and in line with Council Policy as reported to Council members. Subsequent briefings to the Joint Leadership Group on the conclusion of our Commercial and Treasury Management Investment Portfolio Review Report have confirmed that members were unaware of the magnitude of the commercial and financial risks and the negative impact the portfolio is now having on the future MTFP.

We have suggested that the new S151/Chief Financial Officer (CFO) look carefully at introducing a system of validation and control regarding financial information to ensure one version of the truth, avoiding revisiting financial information provided on numerous occasions. The new CFO is taking this forward.

The Council have not had an external audit of its accounts since 2018/19, now leaving the Council with a six-year backlog and its financial position susceptible to further pressures. The Council have therefore added a pressure of £15m to its four-year budget to take this into account. A revised plan has now been agreed with the new auditors to get the unaudited accounts signed off.

In addition, several budgets are structurally misaligned with the true cost of service delivery, as historic pressures were not fully recognised or built into previous years' MTFPs, resulting in recurring under-budgeting that further compounds the financial position.

We suggested that the Council undertakes a full review of its Capital Programme and Reserves in order to reduce capital expenditure and repurpose reserves where possible to support the MTFP, with financial benefits now fed into the MTFP and also make a change in approach to Contingency and Reserves, which again has now been adopted within the MTFP.

Conclusion

Through this report we have provided a clear and honest assessment of the first six months activity supporting Warrington Borough Council. For the first time this gives an open and transparent picture of the Council's financial position and commercial investment programme. This will present a significant challenge for the Council, its staff and residents.

The new Chief Executive joins the Council in March, bringing the opportunity to look at the Council's top level structure to ensure it is fit for purpose in light of the difficult decisions ahead. We are also pleased that the Council are soon to embark on a LGA led Top Team programme that will help to improve the Council's senior officer and political leadership team's strategic direction and leadership to the council and wider community.

As the report highlights, there are still significant issues to resolve, particularly within the commercial investment programme and setting a sustainable budget and we have been working hard to ensure that the Council does not underestimate the scale of the challenge ahead.

The next six months will be critical for the Council as it embarks on the journey to address the actions in the Improvement & Recovery Plan, develop and begin to deliver its emerging transformation programme alongside the establishment of the Cheshire & Warrington Combined Authority and devolution programme.

We will continue to work closely with and support members and officers during this next phase of activity.

Yours sincerely

Harry Catherall

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Stephen Houghton

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