
Ministerial Envoys to Warrington Borough Council

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To Secretary of State
Parliamentary Under Secretary of State for Local Government, Devolution and Regional Growth

Warrington Ministerial Envoys' Second Report

Background

Since beginning the statutory intervention in Warrington Borough Council in July 2025, we submitted our first report to government in February 2026. This set out the activity we undertook in our discovery phase to present a clear and robust understanding of the financial position of the authority, its commercial activity and governance processes.

Our report highlighted the significant challenge the Council's commercial investment programme presented for the Council, linked to setting a sustainable budget and how the next six months would be critical for the Council as it embarked on its transformation programme and implementation of its Improvement & Recovery Plan.

At the time of our first report in February, we highlighted the forecast for the next four years showed a budget gap of circa £130 million and the Council was no longer able to set a balanced budget without Exceptional Financial Support (EFS). Capitalisation support totalling £354 million was forecast over a five-year period, 2025-26 to 2029-30, based on complying with a maximum 5% Council Tax increase and this formed the basis of the Council's request for financial support from government.

An interim draft report was then received from the independent consultant commissioned to fully review the Council's Minimum Revenue Provision (MRP) policy in line with the Ministerial Directions. This indicated a high level £42 million recurring gap in the provision for MRP. As a result, it was considered prudent to add this potential additional budget requirement as part of the budget setting process and an updated EFS submission was made based on the revised budget gap of £180 million over four years and a request to increase Council Tax.

Executive Summary

The Secretary of State confirmed shortly after our first report, that government was minded to approve capitalisation directions of a total not exceeding £179 million over 2 years for 2025-26 and 2026-27 and agreement to the request for additional flexibility to raise council tax to 7.5% for 2026-27.

As a result of the MRP review and subsequent Medium Term Financial Plan (MTFP) update, the budget was set and agreed by Full Council in March 2026 with a recurring budget gap identified of circa £180 million over the MTFP period and Council Tax precept being set at 7.5%. Phase 1 savings of £40 million were also approved for delivery with the remaining circa £140 million savings to be developed as a matter of urgency.

In agreeing the request for EFS, and given its time limited and temporary nature, the government was clear that the Council should;

- Have robust plans for taking the action needed to deliver better and more efficient services, as part of its financial recovery to reach a stable position over the settlement period, and
- Progress the Envoys recommendations on each of the Council's individual commercial investments.

Significant work has therefore since been undertaken by officers, members and Envoys over the past nine months as set out below, to help the Council become financially sustainable, progress its transformation programme and develop clear exit strategies for each of the Council's commercial investments.

Financial position

The Council invited the Local Government Association (LGA) to deliver a top team programme with the Cabinet and Senior Leadership Team (SLT) during the summer which Envoys attended. The programme, aimed at improving the strategic direction and leadership of a Council's senior political and managerial leadership was well received with active participation. The final joint Cabinet/SLT session resulted in a clear steer from Cabinet for officers to quickly identify and agree the required Phase 2 savings.

After months of hard work over summer, further savings of circa £50 million have since been identified by officers working closely with Envoys, across the whole range of Council services. In recognition of the challenges that need to be addressed, the Council held a number of all member and opposition group briefings to talk through the proposals demonstrating genuine cross-party engagement.

For transparency, the resulting MTFP budget update was presented to the Scrutiny Committee in September with a good open and honest conversation over the proposed savings which were then approved by Cabinet. At its meeting on 21st September, Full Council then endorsed the circa £50 million Phase 2 savings across 39 proposals, with the delivery of the majority of 35 proposals (circa £45 million) delegated to the Chief

Executive to deliver at pace. The remaining £5 million across 4 proposals will be subject to public consultation followed by Cabinet decisions thereafter. A further decision was made to accelerate delivery wherever possible to deliver savings as early as possible. Through the EFS approved by government, an additional £5 million one-off budget was also approved to support the implementation of savings with a further review anticipated in March 2027 regarding any further investment requirements with a focus on the 'return of investment' achievable in delivering circa £90 million Phase 1 and 2 savings.

In September 2026, Cabinet also received the Quarter 1 monitoring position, with the forecast revenue outturn showing an adverse variance of circa £21 million. This comprises £9 million projected Departmental overspends which will require stringent cost control and the balance of £12 million related to undelivered savings has been addressed and will be fully reflected in the Q2 update report.

Unfortunately, work on the Quarter 1 budget monitoring has been severely hampered by issues with an upgrade to the Finance and HR IT system, SAP, in April 2026. This has meant budget holders have been unable to monitor their budgets effectively, resulting in the Finance team having to rely on manual work arounds and alternative reporting mechanisms.

The implementation of SAP has been a significant area of concern. This is a legacy project that went live in April 2026, after positive assurances about the deliverability of the upgrade. However, it remains a concern for Envoys that the scale of the situation was not quickly realised and acted upon earlier. It was only after Envoys intervention that this was escalated appropriately, and the seriousness of the situation acknowledged. Issue resolution was targeted for the end of October and in particular to allow for SAP to be used for Quarter 2 monitoring. However, this has failed to be achieved and reliance on the alternative reporting approach is being used again for Quarter 2. The critical nature of the issues with the system are now to be investigated using specialist external expertise aimed at producing and leading a robust programme at pace to provide stability to the SAP system.

As a result of the recurring £180 million budget gap identified over the MTFP period in March and Phase 1 and 2 savings now agreed totalling £90 million, Envoys undertook a review, working closely with the Council, to complete detailed financial work to confidently identify and agree where to focus on the remaining £90 million. This includes circa £60 million of non-core savings (impacts of commercial investments) leaving a residual £30 million core savings (services) to be identified in Phase 3.

The 'target' £60 million non-core savings flow from the conclusion of the independent MRP Review and the development of a two-year commercial asset disposal strategy to March 2029 to secure the MRP reductions, attract significant PWLB discounts of £11.9 million per annum for 10 years, contributing to closing the revenue budget gap and stem the annual revenue losses. The strategy aims to deliver capital receipts of circa £564 million coupled with £100 million of third-party loan repayments, totalling £664 million. This will see gross borrowing in 2025-26 of circa £1.5 billion drop to £890 million by 2028-2029, excluding any further legitimate unfunded borrowing approved by Council.

A Finance Board has now been established, including Envoy representation. This has been a positive move providing oversight of the Council's financial improvement actions, supporting implementation of the Improvement and Recovery Plan, and monitoring progress against the commercial investment recommendations with regular updates to SLT, Joint Executive Leadership Group and Cabinet.

Additional resources have also since been brought in to the Finance Team at senior level, which is starting to have a positive impact. However, further senior resource is urgently required to further supplement and upskill the team and finance function across the whole Council.

Audit

One of the key concerns leading up to the initial Best Value Inspection was that the Council had not had their accounts audited for six years. Work has since progressed in this area and in March 2026, auditors Grant Thornton presented its Interim Value for Money Report to the council's Audit and Corporate Governance Committee as part of the work to address the council's audit backlog. They estimated that their work to address the backlog could take 12–18 months, with the closure of current-year accounts adding further pressure.

Deloitte are now nearing the completion of the 2019-20 audit with only minor matters raised and anticipation is that a report will be brought to the November Audit Committee. Once 2019-20 is complete a more informed timetable for the completion of subsequent audits will be brought forward.

The Council's Statement of Accounts and Annual Governance statement, including a position on the backlog were reported to the Audit and Corporate Governance Committee on 7th September.

Commercial Investments

As one of the conditions for the approval of EFS was that Envoys recommendations on each of the Council's individual commercial investments were progressed, Envoys have since been working with the Council to develop clear exit strategies for each investment. Interim specialist commercial capability is now in place focussed on progressing these exit strategies on a priority basis, although further capacity both internal and external is required.

Disposals of property and investments that are well advanced, together with forecast Housing Association loan repayments should generate capital receipts approaching £300 million in the current year, assuming there are no further external financial shocks impacting capital markets. Securing these receipts allows the Council to benefit from significant PWLB rebates which are currently available to help mitigate some of the capital losses experienced.

In parallel, following a clear steer from Cabinet to accelerate the further disposal of key assets whilst avoiding a fire sale, a thorough review of the Council's operational assets is being undertaken to identify any surplus assets that are no longer required and could

be disposed. Or alternatively, where they could be repurposed to deliver a benefit to the community in line with a revised target operating model.

Detailed work has established that the current Commercial Strategy is costing the Council £16.4 million per annum and to exit this would result in a capital loss of circa £166 million. This will cost £14.3 million per annum for circa 20 years to repay, therefore reducing the annual revenue savings from disposals to £2.1 million. Plans will need to be put in place in order to replace the significant PWLB discounts in 9 years (£14 million) and 10 years (circa £12.1 million) to avoid another shock to financial stability.

The remaining budget gap of circa £30 million (Phase 3 savings) could be reduced by half if there was not this 'overhanging debt' to be funded over the next 20 years. The Council should continue to engage with government on its financial position, including the impact of its debt burden, and the options available to support a return to financial sustainability.

Senior Leadership Team

The new Chief Executive, Sarah Smith, arrived in March and has provided much needed stability in the senior leadership team. Sarah has not been afraid to challenge and make changes and has welcomed the support from Envoys as she settled into the role. It is clear she recognised the need for better officer/member relationships and is playing a key role ensuring members have the right support through the Joint Executive Leadership Group, a constitution member working group and all member and opposition group briefings to ensure transparency in the savings review process.

A key priority is to finalise the structure of the senior leadership team and management levels below that to ensure the right team with the right experience is in place to lead the Council through what will be a challenging period. A new Interim Monitoring Office joined the Council at the beginning of September and is already demonstrating her value and an exercise has recently been undertaken to appoint two new Executive Directors (Transformation and Improvement and Growth) that will fill the interim roles currently operating, providing that much needed long-term stability. The Members Chief Officer Appointment Committee recently met to agree the successful candidates and offers have since been made and accepted.

Warrington Borough Council's third report

The Council submitted their third report to Envoys on 11th September, which outlined the progress that has been made since their last report in January 2026, following a priority steer from the Cabinet, to prioritise the financial sustainability of the authority, recognising that challenges in this area were far greater than first thought. The Council acknowledge that amongst other areas, its commercial investment strategy had failed to achieve its objectives leaving the Council with a significant challenge to reduce its revenue and debt position.

The report highlights how the Council are designing a new operating model that supports what service provision will look like in Warrington with £180 million less

recurring from 2026-27 supported by a new Transformation and Improvement team but acknowledges there have been issues in finding people with the right skills and experience, hampering progress.

Envoys feel the report is a good reflection of progress since the Council's second report where a huge amount of work has been undertaken by officers and members during this period that has helped build a path for the Council to move towards recovery. However, there is perhaps a lack of recognition of the absolute necessity to quickly deliver the Phase 1 savings agreed in March and ultimately Phase 2 savings recently agreed. Failure to so do will leave the Council in a position where they will be unable to become financially sustainable.

Improvement & Recovery Plan

Following the publication of the Council's first Improvement & Recovery Plan in January 2026, a refreshed plan accompanied their third report. This followed Envoys and new SLT members concerns that the initial plan had unrealistic completion dates and the actions identified hadn't been updated to reflect the ongoing position. The refreshed plan, recently agreed by the Improvement and Recovery Board resets the actions required by the Council to stabilise its financial position, improve governance, leadership, and decision-making processes with a clear timetable for delivering financial recovery in line with the Ministerial Directions.

Ensuring ongoing progress against the actions in the plan was also one of the requirements set out in the conditions government placed on the Council as part of its approval for EFS for 2025-26 and 2026-27, so a focused emphasis on ensuring this can be demonstrated is essential to provide confidence to government that progress is being made. Envoys welcome the focus of the new action plan which has greater clarity and high-level milestones. However, the Council now needs to move at pace to develop the more detailed delivery plans underpinning each of the individual workstreams so greater, more detailed assurance can be given.

Transformation programme

The Council's Transformation and Improvement programme has eight interlinked workstreams, Adults, Children's, Growth & Place, Governance & Leadership, Neighbourhood Working, Finance, DDaT and Organisational Capacity, Structure and Culture to drive the necessary change including its service reviews. Envoys supported the decision not to appoint an external organisation to lead this activity, preferring to establish an internal core team to own and drive forward its own transformation.

Although some progress has been made since the publication of the Council's first Improvement and Recovery plan, this has been slower than we anticipated at the time of writing our first report. This is mainly because of the focus on ensuring the financial recovery and sustainability of the organisation through the identification of Phase 2 savings over summer and a lack of capacity in the Transformation team and wider council where additional surge capacity in key areas would have been welcomed earlier. The SLT have frequently raised concerns about the lack of capacity and

prioritisation of work when being required to meet the necessarily tight timescales set to meet key decision points.

Subsequently, SLT and Envoys met in mid-September to agree where extra surge capacity is needed, what the priority areas were to bring forward and deliver this/next year's savings, whilst maintaining sufficient workforce capacity to oversee the organisations restructure. As highlighted earlier, an additional allocation of £5 million is being made available towards the costs associated with the transformation programme, through the agreed EFS, which includes additional surge capacity and is on top of the £0.75 million over three years that was put in place in March 2026 to fund the team.

We are pleased that roles within the Transformation team are now being filled, with graduates, apprentices and the Assistant Director for Improvement and Corporate Policy now in place and Transformation theme leads beginning to be onboarded from September. It is expected that the Transformation team will consist of 15 officers, to be fully in place by December 26, adding vital resource and the necessary skills to drive the programme forward.

A new interim Director of Digital has also just been appointed to oversee the DDaT workstream and drive the digital modernisation of the Council. They will progress the recommendations from the LGA DDaT 360 review and prioritisation and sequencing of a number of required system changes needed to support the transformation of the Council, to ensure the necessary skills and expertise are in place, following the issues experienced in the SAP implementation.

<u>Neighbourhood working</u>

The necessary disposal of surplus Council assets highlighted earlier will inevitably help generate capital receipts to help drive down debt, but repurposing other assets could help reduce revenue expenditure in the future as well as enhancing some community offerings.

Clearly as part of a new target operating model that delivers the level of savings required, the Council needs to develop new ways of working with residents and communities. This provides the opportunity to engage with them differently to shape neighbourhood priorities with residents and neighbourhoods at the heart of addressing local challenges.

Plans are in place for an all-member workshop in the Autumn, with an expert in the field, to ensure members and officers have a good understanding of how neighbourhood working can both help and support a redesigned sustainable council.

<u>Reviews</u>

Encouragingly, several external reviews have been commissioned by the Council and completed since Envoys last report including the MRP review, Procurement, Risk and Assurance and an LGA led DDaT 360 review. It is important that the actions identified in

these reviews are now implemented at pace alongside a review of internal audit which it has been acknowledged is required.

An independent governance review (funded by the LGA) was also undertaken by the Centre for Governance and Scrutiny. The work of the review has been member-led, with oversight provided by a cross-party working group. The final report made several recommendations relating to:

- The need for a new constitution
- Accountability and Decision-Making
- Cabinet delegations
- Joint Executive arrangements
- Quality of Officer Reporting and Decision Support
- The role and structure of overview and scrutiny

Building on the progress to date, the priority for this workstream is to implement these recommendations and from the CIPFA review, which is now being led by the new Monitoring Officer.

Adult Services / Department of Health and Social Care (DHSC) intervention

Following the section.50 notification by the CQC to the Secretary of State for Health and Social Care in 2025, the Council has undertaken significant improvement work throughout 2026, overseen by an Improvement Board. This sensibly now reports into the Council's wider Improvement and Recovery Board as a key work stream of the transformation programme. The DHSC appointed a dedicated Improvement Advisor who has been working with the Adult Services team at the Council.

The section.50 failing centred on safeguarding and a Safeguarding Practice Audit has recently been completed, identifying good practice as well as some areas for improvement whilst the Social Care Institute for Excellence (SCIE) has been engaged to review the council's policies and procedures, with ongoing support and scrutiny from the Protecting the Most Vulnerable Policy Committee and Health Scrutiny committee.

The Director of Adult Social Services is hopeful that the CQC will judge that the Council is no longer failing in its safeguarding functions, following a further comprehensive assessment by the CQC which took place between June and August with the final report due by late October.

A significant proportion of the Phase 2 savings agreed by Full Council in September relate to Adult Services - £34 million out of the £51million identified. Whilst Envoys recognise this is a considerable amount, we feel confident that these savings can be delivered under the leadership of the CEX who has significant experience in the Adults Social Care landscape, and the investment and progress that has already been delivered and can be demonstrated by the above results. In addition, Envoys recognise the Council are working to an outdated operating model and the changes that will be made through the delivery of these savings will invest in preventative measures to reduce long-term care needs, delaying the escalation in care where possible.

Children's services

The Council continues to improve its front-line services for children with a strong level of performance indicated by the recent Joint Targeted Area Inspection (JTAI) which highlighted the strength of partnership working across the system and effective relationships that deliver tangible improvements in outcomes for children, young people and families.

Performance across Early Help, Children's Social Care and Education (including SEND) continues to compare favorably against both regional and national benchmarks, and all Children's Homes and Supported Accommodation settings inspected within the last 12 months have been rated Good or Outstanding. The Council's Complex Needs Hub has been recognised as a regional blueprint for integrated working between Children's Services and Integrated Care Board (ICB) partners, supporting better outcomes through earlier intervention and coordinated support.

The key priority going forward for the Council will be ensuring sufficient mitigations are in place to maintain this performance and delivery as they begin to deliver the Phase 1 and 2 savings.

LGA Corporate Peer Challenge

As we outlined in our first report 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 but due to the scale of activity taking place agreed this would be carried out in Spring 2027. We are pleased that it has now been confirmed that this will take place in March 2027.

This is timely and will provide the Council and Envoys with a robust assessment of the Council's progress in line with the Best Value Inspection and Ministerial Directions which will be key to helping inform and support our third report to government in Spring 2027.

Envoys are pleased that engagement with the LGA on the top team programme continues with a Cabinet session recently taking place on ways of working.

Strategic opportunities

Finally, the formation of the Cheshire and Warrington Combined Authority provides the Council with the opportunity to influence how devolution will benefit its residents and its economy and maximise the growth opportunities including Warrington Bank Quay. The Council, through the Leader and Chief Executive are engaging proactively with the Combined Authority and need to maintain this focus to ensure the wider benefits and strategic opportunities for Warrington are maximised.

One area where more progress could be made is how the Council can explore more opportunities through closer engagement with key partners. During the next 12 months the Leader and Chief Executive will lead the development of a new borough plan which

will provide the opportunity to bring together public, private and voluntary partners to reset the vision for Warrington aligned with its priorities for the investment of its available resources.

Conclusion

Envoys would like to thank officers and members for all the hard work and perseverance over the past 9 months in identifying substantial savings to get the Council to a position where there is a clear plan for financial recovery. And to members in making the difficult decisions to agree these savings through the MTFS budget update.

With £90 million of savings now agreed out of the original recurring £180 million budget gap and circa £60 million of non-core savings accounted for in the MTFS, there is a residual £30 million core savings from services to be identified in Phase 3, although this could be reduced by half if the Council did not have the significant annual cost of funding the overhanging debt. Given the scale of the medium-term forecast, a request for further EFS will be required in line with the Council's original submission or similar for setting the budget for 2027-28.

The Council needs to also ensure it plans appropriate savings in 9 and 10 years to replace the significant PWLB discounts in order to avoid another shock to the Council's financial stability. The Council continues to review its land and operational building to look to dispose of all surplus assets to assist with closing the remaining £30 million budget gap and continues to review and develop its operating model, but it is not yet clear where the remaining savings will come from.

Delivering the currently identified £150 million savings is absolutely dependent on prompt action to exit the commercial investments over the next 2 years in line with the Debt Reduction Strategy and the early delivery of the Phase 1 and 2 savings. Envoys have been clear with the Council that we have concerns over the pace of delivery due to a lack of progress and experience in delivering savings and a transformation programme of this scale. However, we acknowledge that extra resources and capacity have and continue to be recruited through the government's approval of EFS that will bring in the necessary experience and expertise.

It is therefore critical that the Council focuses purely on and remains committed to the priorities that have been rightly identified in the refreshed Improvement & Recovery Plan and the key steps set out below:

- Deliver the circa £90 million Phase 1 and Phase 2 savings to plan over the MTFS period as approved by Council,
- Deliver the two-year Debt Reduction Strategy to secure circa £664 million capital receipts to meet the non-core savings target of circa £60 million,
- Develop the Phase 3 residual savings programme of circa £30 million with delivery by no later than March 2029, and
- Urgently resolve the significant issues affecting the SAP Finance & HR IT system.

If this is the case and demonstrable progress can be made over the next six months, our next report in Spring can focus on setting out clear expectations about the next steps needed for the intervention.

Yours sincerely

Harry Catherall



Carolyn Williamson



Cllr. Steve Houghton



Phil Brookes

