

21st May 2025

To the Ministry of Housing, Communities & Local Government

FAO: Mr Jim McMahon MP, Minister of State,
Mr James Blythe, Deputy Director, Local Government Stewardship &
Interventions

Dear Sirs,

Re: Warrington Best Value Inspection Report of 8th May 2025

We wish to respond to the invitation of the Minister of State in his Statement of 8th May 2025 to residents and other interested parties to submit representations on the Inspection Report and proposed intervention package.

We are Warrington residents and members of the 'Stop the Warrington Council Debt' Facebook group [STWCD] which, as its name implies, has worked over the last six years to raise public awareness about Warrington Borough Council's dangerously high level of debt (£1.9 billion) and complex commercial activity funded by borrowing. Our aim is to reverse this high debt, high risk policy. We feel very strongly that existing and future Council Taxpayers of Warrington are the victims of the Councillors and Officers that have thrown so much of those taxes away in their dereliction of duty. Tens of millions of pounds have been wasted by council officers and councillors who still hold their positions on reckless "investments" in breach of statutory guidance and the CIPFA code.

We welcomed the Best Value Inspection Report [Report] by Paul Najsarek and his team which we find to be accurate and perceptive about the "low-challenge culture" within the Council and the excessively deferential attitude of elected councillors towards WBC officers, which has led to a defensive way of working that lacks transparency and seeks to suppress any external scrutiny.

We strongly agree with the recommendation at 1.9.1 of the Report that the Secretary of State should appoint independent commissioners to oversee and control the improvement and recovery of Warrington Borough Council [WBC]. We do not believe that the intervention proposed by the Minister of appointing Ministerial Envoys who would support and advise WBC whilst the Council remained responsible for driving its own improvement would be adequate. Our reasons for saying this are as follows:

WBC's Track Record on External Reviews

As pointed out in 1.9.1 of the Report, WBC's response to previous external reviews does not inspire confidence. Since it was formed six years ago, the STWCD group has witnessed a series of external reviews of the Council's financial policy. The Council has paid lip service to the recommendations in all these reviews, but has then continued as before with very little change and no concrete improvements achieved. These reviews include:

- a) Two formal 'adverse value for money' opinions from WBC auditors for the 2017/18 and 2018/19 accounts.
- b) Two LGA peer inspections issuing serious warnings to WBC about its approach to risk and "its compliance with legislation and generally accepted accounting practice in the way it manages, finances and accounts for its commercial activities and MRP." <https://www.room151.co.uk/treasury/warrington-warned-over-mrp-approach-risk/>
- c) One PwC review which, among other things, was critical of WBC's ability to provide minutes, deal with conflicts of interest, report decisions within required timescales and management of risk.
- d) The external CIPFA Review in 2023, which indicated that WBC lacked clarity over the purpose of its investments which are "large, uniquely complex and carry significant inherent risk". The following video clip is from the Cabinet meeting of 10th June 2024, at which the Action Plan to carry out recommendations from the Review were presented. Nearly a year later the Action Plan has not been implemented. <https://youtu.be/4EDkXeilyLQ?si=SGntQzHp7wdi6uP7>



We therefore consider it is essential that commissioners should take full control of financial management of WBC. Senior officers such as the Chief Executive Steven Broomhead, the Director of Corporate Services & Deputy Chief Executive (S151 Officer) Lynton Green and also the Deputy Director, Finance (Deputy 151 Officer) Danny Mather should have their powers removed. Allowing the entire current council team to continue would seem to be sheer folly – the management team has to change, preferably at the very top. Leadership, and the ability to make the right financial decisions is obviously lacking at the moment.

Summary of key concerns about WBC financial management (further details below):

- 1) Lack of urgency and willingness to get annual accounts fully audited and signed off in a timely manner.
- 2) Resistance to using accounting standards properly as laid down in the CIPFA Code of Practice, such as MRP and IFRS 9.

- 3) Refusal to invest within stated purposes and in accordance with PWLB loan regulations.
- 4) Lack of transparency and avoidance of scrutiny by the excessive use of secret Part 2 council committee meetings held behind closed doors and the frustration of Freedom of Information (FOI) requests.
- 5) Investment without proper due diligence and on guaranteed loss-making deals.
- 6) WBC CEO as director of Together Energy, along with councillors acting as shadow directors actively trading whilst insolvent.

The statutory duties of S151 Officer Lynton Green to ensure the proper administration of WBC's financial affairs have therefore apparently been breached. Steven Broomhead as CEO of the Council should not have allowed the S151 Officer to breach his duty and wilfully refuse to provide information to both the auditors and the public.

The following CIPFA Standards of Professional Practice have been breached, in particular:

"15.4 Provide timely advice with due care and diligence.

15.5 Adhere to the financial regulations of their employing organisations.

15.6 Recognise and act on the need for effective internal controls to provide accountability.

15.7 Keep records which meet legal and audit requirements.

The CIPFA requirements for budgetary planners have also been breached:

"4.1 Ensuring efficient and effective use of resources.

4.2 Maintaining sound internal control.

4.3 Assisting in sound management decision-making.

4.4 Demonstrating accountability

4.5 Taking remedial action where needed.

Good budgetary planning and control is key to all these areas."

[Standards-of-Professional-Practice-V2.pdf](#)

Details of Key Financial Concerns:

1) Auditing and sign-off of annual accounts

The last set of WBC accounts which were partially audited were for the year 2018/19. Apart from the 'adverse value for money conclusion', auditors Grant Thornton were forced to place a 'limitation of scope' on their opinion, as WBC refused to supply sufficient information about its £87.4 million loans to its three solar farms to achieve an assessment of credit risk in accordance with IFRS 9.

The status of WBC audited accounts is therefore as follows:

2018/19 – partially signed off due to non-disclosure of information to the auditor.

2019/20 – not signed off.

2020/21 – not signed off.

2021/22 – not signed off.

2022/23 – not signed off.

2023/24 – not signed off.

Here is an excerpt from the conclusion of Grant Thornton's 2018/19 Audit findings report:

Conclusion

The audit is now complete and throughout the audit we have had regular and on-going dialogue with officers on the key accounting issues. Our audit has identified errors that have been adjusted by the Council. Further details are provided at Appendix C.

Our audit opinion was modified with a limitation of scope imposed by management. We have not been able to obtain sufficient and appropriate evidence concerning the events after the reporting period disclosure note. Management have chosen not to provide us with the necessary information to assess whether the loans to solar farm companies are materially impaired or not.

We also issued an adverse value for money conclusion. Our findings and recommendations are set out on pages 30 to 36. In line with the matters raised in the prior year, this is due to several weaknesses we identified within the Council's arrangements in place during 2018-19 to ensure financial sustainability and to manage financial risk such as the:

- adequacy of the Council's MRP policy,
- arrangements to ensure compliance with the Prudential Code, and
- monitoring and reporting of investments.

This was also reported in the Financial Times:



The screenshot shows a news article from ft.com. The headline reads: "Warrington Council refused to hand over key information to auditor". Below the headline, a sub-headline states: "Grant Thornton restricted from reviewing part of local authority's books". A small image of a covered walkway with people walking through it is shown. A caption below the image reads: "Warrington is one of a number of local authorities that have ploughed money into speculative ventures over the past decade" and credits "© Jon Super". At the bottom of the article, there are social media sharing buttons for X, Facebook, LinkedIn, and Save, and a byline: "Robert Smith in London and Jennifer Williams in Manchester".

The recording of the Audit Report to Audit & Corporate Governance Committee meeting of 12th April 2024 is attached below, which illustrates the defensiveness of Council officers and the deferential attitude shown by Labour committee members to the officers, reflected in the Report at 4.19 which says: *"Key decisions have been disproportionately influenced by a small group of officers, particularly the S151 officer and their current deputy".*

Some of the main points on the recording are:

02.40 Auditor says it will give a "modified opinion" (which is a rare occurrence for local authority accounts) due to "limitation of scope" lack of information on post-balance sheet events over loans to solar farms.

04.42 Auditor: Adverse value for money conclusion.

10.42 Confirmation valuation of Redwood Bank shares was overstated - was £30.4m originally in accounts, but will be reduced to £4.3m.

21.00 Labour Cllr Steve Parish mentions his previous "jobs for the boys" comment directed at the auditor. Asks if the limitation of scope is caused by accounting standards applied retrospectively.

29.40 Conservative Cllr Ken Critchley asks why officers have decided not to provide the auditors with information about whether the solar farms are impaired or not. S151 officer Lynton Green replies.

47.30 Cllr Ken Critchley on MRP concerns.

1.00.24 IFRS9 concerns. Lack of preparation issues.

1.13.20 Cllr Ken Critchley objects that Annual Governance Statement doesn't refer to the two 'adverse value for money' findings.

1.34.05 S151 Officer Lynton Green says the accounts have been "audited to death" by the auditor. He says that these have been audited by Grant Thornton and are a true set of accounts.

1.39.45 Lynton Green talks through the Letter of Representation which he is due to sign to say WBC has given Grant Thornton access to everything required by them. Cllr Ken Critchley replies to say surely the letter should be amended and say that it is access to everything apart from the requested information about the solar farms. The auditor says that he would not object to the letter stating that full disclosure hadn't been given on the solar farms.

Link: <https://youtu.be/aI3cZ6foM-Q?si=ITDCseYUIEs1RZA9>

Since the incomplete 2018/19 Audit discussed at the April 2024 Audit & Governance Committee meeting, the subject of “External Audit” and/or “External Audit Progress Report” have not even featured in the agenda for any subsequent Audit & Governance committee meetings.

We note also point 3.94 of the Report which says that following Grant Thornton’s resignation as auditors, the new auditor for the period from 2023/24, Mazars, are “unable to take up their appointment until the issue of the four intervening years is resolved. At the current time it is unclear when any appointment for this period will be made”.

This is unacceptable. We believe intervention by Government commissioners is necessary to correct the audit situation swiftly.

2) Failure to follow accounting standards and guidance

Warrington Borough Council was warned about its approach to MRP, the provision required when local authorities borrow to finance their capital expenditure, as early as 2019. In an interview with online Room 151 magazine, S151 Officer and Deputy CEO Lynton Green was reported as saying: “*We don't want to pay twice for the debt by paying MRP on properties whose value hasn't dropped. These investments are held for the potential of a future sale.....It just means that if we sell a property after five years and are able to pay off the debt, we won't have wasted money on paying unnecessary MRP, the debt would be covered by the capital receipt*”

[Warrington warned over MRP approach 'risk' - Room151](#)

This cavalier attitude to MRP meant that it took the intervention of a STWCD member in a formal complaint to the auditors to get Grant Thornton to threaten WBC with a statutory recommendation to change their policy and apply MRP as per statutory guidance.

WBC officers were forced to backed down in the Spring of 2022 and to allocate £10.7m in backdated MRP payments that should have been made from 2018-19 on its commercial investments. This illustrates that the warnings in the LGA's 2019 Peer Review were cynically ignored by the WBC S151 officer, Lynton Green.

From Grant Thornton's 2018/19 Audit report:

Financial statements			
Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £2.734m (PV £0.275m)	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in capital regulations and statutory guidance.</p> <p>The year-end MRP charge in 2018/19 was £2.734m.</p> <p>The Council has been able to reduce its MRP charge during the year by applying a £5.668m discount under the straight-line method or £5.328m discount under the annuity method, resulting in previous overprovisions of MRP. This relates to an exercise during 2015/16 when it was deemed prudent to unwind a £15.8m overprovision of MRP over a 4-year period which management considered prudent at the time.</p>	<p>As part of the prior year audit, we challenged the Council's MRP policy as, in our view, the policy did not clearly state why the Council was departing from the Statutory Guidance on MRP or mention the Guidance at all in relation to the property investments. This issue equally applied to the 2018/19 financial year.</p> <p>The Council's original calculation of MRP for 2018-19 did not include any charge on debt funded investment properties. This departure from the statutory guidance could lead to material misstatement in the charge made by the Council over the expected life of investment assets into the future. As a result, we did not consider future MRP charges to be prudent.</p> <p>After proposing to issue a statutory recommendation on this issue, the Council revised its MRP policy in early 2022. The Council has agreed to retrospectively apply the policy to the unaudited accounts from 2017/18 onwards. This change has increased the MRP charge from 2018/19 onwards.</p> <p>We have followed up our prior year recommendation relating to MRP on page 43.</p> <p>Whilst the Council's revised MRP policy uses on the available options in the statutory guidance to charge on an annuity basis, in our view, it would be more prudent to use one of the other options (straight-line basis) given the type of assets and associated revenue streams. Also, we believe that the Redwood Bank investment would have been in 2018/19. Under the straight-line method and including a charge on Redwood Bank, the MRP charge would be £2.916m higher than that calculated by the Council. However, this is partially offset by the Council charging more than they had calculated under an annuity method in the accounts by £0.346m. Although we do not consider this to be a material issue, the Council's calculation of the MRP is now compliant, we believe the estimate would be more prudent if it was increased by £2.570m.</p>	Whilst the estimate is not materially misstated in 2018/19, the Council's original MRP would have led to a material misstatement over the expected life of investment assets.

There remains the issue of WBC's MRP charge on its shares in Redwood Financial Partners (owners of Redwood Bank) which will need to be addressed before any outstanding accounts can be signed off by auditors. We do not consider that the senior council officers and Cabinet and present Audit Committee members are capable of carrying this out swiftly.

The Council's proposal is that the MRP charge on Redwood shares should be charged over a period of 45 years while statutory MRP guidance recommends the charge to be made over 20 years when an investment has been made in share capital such as the investment in Redwood bank. Details were included in the WBC Treasury Management Strategy 2024-25 <https://www.warrington.gov.uk/sites/default/files/2024-05/2024-25%20Treasury%20Management%20Strategy%20%28April%202024%29.pdf> (see clip below on Redwood):

21.14 **Redwood Bank** - The council has also noted that the likely life period of their equity holding in Redwood Bank will be considerably longer than might apply to more common forms of share capital acquisitions, which are likely to be more representative of investments rather than assets that provide an economic regeneration. For this reason, the council has determined it will depart from the wording of the Guidance, which suggests a 20-year life period, and agreed that it would be prudent to determine a 50-year life period for this asset in recognition of the anticipated benefit period. The council will thus charge MRP on the asset over 45 years to reflect the previous 5-year MRP holiday the Council have previously taken.

Paying MRP over 45 years will mean that our children and grandchildren will still be paying for this foolish "investment" for which they did not vote for many years to come. Again, this is unacceptable behaviour by Council officers which is likely only to delay further the sign-off of accounts by the auditors.

The Inspectors noted the impairment of over £26 million in the value of Redwood shares and the departure from statutory guidance in the charging of MRP on Redwood in the Report at 3.91.

The failure of WBC officers to comply with IFRS9 as required by CIPFA for the 2018/19 accounts is detailed in Section 1 "Auditing of accounts" above.

3) Refusal to invest within stated purposes and according to PWLB regulations

In point 3.33 of the Report the Inspectors make the very serious observation that:

"Whilst several older property acquisitions were acknowledged as solely for the purpose of generating income, several more recent very large out of area transactions have been portrayed as for regeneration purposes. No substantial evidence has been provided to prove this and we have heard and seen recorded views that a number were solely for income generation. In at least one instance, this may be in breach of PWLB guidance for eligibility to borrow. They would equally fall outside of the various codes and investment guidance with which the council reports that it complies."

Examples of loans which show no specific regeneration benefits to Warrington are the £75.5 million loan to Salboy (September 2021) for residential property in Manchester and the £202 million loan facility to Icon3 Holdco Ltd (wrongly reported in WBC papers as The Hut Group THG).

Salboy September 2021

As mentioned in Appendix B of the Report, the £75.5 million loan to Salboy was for a residential development in central Manchester. This appears to be against PWLB lending terms in force from November 2020 to prevent PWLB loans being used to fund investment assets primarily for yield.

In Appendix B Inspectors state that: *“The DD [due diligence] appraisal notes that there were 4 similar offers from lenders available to the Hut Group thereby evidencing that there was no market failure and hence no regeneration benefits flowing from the Council investment (as the market would deliver any growth in jobs etc.).”*

Icon 3 Holdco (The Hut Group)

Warrington Borough Council's biggest ever loan facility of £202 million was approved by the Cabinet in October 2020. Council papers, obtained via a FOI request by the Financial Times after a complaint to the Information Commissioner's Office, stated incorrectly that the borrower was The Hut Group (THG) a public company listed on the Stock Exchange. However, the loan was actually made to Icon 3 Holdco and three related borrowers - all privately owned by Matt Moulding.

At 3.19 of the Report, the Inspectors comment as follows: *“Whilst the Hut Group Loan and BT office development were legally completed ahead of the change in PWLB rules, they would appear to represent instance of schemes whose purpose was to generate yield and contrary to the prudential and treasury codes and central government's investment guidance - all of which the council's stated strategy is to comply with. Even if it had been the case that there was a degree of regeneration benefit it would be hard to argue that this was proportionate to the level of investment and risk involved.*

In July 2023 it took just 90 seconds for the WBC Cabinet to approve the novation of £128 million of the loan to a tax avoiding start-up company in Jersey called SLBI Propco. The title of the Cabinet meeting report was “REGENERATION LOAN UPDATE” but no explanation of how the novated loan would be used for regeneration in Warrington was given at the meeting, nor were any questions asked about how the money would be used. Here is a video clip of the meeting: https://youtu.be/aKv8swV0vlo?si=juq_FMv5veWtljOD



No questions were asked during the public part of the meeting, although we doubt from watching the clip that any Cabinet member actually understands what the proposal means, as they ask no questions. It is the present Council Leader Hans Mundry seconds the proposal.

In December 2022 WBC CEO Steven Broomhead was quizzed about the Icon 3/Hut Group loan by a reporter from local online newspaper Warrington Worldwide. Professor Broomhead is disdainful and dismissive about critics of WBC's investment policy in his replies and seems to care very little that the wrong company name was quoted in Council reports. He calls critics "amateur members of the City" whom he would prefer to be "watching Rugby League" We do not believe this defensive attitude towards scrutiny can facilitate change within the Council.

(video link here: <https://youtu.be/5AiHJmSBv2s?si=0R62wNSS-Bh312H6>).



4) Lack of transparency – Part 2 meetings and frustration of FOI requests

Far too many commercial decisions have been taken by WBC in secret Part 2 meetings with the excuse of "commercial confidentiality". Labour councillors do not challenge officers or the Council Leader about this and show little concern for the lack of transparency.

By way of an example in the clip below, at the May 2024 Cabinet meeting, just after the local elections, the then Legal Officer Matthew Cumberbatch states to Cabinet members the reasons for discussing the WBC solar farms in Part 2 and then this is passed unanimously with no questions asked or objections raised. To put this into context, this was the first Cabinet meeting after the 2018/19 Audit Report in which the auditors confirmed WBC had refused to disclose required information about the £87.4 million solar farm loans. The solar farms are also wholly owned by WBC, so the reason for so much secrecy is dubious.

The explanation of Part 2 items is from 6.24 onwards here:

<https://youtu.be/8aKUwGAiz0c?si=vz06gCBfWvD0gSb7>



In a similar lack of transparency, responses to FOI requests are delayed and often refused for spurious reasons. The FOI request from a STWCD member about the reasons WBC chose to invest in the Scottish energy company Together Energy was refused, even though the company had already been in administration for nearly two years, on the grounds of “commercial prejudice”. (See response overleaf).



Professor Steven Broomhead
Chief Executive

Lynton Green
Deputy Chief Executive &
Director of Corporate Services

East Annex
Town Hall
Sankey Street
Warrington
WA1 1UH

11th December 2023

Ms J Leotardi
Email: request-829938-
536768a1@whatdotheyknow.com

Our ref: FOI/CORP/3706

Dear Ms Leotardi,

Freedom of Information Act Request: Together Energy

We apologise for the lateness of our response to your Freedom of Information request; a recent audit has revealed that it was unanswered and we wish to ensure that 100% of requests are responded to.

Please see the response to your enquiry outlined below.

Could you supply me with the following:

- 1) Any direct correspondence from WBC CEO Steve Broomhead to any councillor member of the WBC Cabinet advising on the suitability or otherwise of Together Energy as an investment vehicle for WBC (including but not restricted to the initial decision to buy a 50% stake in the company, the initial loan granted to TE, the further revolving credit facility loan given to TE and the Orsted Guarantee).**

In respect of the paper provided to the informal meeting of the Cabinet, the Council has considered the disclosure of this information however the Council is withholding disclosure of this information on the basis s.36(2)(b) FOIA.

Under this exemption information is able to be withheld where:

"if in the reasonable opinion of a qualified person disclosure of the information under this Act:-
(b) would, or would be likely to, inhibit:-
(i) the free and frank provision of advice, or
(ii) the free and frank exchange of views for the purposes of deliberation."

In this case the papers provided prior to Cabinet consist of officers views on the investment in Together Energy for the purposes of discussion and deliberation, prior to the Cabinet's decision.

The ICO's guidance on the use of this exemption refers to the "chilling effect" argument i.e. that disclosure of discussions would inhibit free and frank discussions in the future, and that the loss of frankness and candour would

damage the quality of advice and deliberation and lead to poorer decision making. This is particularly the case where the discussions relate to a live matter, as is the case in this instance.

Whilst the Council has undertaken many investments, all follow due diligence processes and consideration of risk. Risk workshops, external advisors and many internal meetings take place to consider projects where the Council may invest funds and such projects continue to be considered as does the due diligence and risk assessments. These projects require candid, direct and sometimes robust discussions both in person and in writing. In this case it is considered that there is a 'real and significant' chance of prejudice to those exchanges occurring by allowing the request for information, even if it cannot be said that it would be more likely than not.

It is also noted that the administration process for Together Energy continues, however the final outcome concerning the investment is not known at this stage and the administrators have been clear in requesting that any information that could be commercially sensitive remain. The Council is committed to publishing information however we do not consider that it is in the public interest to place information into the public domain during the time when:

- There is a need for all parties to have free and frank internal discussions and debates/protecting "internal thinking space" of organisation;
- Preventing premature disclosure of matters when the final outcome of the investment remains uncertain;
- Allowing the proper running of the organisation in accordance with established practices; and
- Allowing policy makers to take and advisers to give free and frank advice.

This exemption is subject to Qualified Person within the authority confirming that this exemption is engaged. In this case the Qualified Person has confirmed that it is, the rationale for applying this exemption being that the disclosure would clearly inhibit the provision of advice and the exchange of views and as such would impair the quality of decision making by the public authority in the future, should officers candid views or advice be likely to be disclosed in the future. On this basis the information is therefore withheld primarily on the basis of both (b) (ii) and secondarily (b)(i)."

Application of the Public Interest Test

The Council recognises there is a strong public interest to demonstrate openness, transparency and accountability to allow the public to understand decisions and processes which impact upon council resources and where

public money is being spent and facilitate scrutiny. It is acknowledged that the subject matter of the request has caused particular public interest.

However in this case it is considered that the significant importance of the need for free and frank discussions on such matters where there is investment of high value and that such discussions should be able to continue as the council proceeds on other matters. It is also believed that scrutiny and accountability of the decisions for this investment will be made when the outcome of the administration is concluded. The public interest test, set out in section 2(2) of the Act, is whether in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Having considered the public interest test above, and all of the information the Council is satisfied that on balance the public interest in this case rests in the exemption being applied.

2) The full version (including Part 2 details) of the "Energy Company Investment Report" dated 9/9/2019. N.B. This document is mentioned in the list of background papers at the end of the Agenda for the Extraordinary meeting of the full WBC scheduled for 9th February 2022.

The Council has considered the information and is of the view that information is exempt pursuant to s.43(2) FOI. This confirms that an authority is able to withhold information on the basis of commercial prejudice i.e. that disclosure of information which would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it). As such the Part 2 report is withheld in its entirety.

It has also considered the same in respect of the interests of Together Energy as well as other parties such as other creditors of Together Energy. To that extent, and as recommended in the ICO's guidance when considering third party interests, the Council has also consulted with its advisors.

The Council, Together Energy and the Council's advisors each have legitimate concerns that disclosure of information within the documents requested will be prejudicial to their respective commercial interests and/or carry a real and significant risk of commercial prejudice to those interests. Disclosure of the information would lead to commercial harm to the Council and Together, as well as potentially other creditors.

In the context of the Council, it would reveal detailed terms, including our respective risk appetites, what would be unacceptable on a diverse range of highly sensitive factors. This would undermine our future ability to negotiate similar deals. In respect of the Council in particular this would negatively affect the Council's ability to drive best value in future negotiating situations. Furthermore, the Council considered that releasing the report could prejudice the final decisions taken by the administrator dealing with the administration of Together Energy in being able to determine the split of remaining assets and liabilities.

Application of Public Interest Test to s.43(2) exemption.

Although there is a clear public interest in openness, this does not override all other considerations.

The Council has carefully considered the nature of the information sought and has decided that the public interest would not be served by making disclosure of the all material and has therefore redacted such information which is *prima facie* determined to be within the scope of the s43(2) exemption for the following reasons:-

- The public would not, in the Council's considered view, expect the full underlying details of private commercial arrangements such as these to become publicly available. This could be contrasted with the disclosure of the key details of a contract relating to the provision of frontline public services.
- Notwithstanding the commitment of public money, the public would expect the commercial interests of the Council to be protected so that they are both able to continue seeking future opportunities. To disclose the key details could significantly undermine the Council's ability to continue.
- The Council after due consideration has not identified any overriding reason which suggests that the public interest would be served by disclosing the information requested.

The Council has therefore decided to the withhold information, on the basis that the balance of the public interest favours maintaining the exemption at s.43(2) of the FOIA.

If you are not satisfied with the Council's response to your request for information, you may ask the Council for an internal review of this decision. To do this, you should provide details of your complaint by emailing foi.internalreviews@warrington.gov.uk, or write to FOI Reviews, East Annex, Town Hall, Sankey Street, Warrington, WA1 1UH. You should do this as soon as possible, or, in any case, within 40 working days of the date of our response to your request.

If, following the outcome of the internal review, you remain dissatisfied with the Council's response to your information request, you have the right under section 50 of the Freedom of Information Act 2000 to appeal to the Information Commissioner at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow

Cheshire
SK9 5AF

Telephone: 0303 123 1113
Fax: 01625 545 510
Email: enquiries@ico.gsi.gov.uk

Yours sincerely,



Lynton Green
Deputy Chief Executive & Director of Corporate Services

Another FOI request about the “bricks and mortar” security held on the £30million loan to Auxesia Homes was refused on grounds of data protection (see response overleaf). The FOI request was prompted by the Government Regulator of Social Housing publishing a Regulatory Notice in relation to Auxesia Homes in December stating that it was non-compliant with the Governance and Financial Viability Standard and had failed to demonstrate that it had an appropriate, robust and prudent risk and control framework in place to ensure sufficient liquidity at all times. This failing should have been identified during the Due Diligence stage. (See reply overleaf).



WARRINGTON
Borough Council

Professor Steven Broomhead
Chief Executive

Claire Harris
Deputy Director Finance

Ms J Leotardi
Email: request-1030895-
34159339@whatdotheyknow.com

East Annex
Town Hall
Sankey Street
Warrington
WA1 1UH

24th October 2023

Our ref: FOI/CORP/4276

Dear Ms Leotardi,

Freedom of Information Act Request: Security on WBC Loan to Auxesia Homes

Thank you for your email of September 24th 2023 requesting information about Security on WBC Loan to Auxesia Homes.

Please see the response to your enquiry outlined below.

In January 2022 WBC Cabinet approved a £30 million loan for Auxesia Homes. Cabinet papers stated that the loan and revolving credit facility would be fully secured and Deputy Council Leader Cllr Cathy Mitchell confirmed in a recent written reply to Cllr Ken Critchley that the Auxesia loan is secured against property.

However, I cannot see any charges in favour of WBC on the Auxesia Homes profile on the Companies House website. Can you therefore give me details of exactly which properties the Auxesia loan is secured against and the mechanism by which WBC is holding the security.

The loan to Auxesia Homes is a secured loan with the security held on behalf of the Council by the Council's Security Agent.

Section 40(2) of the Freedom of Information Act (FOIA) states that the personal information of a third party must not be disclosed, if to do so would contravene any of the data protection principles.

"Personal data" is defined under section 3(1) of the Data Protection Act 2018 as any information relating to an identified or identifiable living individual.

Releasing the detail of which homes the loan is secured against could put the confidentiality of the tenants at risk and they have an expectation that their information and addresses would remain confidential and not released into the public domain.

The data protection principle that is most likely to be relevant is the first principle of the DPA 2018 which states that personal data must be processed in a lawful,

fair and transparent manner. If the processing (in this case the disclosure) would not be lawful, fair and transparent then it would contravene the first DPA principle, and the information is then exempt from disclosure under FOIA section 40(2).

The Council takes the following factors into account in deciding whether disclosure is fair:

- whether the requested information is sensitive personal data;
- the consequences of disclosure;
- the data subject's reasonable expectations of what would happen to their personal data;
- the balance between the rights and freedoms of the data subject and the legitimate interests of the public.

The Council has determined that it would not be fair to disclose the requested information.

Accordingly, the Council is refusing your request under section 40(2) of the FOIA.

If you are not satisfied with the Council's response to your request for information, you may ask the Council for an internal review of this decision. To do this, you should provide details of your complaint by emailing foi.internalreviews@warrington.gov.uk, or write to FOI Reviews, East Annex, Town Hall, Sankey Street, Warrington, WA1 1UH. You should do this as soon as possible, or, in any case, within 40 working days of the date of our response to your request.

If, following the outcome of the internal review, you remain dissatisfied with the Council's response to your information request, you have the right under section 50 of the Freedom of Information Act 2000 to appeal to the Information Commissioner. Their requested primary way of contacting them is through this webpage: www.ico.org.uk/foicomplaints. Alternatively they can be contacted via the details below:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Telephone: 0303 123 1113
Fax: 01625 545 510
Email: icocasework@ico.org.uk

Yours sincerely,



Lynton Green
Deputy Chief Executive & Director of Corporate Services

There are numerous other FOI requests which have been delayed or refused, particularly on WBC's claim that its investment policy generates £23 million per item. Requests for an itemised breakdown of annual revenue less asset cost, loan interest, legal and consultancy costs and overheads for each individual investment have routinely been refused on the grounds that they are too time consuming.

In a December 2024 interview by Warrington Worldwide (see link below), WBC CEO Steven Broomhead claimed that Warrington's Own Buses is wholly owned by the Council. This is incorrect. As documents filed at Companies House show, WBC own nearly all the shares in Warrington Borough Transport Ltd (trading as Warrington's Own Buses), but one ordinary share is owned by Steven Broomhead and a Class A share is owned by Ben Wakerley who is Managing Director of the company.

The Inspectors mentioned this in the Report at 3.57. They commented: "*The chief executive also personally holds a single share in Warrington Borough Transport Limited. While technically lawful, this raises significant perception issues. To external observers, a council official owning equity in a council enterprise is hard to justify. When requested, we were not provided with any legal reason why this should be the case.*"

Full details of Shareholders

The details below relate to individuals/corporate bodies that were shareholders during the review period or that had ceased to be shareholders since the date of the previous confirmation statement.

Shareholder information for a non-traded company as at the confirmation statement date is shown below

Shareholding 1: **1 ORDINARY shares held as at the date of this confirmation statement**
Name: **S. BROOMHEAD**

Shareholding 2: **1 A SHARE shares held as at the date of this confirmation statement**
Name: **BEN WAKERLEY**

Shareholding 3: **3387999 ORDINARY shares held as at the date of this confirmation statement**
Name: **WARRINGTON BOROUGH COUNCIL**

We suspect that the reason Professor Broomhead and Ben Wakerley hold the shares is to block potential FOI requests on the grounds of potential prejudice of the commercial interests of a person. No reason for the two non-WBC shares has ever been provided to us by the Council

5) Investment without proper due diligence and on guaranteed loss-making deals

In 3.30 the Inspectors say:

"There is evidence that due diligence reports from external parties which identify heightened risks were not followed in entering some decisions."

One clear example of this is **Together Energy**. Warrington Borough Council's own 2022/23 draft accounts admit that at the time of going into administration in January 2022, the Council faced a potential liability of £66.17million, consisting of a £29.32m Orsted (energy supplier to Together Energy) guarantee, £18.85m of loans, £18m of preference share capital. No Council officer nor Cabinet member should ever have allowed the Borough of Warrington to find itself in such a precarious position. The present CEO of WBC, Steven Broomhead was a director of Together Energy and as late as October 2021 the then Council Leader was saying that "*Together Energy is really strong. The company is performing strongly*".

However, it should have been crystal clear to anyone carrying out due diligence on Together Energy before its acquisition by WBC that the company was technically insolvent – here is the 2019 Balance sheet from the Companies House website:

TOGETHER ENERGY LIMITED			
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 OCTOBER 2019			
	Period ended 31 October 2019	Year ended 31 August 2018	
Note	£	£	
Turnover	4 88,108,446	35,994,382	
Cost of sales	(83,573,014)	(35,108,551)	
Gross profit	4,535,432	885,831	
Administrative expenses	(17,050,562)	(7,517,353)	
Other operating income	5 431,581	-	
Operating loss	(12,083,549)	(6,631,522)	
Interest receivable and similar income	10 738	52	
Interest payable and expenses	11 (180,142)	(267,236)	
Loss before taxation	(12,262,853)	(6,898,706)	
Tax on loss	12 848,589	35,835	
Loss for the financial period	(11,414,364)	(6,862,871)	
Total comprehensive income for the period	(11,414,364)	(6,862,871)	

The notes on pages 17 to 40 form part of these financial statements.

The "Going Concern" section in Together Energy's 2019 accounts also showed that it would have been insolvent were if not for the cash injection from WBC:

2.3 Going concern

The Group has incurred a loss for the year of £11,414,364 (2018 - £6,862,871) and has net liabilities of £19,005,157 (£7,590,793). During the year a shareholder invested £18,000,000 in preference share capital, and this is currently shown within creditors: amounts falling due after more than one year, rather than equity, as a result of the liability element on these shares. Had the shares been equity in nature, the net liability position of the business would have been £1,755,495 at the period end date, a positive movement of £5,835,298 on the prior year results.

This welcome inward investment in share capital, together with a further loan of £4,000,000 and an upward movement on the gross margin achieved on sales, has provided positive cashflow for the Group in the period. This has allowed the directors to manage the business through a period of transition and look towards the future.

There is no valid reason we can see why WBC chose to invest £18 million in a technically insolvent company in Scotland and then lend it a further £18 million to buy another bankrupt company (Bristol Energy).

Despite this, at a Cabinet meeting in September 2021 Labour Councillor Tony Higgins, who remains a Cabinet member, gave a speech condemning critics of WBC's financial strategy and claiming that all investments underwent thorough due diligence, passing through the "eye of a needle". Link here: <https://youtu.be/DCG7rDrdJcl>



Just some of the many dubious high risk investments which appear to have been made without appropriate due diligence include:

- a) **Auxesia Homes** (mentioned above). Auxesia is not a Warrington building company and as noted above, was reprimanded by the industry watchdog for poor financial management. They were already in financial difficulty when WBC approved a loan to them of £30 million. Auxesia claimed to provide affordable housing for key workers – nurses and ex armed forces. To date they have not provided a single property in Warrington for our key workers.
- b) **Mailbox Birmingham** - WBC officers invested £10 million of council taxpayers' money (without WBC Cabinet approval) in shares in an under-capitalised start-up company, Mailbox REIT Plc in 2020. Mailbox Plc took out a huge loan to buy a

single property, the Mailbox building, in Birmingham. WBC was then reported as standing to lose £8.6m on this deal as the company defaulted on its loan from Deutsche Bank. Council papers and a December 2023 WBC press release said that the Council "used cash reserves to purchase bonds in the successful mixed-use Mailbox development in 2021". However these were not bonds (which would make WBC a secured creditor), these were ordinary shares - a much riskier investment.

At the Audit & Governance Committee meeting at which the Mailbox investment was discussed, the S151 Officer Lynton Green walked out when challenged by Conservative Councillor Ken Critchley and the now Deputy S151 Officer Danny Mather accused Councillor Critchley of staring him out and pointing a pen at him. This is not the sort of reaction which officers should have to legitimate questions over large investments.

Here is the video link: <https://youtu.be/rSbDwDmYU00?si=T1hzgt7Jxck9kRmk>

- c) **Technology Enhanced Oil** – In 2022 WBC invested Treasury money in a bond for £9.4 million in a Texan oil company. The company did not perform well and the bond had to be converted into shares, which meant that Warrington council taxpayers' money was tied up overseas and not being used for local services. The company has now failed and investors including WBC are in agreement to accept an offer to liquidate their investment. The Inspectors note in their Report in Appendix B that the Due Diligence report:

"went on to record risks around lack of profitability:

- The Issuer has not been profitable on a cash flow or earnings basis to date.*
- Decline in oil prices: TEO would be negatively affected by a decline in oil prices."*

These are all reasons why the S151 Officer Lynton Green should not have been allowed to proceed with these investments by WBC CEO Steven Broomhead. As the Report says at 3.34: *"The approach adopted for a substantial part of the council's treasury operation has not matched the council's stated requirement for security and liquidity."*

6.Trading whilst insolvent.

It appears that the WBC CEO as director of Together Energy, along with the then WBC Leader Councillor Russ Bowden and Deputy Leader Cathy Mitchell who were acting as shadow directors were actively trading whilst insolvent (wrongful trading). The Report says at 3.56 that *"The reasons given for his [Steve Broomhead's] appointment to the board was that he was the only officer who had commercial experience. This is not a compelling argument."*

Together Energy was holding onto £12.4m of Renewables Obligations funds well beyond the due date of 31st October 2021 which the directors must have known it would not be able to pay.

Together Energy (Retail) Limited
Electricity Act 1989
Provisional Order under section 25(2) of the Electricity Act 1989

The Authority, pursuant to section 25(2) of the Act, makes a Provisional Order requiring Together to:

- 1) make a payment to the Authority in full settlement of its RO, for the obligation period of 1 April 2020 to 31 March 2021, in the sum of £11,440,979.55 plus accrued interest¹ by no later than 31 October 2021;
- 2) make a payment to the Authority in full settlement of its ROS, for the obligation period of 1 April 2020 to 31 March 2021, in the sum of £961,410.45 plus accrued interest² by no later than 31 October 2021; and
- 3) notify the Authority by email to megan.pickard@ofgem.gov.uk and melissa.granger@ofgem.gov.uk such payment(s) immediately after they have been made.

This Provisional Order will cease to have effect on 28 January 2022 unless confirmed by the Authority on or before that date.

Dated: 29 October 2021

Bizarrely on 1st November 2021 a WBC spokesman was quoted in the press as saying that the non-payment of the £12.4million debt was in the “best interests of the Company”. At that stage WBC must have known Together Energy would collapse and WBC CEO as director of Together Energy should not have allowed it to continue trading. Here is the link to the Warrington Worldwide article:

[Council satisfied non-payment of £12.5m Renewables Obligations is in "best interest" of Together Energy](#)

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Council satisfied non-payment of £12.5m Renewables Obligations is in "best interest" of Together Energy

BY GARY SKENTELBERY ON 1ST NOVEMBER 2021 10:45 AM NEWS

WARRINGTON Borough Council is “carefully monitoring” the situation but remains satisfied the non-payment of a £12.5m Renewables Obligations by energy provider Together Energy, is “in the best interest of the company.”

Together Energy finally collapsed on 18th January 2022. The company has now moved from an Administration case to Creditor's Voluntary Liquidation. It is unclear how much WBC will recoup from this failed investment. As the Report notes at 3.112 v) "it appears that at the very least the investment of £18 million equity may well need to be fully impaired".

Conclusion

In conclusion, STWCD members feel badly let down by both senior WBC officers and the Cabinet members who are guilty of financial incompetence and serious mismanagement of Warrington's affairs. For all the reasons outlined above we do not believe that continuing with the current senior officers and Cabinet members in charge can solve the grave situation.

We therefore urge you to appoint independent commissioners to take over Warrington Borough Council.

Many thanks for your time.

Yours sincerely,

On behalf of the Stop the Warrington Council Debt Group

Jacqueline Leotardi, 10 Eastgate, Runcorn, Warrington, WA1 2FB

Wendy Johnson-Taylor, 18 Mill Green, Houghton Green, Warrington, WA2 7JZ

Barry Cooper BSc (Hons) ACA, 10 Eastgate, Runcorn, Warrington, WA1 2FB

Howard Klein, Langford Mill, 15 Langford Lane (Mallard Lane to follow)

Mike Bate, 21 Chilton Road, Warrington, WA1