# Government sends experts to tackle Warrington Council’s £1.9bn debt crisis



# Government Intervention in Warrington Council Amid Debt Crisis

Warrington Borough Council, a Labour-led authority in northwest England, is facing an escalating financial crisis that has prompted the UK government to send a team of experts to assist. This intervention follows alarming findings from a report which revealed that the council is grappling with an enormous £1.9 billion debt and a budget shortfall nearing £50 million. Local Government Minister Jim McMahon outlined the decision to deploy “envoys” for a period of up to five years, citing the council's failure to comply with its "best value duty."

The report critiqued the council's reliance on high-risk investment strategies, which have emerged since 2017 as a means to avoid necessary cost-saving reforms following significant reductions in central government funding. These speculative investments have ranged from commercial property ventures to banking initiatives, aiming to shore up revenues but instead resulting in substantial financial liabilities. The council has also faced significant scrutiny for its dealings with companies like Redwood Bank and Altana Wealth, led by financier Lee Robinson, whose past accolades as a derivatives trader have proved controversial in this context.

Grant Thornton, the council's auditor, resigned last summer after issuing two value-for-money warnings linked to the council's contentious financial strategies. The auditors expressed concerns about unacceptable risks and the exposure these pose to taxpayers. Further underscoring the crisis, it has been reported that Warrington Council has operated without an external auditor since 2018-19, which has left it vulnerable and without proper scrutiny—crucial elements of effective governance in local government.

The inspectors’ review noted that while councillors lacked the necessary expertise to manage such high-stakes investments, they supported the approach in an effort to shield the council from making more difficult decisions regarding budget cuts and service reductions. The report's critical tone highlighted the council's disregard for external warnings about the sustainability of its financial actions, stating that there is little confidence in the council's ability to remediate these issues independently.

Interestingly, Warrington’s struggle mirrors that of other councils engaging in similar high-risk investment practices. Thurrock Council, for instance, which also invested in Redwood Bank, collapsed into bankruptcy in 2022 after suffering severe losses from its high-risk portfolio. Such parallels have heightened scrutiny on Warrington, especially since the Financial Reporting Council has taken action against Thurrock’s former chief financial officer, barring him for five years for financial mismanagement.

The council's financial strategy has ironically escalated its debt levels, reflecting a broader trend among local authorities, particularly those veering towards speculative finance in response to dwindling government support since 2010. As the council prepares for the arrival of the envoys, it has welcomed the government’s intervention, asserting that the move will assist in implementing necessary reforms. However, the long-term implications of these financial miscalculations remain a critical concern for both local residents and broader stakeholders in the public sector.

In light of Warrington's circumstances, the dialogue about local government financing strategies is likely to intensify, potentially leading to a reevaluation of the practices that have placed many councils at risk. The spotlight now rests not just on Warrington but also on how other local authorities manage their financial obligations amid increasing scrutiny from the government and the public alike.

## Reference Map:

* Paragraph 1 – [[1]](https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64), [[2]](https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64)
* Paragraph 2 – [[2]](https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64), [[3]](https://www.ft.com/content/acf7456b-5072-478e-94ae-978588a5794a)
* Paragraph 3 – [[4]](https://www.bbc.co.uk/news/uk-england-manchester-67171571), [[5]](https://www.bbc.co.uk/news/articles/c144ynkdvqno)
* Paragraph 4 – [[4]](https://www.bbc.co.uk/news/uk-england-manchester-67171571), [[6]](https://www.standard.co.uk/business/business-news/warrington-borough-council-credit-rating-withdrawn-amid-nearps2bn-debts-b1164781.html)
* Paragraph 5 – [[5]](https://www.bbc.co.uk/news/articles/c144ynkdvqno), [[3]](https://www.ft.com/content/acf7456b-5072-478e-94ae-978588a5794a)
* Paragraph 6 – [[2]](https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64), [[6]](https://www.standard.co.uk/business/business-news/warrington-borough-council-credit-rating-withdrawn-amid-nearps2bn-debts-b1164781.html)

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## Bibliography

1. <https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64> - Please view link - unable to able to access data
2. <https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64> - This article reports that the UK government has dispatched a team of experts to assist Warrington Borough Council, a Labour-led authority in northwest England, which is facing a severe financial crisis. The council has accumulated £1.9 billion in debt and a £50 million budget shortfall due to a speculative investment strategy initiated in 2017. A government-ordered report criticized the council for relying on high-risk investments, such as commercial property and wealth funds, to compensate for central funding cuts and avoid necessary cost-saving reforms. The council's auditor, Grant Thornton, resigned last year following two value-for-money warnings and concerns over investment decisions, including significant losses in Redwood Bank and Altana Wealth. Inspectors found that the council lacked financial oversight capabilities and had ignored repeated external warnings. In response, Local Government Minister Jim McMahon stopped short of appointing commissioners but will send envoys for up to five years to support reforms. Warrington has not declared bankruptcy, but its situation mirrors the collapse of Thurrock Council, which went insolvent in 2022. Additionally, the Financial Reporting Council has barred Thurrock’s former CFO for financial mismanagement. Warrington Council welcomed the intervention and expressed a commitment to implementing necessary changes. ([ft.com](https://www.ft.com/content/e5024825-402e-48db-8b3f-74af3faaaa64?utm_source=openai))
3. <https://www.ft.com/content/acf7456b-5072-478e-94ae-978588a5794a> - This article discusses Warrington Borough Council's £10 million investment in a Birmingham commercial building, which has now decreased to £1.3 million. The investment was facilitated by Monaco-based financier Lee Robinson, who is entangled in the council's investments. Since 2017, these investments have accumulated to £120 million, including a significantly reduced £30 million stake in Redwood Bank and more than £40 million in M7 Real Estate property funds. Robinson’s firm, Altana Wealth, manages £47 million of Warrington’s funds. Conservative councillors struggle to obtain transparency on these investments, while Warrington's finances led to an external review in 2023. The Mailbox property deal's substantial devaluation and other maladaptive investments signal financial mismanagement, causing increasing scrutiny. ([ft.com](https://www.ft.com/content/acf7456b-5072-478e-94ae-978588a5794a?utm_source=openai))
4. <https://www.bbc.co.uk/news/uk-england-manchester-67171571> - This BBC News article reports that a local government minister has expressed serious concerns about Warrington Council's financial situation. A letter from Minister Lee Rowley to the council highlighted worries that the council did not fully appreciate the level of risk it was exposed to. As of July, the Labour-led council's investments had created £1.8 billion of debt. The council owns a number of supermarkets in Manchester, including Asda in Hulme. The article also mentions that the council's investments include ownership of supermarkets in Greater Manchester, solar farms in York, Hull, and Cirencester, a BT development being built in Salford, and a third share of Redwood Bank. An energy firm part-owned by the council collapsed in 2022. ([bbc.co.uk](https://www.bbc.co.uk/news/uk-england-manchester-67171571?utm_source=openai))
5. <https://www.bbc.co.uk/news/articles/c144ynkdvqno> - This BBC News article reports that Moody's, a global credit agency, has withdrawn its credit rating of Warrington Borough Council due to the council's inability to provide audited statements of accounts. The Labour-led council has debts amounting to £1.85 billion and has come under scrutiny for a number of its investments. The article also mentions that the council had refused to hand key information to its external auditor, Grant Thornton, restricting its ability to review the council's books. The government appointed an inspector in May to investigate whether the council is complying with legal requirements after a review last year criticized its “very large and uniquely complex” set of debt-fueled investments. ([bbc.co.uk](https://www.bbc.co.uk/news/articles/c144ynkdvqno?utm_source=openai))
6. <https://www.standard.co.uk/business/business-news/warrington-borough-council-credit-rating-withdrawn-amid-nearps2bn-debts-b1164781.html> - This article from The Standard reports that Moody's has withdrawn its credit rating of Warrington Borough Council amid near £2 billion debts. The council has a debt of £1.85 billion and has come under scrutiny for a number of investments. The article also mentions that the council had refused to hand key information to its external auditor, Grant Thornton, restricting its ability to review the council's books. The government appointed an inspector in May to investigate whether the council is complying with legal requirements after a review last year criticized its “very large and uniquely complex” set of debt-fueled investments. ([standard.co.uk](https://www.standard.co.uk/business/business-news/warrington-borough-council-credit-rating-withdrawn-amid-nearps2bn-debts-b1164781.html?utm_source=openai))